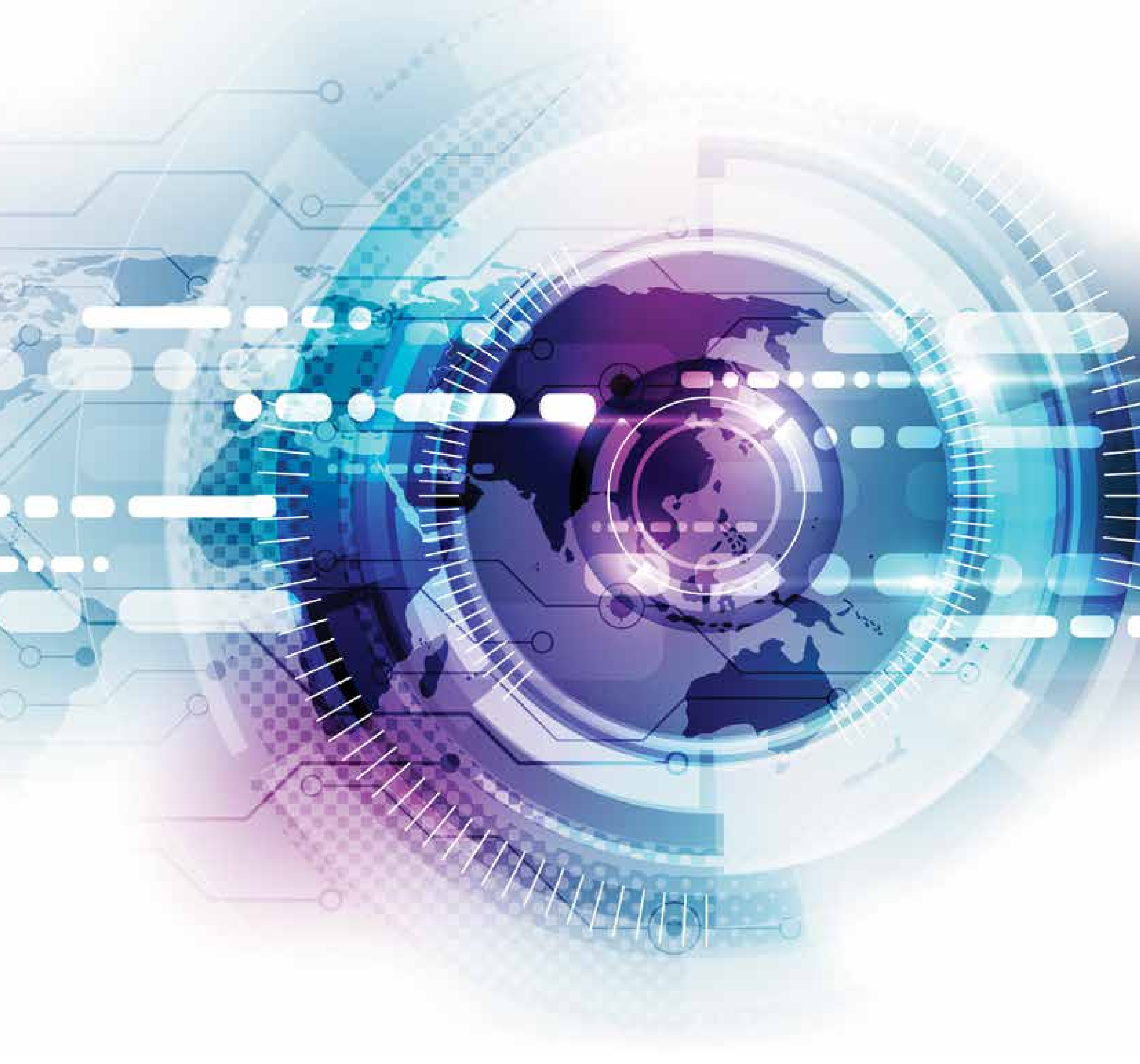
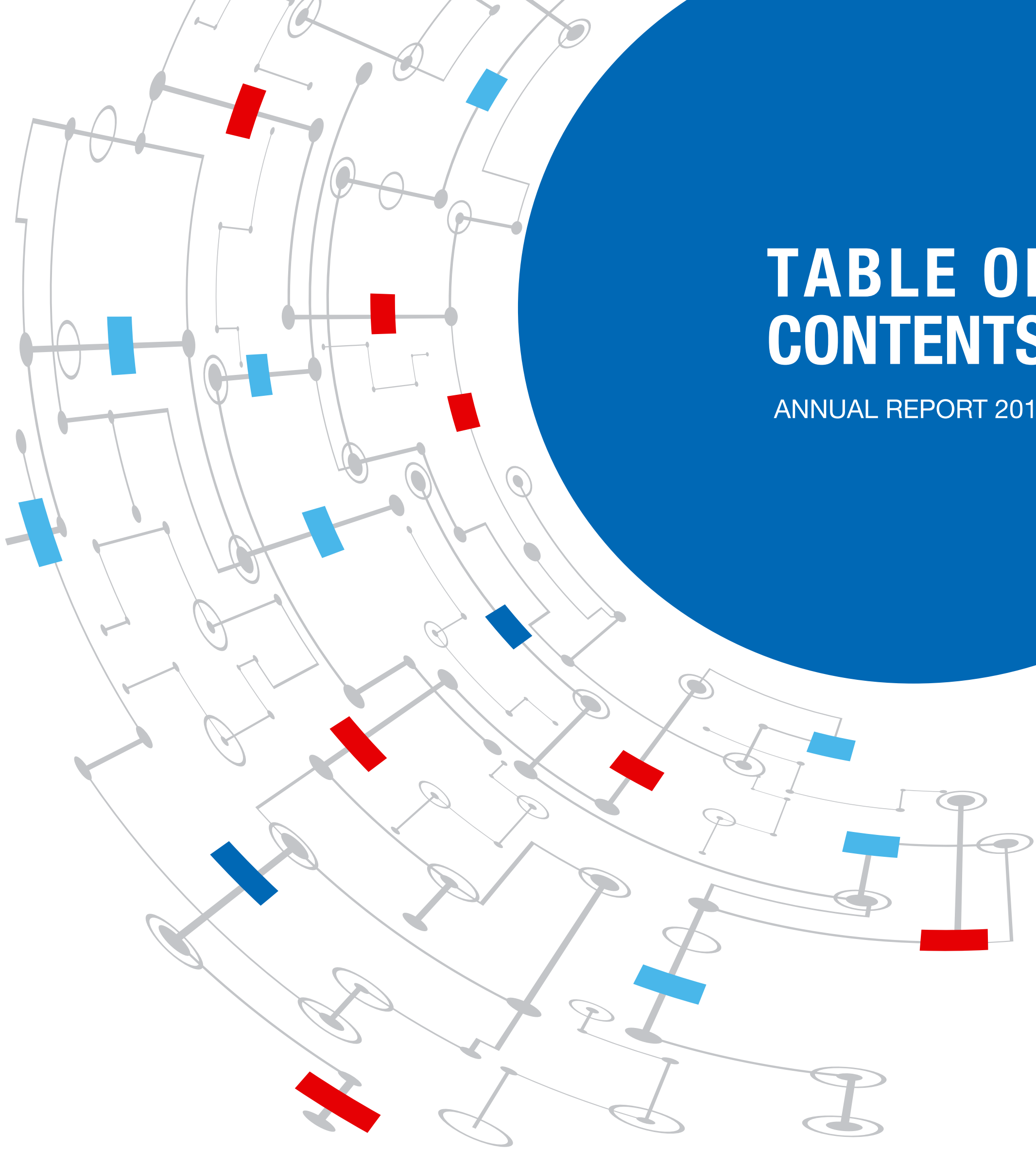
FRONTKEN

Frontken Corporation Berhad (651020-T)

ANNUAL REPORT 2017





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Corporate Information

BOARD OF DIRECTORS

Ng Wai Pin
Chairman / Chief Executive Officer

Dr Tay Kiang Meng
Executive Director / Chief Scientist

Dato' Haji Johar Bin Murat @ Murad
Independent Non-Executive Director

Aaron Sim Kwee Lein
Senior Independent Non-Executive Director

Dr Jorg Helmut Hohnloser
Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Haji Johar Bin Murat @ Murad
(Chairman)

Aaron Sim Kwee Lein
Dr Jorg Helmut Hohnloser

NOMINATION COMMITTEE

Dato' Haji Johar Bin Murat @ Murad
(Chairman)

Aaron Sim Kwee Lein
Dr Jorg Helmut Hohnloser

REMUNERATION COMMITTEE

Ng Wai Pin
(Chairman)

Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein

COMPANY SECRETARIES

Mah Li Chen *(MAICSA 7022751)*
Chew Mei Ling *(MAICSA 7019175)*

REGISTERED OFFICE

B-11-10 Level 11
Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : (03) 2166 9718
Fax : (03) 2166 9728

HEAD OFFICE

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Pusat Dagangan Phileo Damansara 1
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46350 Petaling Jaya, Selangor
Tel : (03) 7968 3312
Fax : (03) 7968 3316
Email : erichee@frontken.com
Website : www.frontken.com

INVESTOR RELATIONS

Eric Hee
Tel : (03) 7968 3312
Fax : (03) 7968 3316
Email : erichee@frontken.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : (03) 2783 9299
Fax : (03) 2783 9222

AUDITORS

Crowe Horwath (AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : (03) 2788 9999
Fax : (03) 2788 9998

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : FRONTKN
Stock Code : 0128
Reuters Code : 0128.KL
Bloomberg Code : FRCB MK

Group Corporate Structure
As At 28 March 2018

FRONTKEN

Frontken Corporation Berhad (651020-T)

100% — **FRONTKEN MALAYSIA SDN BHD**

100%	Frontken (East Malaysia) Sdn Bhd
100%	Frontken (Johor) Sdn Bhd
100%	Frontken Projects Sdn Bhd

100% — **FRONTKEN (SINGAPORE) PTE LTD**

100%	Frontship Pte Ltd
100%	Frontken Projects Pte Ltd
99.9%	Frontken Philippines Inc.
49%	Frontken (Thailand) Co., Ltd

95% — **PT FRONTKEN INDONESIA**

45% — **TTES FRONTKEN INTEGRATED SERVICES SDN BHD**

88.5% — **ARES GREEN TECHNOLOGY CORPORATION**

100%	Ares Green International Corporation

Our Vision, Mission & Profile

OUR VISION

To be a continuing improving leader in performance excellence in advanced surface coating engineering and technology.

OUR MISSION

To serve our customers with complete satisfaction which includes not only the most competitive price and fastest delivery time but also the highest technical performance and reliability for all our services and products.

OUR PROFILE

Frontken Corporation Berhad, listed on the Main Market of Bursa Malaysia Securities Berhad, has since its inception in 1996, established itself as a leading service provider of surface engineering in the Asia Pacific region. The Group's comprehensive range of services increases the efficiency and extends the lifespan of machinery and equipment, therefore improving the customer's operating and maintenance cost.

The Group utilises numerous spray coating methods and mechanical repair and services know-how to improve the operational efficiency of various industries, including the oil and gas, petrochemical, power generation, semiconductor and electronics manufacturing sectors. The Group also undertakes research and development in advanced materials and surface engineering technology to produce new and improved coatings for use in the protection against material degradation and to improve the productivity of industrial processes.

To date, the Group's customer portfolio comprises key players in the oil and gas, power generation, petrochemical and semiconductor industries in mainly Singapore, Malaysia and other countries such as the Philippines, Indonesia, Thailand, Vietnam, Taiwan and Japan.

The Group, together with its associates, has established a significant presence in the region. Furthermore, over the years, the Group has established an international network of representatives to market the Group's specialised services worldwide.

Our Services

Mechanical Restoration & Overhaul

Assessment, assembly, balancing, recovery and upgrading works on industrial rotating/non-rotating equipment such as pumps, valves, turbines and compressors, diesel engines and generators, motors and more.

Coating, Hardfacing & Plating

Protection, lifetime extension, performance and efficiency improvements via advanced surface engineering technologies such as thermal spray coating, PTA overlay, electroless plating and dry-film lubrication.

Precision Manufacturing

Quality fabrication and mass-production via aerospace standard manufacturing facility. Complementary activities include re-engineering, prototyping, assembly and integration.

Plant Engineering & Construction

Structural, mechanical and piping, electrical, instrumentation and control, equipment maintenance and overhaul, testing and commissioning for process and chemical facilities.

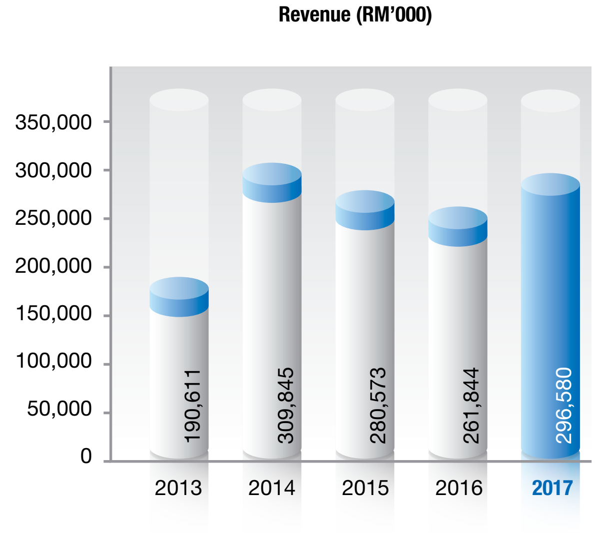
Machining & Grinding

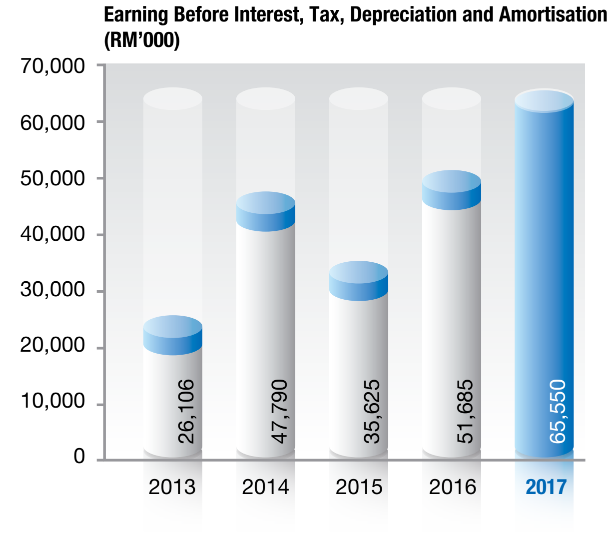
Comprehensive range of large capacity machining lathes for turning, boring and grinding of huge cylindrical components such as crankshafts and piston rods.

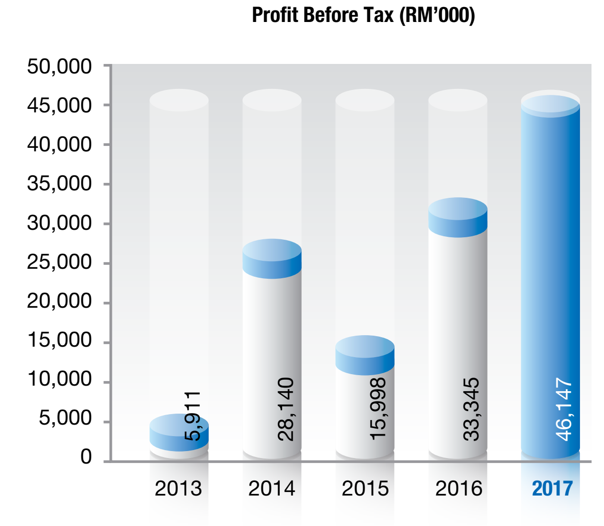
Precision Cleaning

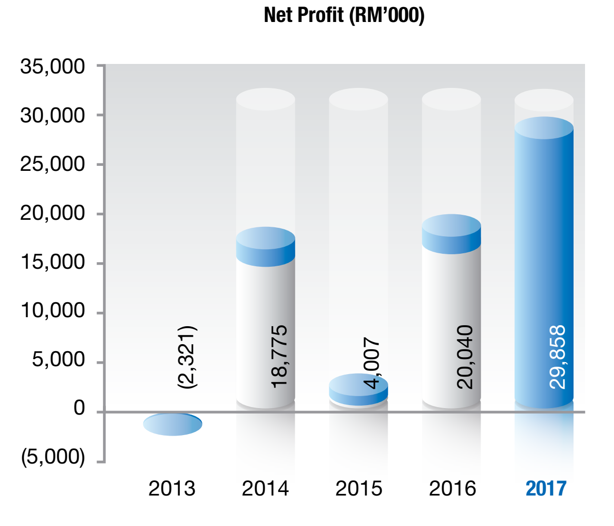
Decontamination of newly manufactured parts and routine recycling. Kit management of semiconductor manufacturing components.

Financial Highlights









SEGMENTAL REVENUE – BY CUSTOMER LOCATION (RM'000)

	2013	2014	2015	2016	2017
Singapore	59,481	42,740	35,263	38,408	46,616
Malaysia	43,600	157,893	113,398	71,166	51,054
Taiwan	63,992	90,405	107,337	125,893	168,479
Others	23,538	18,807	24,575	26,377	30,431
	190,611	**309,845**	**280,573**	**261,844**	**296,580**

SEGMENTAL REVENUE – BY INDUSTRY (RM'000)

	2013	2014	2015	2016	2017
Semiconductor	107,344	139,600	158,737	185,162	235,017
Oil & Gas	18,153	131,062	91,856	50,374	41,132
General*	65,114	39,183	29,980	26,308	20,431
	190,611	**309,845**	**280,573**	**261,844**	**296,580**

* *Comprises power generation, aerospace, marine, steel, cement, wood processing, pulp & paper, printing, agriculture, industrial manufacturing, food, construction and other sectors.*

Financial Highlights (cont'd)

SUMMARISED GROUP BALANCE SHEETS

As At 31 Dec (RM'000)	2013	2014	2015	2016	2017
Non-Current Assets	171,779	173,019	172,843	190,575	188,706
Current Assets	130,379	183,363	217,040	217,187	242,385
Total Assets	**302,158**	**356,382**	**389,883**	**407,762**	**431,091**
Share Capital	101,141	101,141	105,344	105,344	118,925
Reserves	85,162	105,663	131,211	156,266	162,675
Shareholders' Equity	186,303	206,804	236,555	261,610	281,600
Non-Controlling Interests	27,924	32,913	34,684	33,799	24,373
Total Equity	**214,227**	**239,717**	**271,239**	**295,409**	**305,973**
Non-Current Liabilities	29,484	28,341	32,331	25,420	16,061
Current Liabilities	58,447	88,324	86,313	86,933	109,057
Total Liabilities	87,931	116,665	118,644	112,353	125,118
Total Equity and Liabilities	**302,158**	**356,382**	**389,883**	**407,762**	**431,091**

SUMMARISED GROUP CASH FLOWS

Year Ended 31 Dec (RM'000)	2013	2014	2015	2016	2017
Net Cash Flows From Operating Activities	36,681	40,672	44,500	44,424	69,029
Net Cash Flows For Investing Activities	(8,010)	(21,164)	(7,386)	(35,037)	(32,078)
Net Cash Flows (For)/From Financing Activities	(34,105)	(4,426)	6,246	(18,473)	(8,389)
Net (Decrease)/Increase in Cash and Cash Equivalents	(5,434)	15,082	43,360	(9,086)	28,562
Effect of exchange differences	1,061	1,079	9,182	2,037	(6,377)
Cash and Cash Equivalents at Beginning of Year	40,787	36,414	52,575	105,117	98,068
Cash and Cash Equivalents at End of Year	36,414	52,575	105,117	98,068	120,253

FINANCIAL ANALYSIS

(RM'000)	2013	2014	2015	2016	2017
Turnover growth	5.3%	62.6%	-9.5%	-6.7%	13.3%
Profit Before Tax Growth	82.5%	376.1%	-43.2%	108.4%	38.4%
Net Profit Growth	-160.8%	909.0%	-78.7%	400.1%	49.0%
Pre-tax Profit Margin	3.1%	9.1%	5.7%	12.7%	15.6%
Net Profit Margin	-1.2%	6.1%	1.4%	7.7%	10.1%
Gearing Ratio (Net of cash) (times)	0.0	0.0	0.0	0.0	0.0
Return on Average Shareholders' Equity	-1.3%	9.6%	1.8%	8.1%	11.0%
Return on Average Total Assets	-0.8%	5.7%	1.1%	5.0%	7.1%
Loss/Earnings Per Share (Sen)					
- Basic	-0.2	1.9	0.4	1.9	2.9
- Diluted	#n/a	#n/a	^ 0.4	^ 1.9	^ 2.9

The diluted earnings per share was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be antidilutive.

^ *The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.*

Chairman's Message

Dear valued shareholders,

Welcome Note

The year 2017 had been an exciting and fruitful one where we hit a new milestone with results that demonstrate both the strength and true potential of the Group. It was a year of continued transformation towards higher performance at Frontken. We achieved commendable revenue growth followed by one of our best ever results. Our series of strategies to cultivate the foundations of nurturing and anchoring our human capital has resulted in the growth of the Group in every area.

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and its subsidiaries for the financial year ended 31 December 2017 ("FYE2017"). As part of this Annual Report, we include the following Management Discussion and Analysis to provide our shareholders with both insightful and informative details of the Group's performance and business operations.

MANAGEMENT DISCUSSION AND ANALYSIS

From start to finish / Deliver innovative and endless possibilities

Established in 1996, the Group began as Frontken (Singapore) Pte Ltd, with a staff force of 12 and a rented factory space of 1600 square meters. From then, the Group expanded to what it is today with a total work force of 1100 throughout our facilities in the Asia Pacific region with its headquarter in Kuala Lumpur, Malaysia.

To date, the Group's operating model consist of two core businesses; namely to provide technical expertise and maintenance support to the semiconductor and the engineering industries with the support of our 15 facilities within the Asia Pacific region.

The Group's customers consist of key players in the semiconductor, optoelectronic, oil and gas, power generation, petrochemical, and marine industries in Malaysia, Singapore, Philippines, Indonesia, Thailand and Taiwan. Over the years, the Group, together with its associates had established a significant presence in the industries it covers.

Review 2017

2017 was another challenging year for us; marked by global and domestic economic headwinds where markets were volatile, exacerbated by geopolitical uncertainties, unprecedented policy changes, demographic threats, and rapid technology transformation. Against this backdrop, the Group managed to weather through and made good progress on our strategy in delivering stronger operating performance by leveraging on our scale and capability.

The Group's significant investment over the past years in technology and process redesign is now not only delivering better cost efficiency but also poised to markedly improve our work quality and strengthen our position in the target industry the world over. Our clients have benefited from the Group's investment in new technology and solutions which have enabled them to also efficiently increase their product shelf life/cycle. At an organisational level, this involved a whole new area of work, including training, among other things, equipping staff with the right tools, encouraging and empowering them. This is all part of our transformation journey towards achieving the true potential of our business.

The semiconductor industry worldwide growth soared impressively and according to the Semiconductor Industry Association (SIA), the global semiconductor sales totalled USD412.2 billion in 2017, the industry's highest-ever annual sales. This resulted in the Group's semiconductor divisions in Taiwan and Singapore achieving a strong improvement in their businesses with an increase in revenue of 33.8% and 24.7% respectively compared to the preceding year.

However, the same cannot be said for the oil and gas industry where most key players were more vigilant in their investment for exploration, production and maintenance activities due to the volatile oil prices as a result of weaker demand throughout the world. Despite considerable efforts, the insipid oil and gas market adversely affected the performance of our engineering division.

Review of Financial Performance

For FYE2017, the Group's enjoyed its best ever results with higher profitability on the back of a revenue of RM296.6 million as compared to RM261.8 million in FYE2016, an improvement of 13.3%. As a result, the Group's profit after tax grew by 33.3% to RM36.4 million from RM27.3 million a year ago. Our Earnings Before Income Tax Depreciation and Amortisation also rose by 27% from RM51.6 million to RM65.5 million.

The year on year increase in revenue was the result of exceptional performance from the Group's subsidiaries in Taiwan and Singapore. This outcome was also largely driven by improved cost performance and initiatives to further enhance our facilities which were broadly in line with the growth of the semiconductor industry.

FRONTKEN MALAYSIA

Frontken Malaysia recorded a lower operating profit of RM0.6 million in FYE2017 from a revenue of RM50.3 million, compared to RM7.2 million and RM68.0 million respectively the year before.

The Group's operation in Kulim continued to perform respectably in a fairly stable market. While the semiconductor industry in Malaysia remained robust throughout FYE2017, the fiscal consolidation was also supported by the rebound in the Hard Disk industry which experienced an increase in revenue with growth averaging around 28%. This led to a strong end to the year, which was boosted by a marked strengthening demand for semiconductor in the region.

Chairman's Message (cont'd)

The Group's oil and gas division, TTES Frontken Integrated Services Sdn Bhd ("TTES") continued to be challenged by the weak oil price. The lagging in recovery is expected as clients continued with their push to reduce their operating cost. The shrinking market coupled with our competitors chasing for a slice of a smaller pie only made things worse.

However, we were not deterred by the tough operating environment and instead sought non-traditional market approach in the oil and gas industry; leveraging on available resources within the Group. We managed to make some progress in the power industry and also established relationship with several established pumps' OEM. To that end, TTES made some plans for upgrading some of its facilities and equipment in order to pre-position itself to be ready to respond to eventual market recovery.

In East Malaysia, our subsidiary, Frontken (East Malaysia) Sdn Bhd, fared better with increased revenue from new customers as well as from non-oil and gas related services.

FRONTKEN TAIWAN

The Group's subsidiary in Taiwan, Ares Green Technology Corporation ("AGTC") again emerged as our best performing unit in 2017 with a revenue of RM171.4 million, a 33.8% increase compared to the prior year. The operating profit also grew to RM40.1 million, a 67.4% jump from FYE2016.

With the investment we made in 2016 and 2017, AGTC was able to equip itself with the latest and most advanced technology to better serve its customers. Consequently, it is now considered to be one of the best "state-of-the-art" facilities in the world that is future ready.

Together with our portfolio of partners, we are strategically positioned to propose methods to identify issues, provide solutions and improve our customers' productivity. The Group's investment in R&D has resulted in it being able to produce leading-edge technology to support our clients increasingly more complex processes in the production of lower new technology nodes.

The Group's proactive initiatives and well-placed operation in Taiwan made it one of the leading suppliers in that country and its outstanding core competency is comparable amongst its global peers, if not better.

FRONTKEN PHILIPPINES

The Group's operation in the Philippines, Frontken Philippines Inc. achieved an operating profit of RM2.6 million from a revenue of RM17.5 million in FYE2017.

The oil and gas operations in the Philippines has been resilient despite the challenges, mainly cushioned by some projects secured in FYE2017.

Chairman's Message (cont'd)

In spite of the decrease in revenue from the power generation industry, the profit only dropped marginally due to the Group's effort in promoting multi-skilled and cross trained manpower coupled with better cost management.

The Group sees some opportunity for growth in the provision of on-site activities, testing equipment and infrastructure support to provide our clients with a more comprehensive solution. The power generation industry will see an improvement in the coming year with the expected scheduled shutdown of major power plants starting in the first quarter of 2018.

FRONTKEN SINGAPORE

Frontken Singapore saw a positive pay off from the semiconductor business in FYE2017 with a recorded operating profit of RM4.4 million from a revenue of RM55.6 million. That was a 487.5% and 24.7% improvement respectively from the preceding year.

While the Group's semiconductor division in Singapore is growing by leaps and bounds, the engineering division unfortunately did not fare as well due to the shrinking business from the oil and gas industry.

Last year, the semiconductor division concluded negotiations with one of the leading worldwide suppliers of high performance sensor solutions which will contribute positively to the Group's performance in the years to come.

While the Group anticipates oil price to improve in the coming year, we will not be complacent but will continue to streamline our operations to improve cost efficiency in the engineering division.

Moving forward

The results of 2017 was a reflection of what we are capable of and had made us more confident and cautiously optimistic about our future. Our performance over the years had encouraged us to continuously work harder in improving our operations with emphasis on productivity and innovations.

While we are excited with what 2018 has to offer, we will not rest on our laurel and will continue to be vigilant to ensure that we will perform even better than 2017. We will continue to evaluate and explore appropriate opportunities to grow our business and increase our footprint. Our long term strategic goals are clear and we are committed to provide our clients with incomparable support and service to ensure long term fruitful relationship and at the same time ensuring maximum return to our shareholders.

Acknowledgement

On behalf of the Board, I would like to thank our Board of Directors for its continuous guidance and steadfast support throughout the year.

I would also like to extend my sincere thanks to all my colleagues for their dedication and irrepressible drives and commitment in working together to achieve our vision.

To the customers, suppliers, business associates, government authorities as well as regulators of the countries in which we operate, we thank you for giving us the opportunity to work with you and the support that you have given us.

Last but not least, we would like to extend our sincere gratitude to our loyal shareholders and stakeholders for your continual support, trust and confidence in us.

NG WAI PIN
Chairman / Chief Executive Officer

Financial Review

RESULTS OF OPERATIONS

in RM'000

REVENUE				EBITDA			
2016	261,844	↑	13%	2016	51,685	↑	27%
2017	296,580			2017	65,550		

NET PROFIT				EBITDA MARGIN as a % of revenue			
2016	20,040	↑	49%	2016	19.7	↑	2%
2017	29,858			2017	22.1		

REVENUE

The revenue for the Group for the financial year ended 31 December 2017 ("FYE2017") was RM296.6 million against RM261.8 million in the previous financial year. Overall, the Group revenue increased by RM34.7 million or 13.3% compared to the preceding financial year mainly due to the positive growth of the semi-conductor business.

REVENUE (by customer location)	2017 RM'000	%	2016 RM'000	%	% change in revenue
Taiwan	168,479	57	125,893	48	34
Singapore	46,616	16	38,408	15	21
Malaysia	51,054	17	71,166	27	-28
Philippines	17,462	6	18,061	7	-3
Others	12,969	4	8,316	3	56
Total	**296,580**	**100**	**261,844**	**100**	**13**

An analysis of revenue by customer location showed growth in our business across the Group particularly in Taiwan and Singapore. The revenue in Malaysia decreased from RM71.2 million to RM51.1 million mainly due to slowdown in our customers' business in the oil and gas industry had resulted in a drop of business for the Group's subsidiaries engaged in that industry in Malaysia. Slowdown in our customers' business in solar industry also resulted in a drop of business in the Philippines.

The revenue in Taiwan increased from RM125.9 million to RM168.5 million in FYE2017 or a 34% increase compared to the preceding financial year. Our subsidiary in Taiwan continue to enjoy better business performance due to the positive growth of the semi-conductor business. The better performance for our subsidiaries in Singapore was attributable to semiconductor related business in Singapore remained stable, with strong support from its customers.

EARNINGS

Earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group for FYE2017 increased to RM65.6 million from RM51.7 million the year before. As a percentage of revenue, EBIDTA increased by 2% which was mainly due to higher revenue.

The profit after tax increased by 33% to RM36.4 million from RM27.3 million in the previous financial year mainly because of our semiconductor division in Taiwan and Singapore performed better this year.

Financial Review (cont'd)

The consolidated net profit attributable to shareholders of the Company for FYE2017 was RM29.9 million, an increase of RM9.8 million or 49% compared to the net profit attributable to shareholders of RM20.0 million for the preceding financial year was mainly due to better performances by our non-wholly owned subsidiary and the increase of the Group's equity interest in the subsidiary in Taiwan. This translated to basic earnings per share in FYE2017 of 2.85 sen compared to basic earnings per share of 1.91 sen in the previous financial year.

CASH FLOWS

in RM'000

	NET DEBT			WORKING CAPITAL	
2016	(65,287)	43%	2016	130,255	2%
2017	(93,235)		2017	133,327	

	FREE CASH FLOW			CAPITAL EXPENDITURE	
2016	16,882	190%	2016	27,901	28%
2017	49,015		2017	20,152	

The free cash flow increased from RM16.9 million to RM49.0 million in FYE2017 mainly due to higher net cash generated from operations and lower capital expenditure in relation to the plant expansion of our subsidiary in Taiwan compared to the preceding financial year.

The net cash from operating activities was RM69.0 million and RM44.4 million in year 2017 and 2016 respectively. The net cash outflow for financing activities was RM8.4 million in year 2017 as compared to RM18.5 million in year 2016. The decrease was due to higher loan repayment in year 2016 as compared to dividend payment in year 2017.

Net cash used for investing activities decreased from RM35.0 million in the preceding financial year to RM32.1 million in year 2017. The decrease in cash outflow for investing activities was mainly due to lower capital expenditure, disposal of investment in cash management fund and additional investment in a subsidiary in Taiwan in year 2017.

Our Group has cash and cash equivalent of RM120.3 million as at the end of year 2017 compared to RM98.1 million as at the end of year 2016. The Group will continue to exercise prudence in cash flow management while conserving the cash for potential future expansion and investing activities.

FINANCIAL POSITION

The Group's shareholders' fund improved from RM261.6 million as at 31 December 2016 to RM281.6 million as at 31 December 2017 due to increase in retained earnings.

Total assets of the Group increased from RM407.8 million as at 31 December 2016 to RM431.1 million as at 31 December 2017. Total Group's liabilities of RM125.1 million as at 31 December 2017 were higher by RM12.8 million or 11% compared to the previous year. The Group's borrowings increased from RM29.3 million in year 2016 to RM33.8 million in year 2017 due to short term borrowings during the financial year.

The total Group's borrowings as at 31 December 2017 that is repayable within one year is 65%. Singapore Dollar borrowings represented 65% of the total borrowings whilst borrowings denominated in Taiwan Dollars and Ringgit Malaysia made up 28% and 7% of the total borrowings respectively. Foreign currency borrowings were drawn to hedge against our Group's overseas investments and receivables which were denominated in foreign currencies.

Board Of Directors' Profile

NG WAI PIN
Chairman / Chief Executive Officer

- Aged 52, Male, Malaysian
- Appointed to the Board on 10 April 2006
- Chairman of Remuneration Committee

Ng Wai Pin, formerly a Senior Independent Non-Executive Director of Frontken Corporation Berhad ("FCB"), was re-designated as the Chairman / Managing Director of the Company on 19 January 2012. Then, he was re-designated as the Chairman / Chief Executive Officer of the Company on 29 March 2018. He holds a Bachelor of Laws degree from the University of Auckland and was admitted to the roll of barristers and solicitors of the High Court of New Zealand in 1989. He then continued practising as a barrister and solicitor in a leading legal firm in Auckland for a number of years before returning to Malaysia where he joined Shook Lin & Bok, a legal firm in Kuala Lumpur. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. He later became a Director and Chief Executive Officer of a company listed on Bursa Malaysia Securities Berhad with regional operations, before returning to private practice in law. From September 2005 to February 2009, he was the Chief Operating Officer of a company listed on the Singapore Exchange Limited and was seconded as the Chief Executive Officer of a company listed on the Australian Stock Exchange. He is also the Chairman of Ares Green Technology Corporation, a public company in Taiwan, R.O.C., a subsidiary of FCB. He also sits on the board of BSL Corporation Berhad as an Independent Non-Executive Director.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

DR TAY KIANG MENG
Executive Director / Chief Scientist

- Aged 53, Male, Singaporean
- Appointed to the Board on 10 April 2006

Dr Tay Kiang Meng holds a Bachelor of Engineering (First Class Honours) in Manufacturing Systems Engineering from University of Portsmouth, and a Master of Science in Advanced Manufacturing Systems and a PhD in Engineering from Brunel University, United Kingdom.

He is responsible for research and development leading the Group's technology roadmap, spearheading research and development ("R&D") activities, formalising the Group's quality systems, developing critical manufacturing technologies for FCB's semiconductor technology and advanced materials engineering, and exploring new technology opportunities for the Group. He has more than 20 years of professional experiences in technology development, R&D, and has led some of the most significant technology innovations in semiconductor-related manufacturing technology and advanced materials engineering.

An engineer and scientist by training, Dr Tay began his professional R&D experience with research think tank, Gintic Institute of Manufacturing Technology, Singapore. Dr Tay has received honours and awards in many of his academic, research and technology development work.

Dr Tay also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Board Of Directors' Profile (cont'd)

Dato' Haji Johar Bin Murat @ Murad graduated with a Bachelor degree in Malay Studies from Universiti Malaya in 1971. He has worked in various government agencies, such as the Ministry of Science, Technology & Environment, the Ministry of Finance, the Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Co-operative Development) and Economic Planning Unit of Prime Minister's Department. During his tenure of service in the Ministry of Finance (1996 – 2000), he was a director of the following organisations:-

- Yayasan Tun Razak (Tun Razak foundation)
- Perbadanan Kemajuan Negeri Selangor (Selangor State Economic Development Corporation)
- Majlis Sukan Negara Malaysia (National Sports Council)
- Lembaga Pembangunan Labuan (Labuan Development Authority)
- Syarikat MKIC Malaysia (Malaysia Equity Investment of Malaysia)
- Jawatankuasa Pengurusan Hutan Serantau (Regional Forestry Management Committee)
- Majlis Penyelidikan dan Kemajuan Sains Negara (National Council of Science and Research Development)

When he was the Deputy Secretary General (Operations) of the Ministry of Science, Technology & Environment from 2000 to 2003, Dato' Haji Johar was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad, SIRIM Berhad, Malaysian Agriculture Research and Development Institute, Malaysia Technology Development Corporation, Composite Technology Research Malaysia Sdn Bhd, Malaysia Design Council and National Science Centre. He was also the Chairman of Audit Committee of MIMOS Berhad and a member of the Board of Tender for MIMOS Berhad and SIRIM Berhad. Currently, he sits on the board of several other private companies.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

DATO' HAJI JOHAR BIN MURAT @ MURAD
Independent Non-Executive Director

- Aged 71, Male, Malaysian
- Appointed to the Board on 10 April 2006
- Chairman of Audit Committee and Nomination Committee, Member of Remuneration Committee

Aaron Sim Kwee Lein was identified as the Senior Independent Non-Executive Director of FCB on 20 February 2012. He is a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountants, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Malaysia Securities Berhad as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he joined a food retail franchise chain company as the Finance & Administrative Manager before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. Thereafter, he has been involved in providing business and financial advisory services. Mr Sim also sits on the board of Freight Management Holdings Bhd and Excel Force MSC Berhad.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

AARON SIM KWEE LEIN
Senior Independent Non-Executive Director

- Aged 52, Male, Malaysian
- Appointed to the Board on 27 August 2009
- Member of Audit Committee, Nomination Committee and Remuneration Committee

Board Of Directors' Profile (cont'd)

DR JORG HELMUT HOHNLOSER
Independent Non-Executive Director

- Aged 60, Male, German
- Appointed to the Board on 20 February 2012
- Member of Audit Committee and Nomination Committee

Dr Jorg Helmut Hohnloser received his M.D. from the University of Ulm, Germany and PhD (Medical Informatics) from the University of Munich, Germany. He has 25 years of working experience in the medical field, including research and teaching, and was involved in the development of medical IT systems. In 2000, he took over the management of Cleanpart GmbH and built the company from a single-location operation in Germany to a group with 12 locations in Germany, France and USA. Cleanpart GmbH was founded in 1998 and is principally involved in the cleaning and refurbishment of recyclable components from production systems in the semiconductor and related industries. Dr Jorg Helmut Hohnloser also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Senior Management's Profile

HEE KOK HIONG
Chief Financial Officer

- Aged 45, Male, Malaysian
- Appointed in 2012

Hee Kok Hiong is a Fellow member of the Association of Chartered Certified Accountants (UK) and Chartered Accountant of Malaysia Institute of Accountants.

He has more than twenty years working experience in the areas of finance and administration where he started his career as an audit assistant at Ernst & Young in 1996 where he led and managed various statutory and special audits of companies in a wide spectrum of industries. He left the firm in 2001 to join a co-operative society as its Manager for Finance & Administration Department. Prior to joining Frontken Corporation Berhad ("FCB") as the Group Financial Controller in 2009, he was the Group Financial Controller of a private company with business operations worldwide, where he spend 5 years overseeing its finance, administration and human resource functions.

Mr Hee also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

LEE BOON TIAN
Director of Frontken Malaysia Sdn Bhd ("FMSB")

- Aged 44, Male, Malaysian
- Appointed in 2016

Lee Boon Tian holds a Diploma in Mechanical Engineering from the Federal Institute of Technology and has the combined entrepreneurial acumen with engineering studies and business management skills to drive revenue, profit performance and market share.

He has extensive working experience in the semiconductor related field with the first seven years attached to one of the largest semiconductor equipment manufacturers in the divisions of parts cleaning and cleanroom consumable sales.

In 2007, he joined FMSB, a wholly-owned subsidiary of FCB, as a senior sales and marketing manager and was promoted to General Manager in 2010. He was later appointed as a Board member of FMSB in 2016.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

MOHD SHUKRI BIN HITAM
Managing Director of TTES Frontken Integrated Services Sdn Bhd ("TFIS")

- Aged 51, Male, Malaysian
- Appointed in 2000

Mohd Shukri Bin Hitam holds a Bachelor of Science in Aerospace Engineering, Bachelor of Science in Aeronautics (specialized in Aircraft Maintenance Engineering), Associate Science (Diploma) in Aircraft Maintenance Management Technology and Certificate in Airframe and Power Plant Mechanic.

He has extensive working experience in engineering related fields. Prior to the incorporation of TFIS, he worked in various organisations as engineer and consulting specialist in rotating equipment and turbomachinery engineering and technical services.

He is the Managing Director of TFIS and is responsible to oversee the overall operations of TFIS, engineering and technical services and directs various engineering and technical consultancy services at joint-service and consultancy companies.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Senior Management's Profile (cont'd)

GEORGE I. LAGOS
President, Frontken Philippines Inc. ("FPI")

- Aged 58, Male, Filipino
- Appointed in 2003

George I. Lagos graduated from Don Bosco Technical College, Industrial Technology Course. He has extensive working experience in the oil and gas industry, power and related industrial fields. Prior to joining FPI in 2003, he has held various senior positions in multinational companies and has gathered a wealth of experience that encompasses maintenance of various types of rotating and static machinery in the oil and gas, power and general industry.

He was appointed as the President in 2003 and is the chairman of the Board of FPI.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

TSAI YU MIN
General Manager, Ares Green Technology Corporation ("AGTC")

- Aged 41, Male, Taiwanese
- Appointed in 2013

Tsai Yu Min holds a Degree in Chemical Engineering from Taiwan Taichung Feng Chia University.

He has extensive working experience in sales and marketing and general management and has been working with AGTC, a subsidiary of FCB, since 2000. Before his appointment as General Manager in 2013, he was the sales manager, responsible for formulation of sales and marketing strategies for AGTC.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

MOK SIEW WAI
Chief Operating Officer, Frontken (Singapore) Pte Ltd ("FS")

- Aged 65, Male, Singaporean
- Appointed in 2013

Mok Siew Wai holds a Diploma in Production Engineering from Singapore Polytechnic and a Diploma in Sales & Marketing from Singapore Institute of Management.

He has extensive working experience in the business of rotating equipment repair technology, engineering applications in thermal coating processes and services including regional sales and marketing lead functions, prior to joining FS.

In 2002, he joined FS, a wholly-owned subsidiary of FCB, as a Senior Vice President in sales and marketing and was promoted to Chief Operating Officer in 2013 to oversee the overall operations of FS non-semiconductor division. Effective from March 2018, he was re-designated to Senior Vice President in charge of the business development of Group Industrial Engineering Division.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Senior Management's Profile (cont'd)

PNG ENG WAH
Senior Vice President, Frontken (Singapore) Pte Ltd ("FS")

- Aged 54, Male, Singaporean
- Appointed in 2004

Png Eng Wah holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore.

He has extensive working experience in the business of surface metamorphosis technology including special process development, technology transfer and setting up of research and development and engineering application in thermal coating processes prior to joining FS in 1997.

He was appointed the Senior Vice President of FS in 2004, responsible for the overall operations of FS's semiconductor division.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Sustainability Report

A. FINANCIAL YEAR ("FY2017") SUMMARY REPORT FROM THE SUSTAINABILITY COMMITTEE

Frontken Group has been providing innovative solutions and services to both the semiconductor and non-semiconductor industry since 1996. As a responsible company, Frontken is committed to ethical and responsible business practices, environmental sustainability development, and the well-being of our employees and the communities in locations which we operate. In the operation of our business, we dedicate and optimize resources to ensure environmental sustainability and to provide positive impact and returns to shareholders, investors and the society to create sustainable value to our stakeholders. Frontken Group is committed to grow profitably and sustaining our business operation in an environmentally and socially responsible manner that preserves the environment and protects the health and safety of workers, customers and neighboring communities. We provide work environments, products, services and solutions that make safe, productive and efficient use of resources as we strive to achieve our vision. We apply innovation and technology to improve the sustainability performance of our products, services, solutions and operations. We believe sustainable progress is made possible by developing better systems that maximize life cycle benefits, while also minimizing the economic, social and environmental costs of ownership, as reflected in our sustainability principles. We will execute our strategy by working to meet our aspirational sustainability goals. These inclusive efforts are the baseline of our sustainable business practices which extends to all our stakeholders.

This year is the 20th anniversary of Frontken founding. Frontken Group is now the leader in dedicated semiconductor support services. Over the years we have innovated with our customers, and have driven continued progress in technology with our employees, customers, partners and suppliers. We continue to strengthen these commitments to achieve sustainable operations. We have created a unique corporate culture, core values and principles, embedded into each employee's dedication to diligence in every task.

In FY2017, Frontken Group focused on five ''Core Areas for Action on Sustainability", these five dimensions of sustainability development are (a) responsible management; (b) responsible innovation and service; (c) responsible green production; (d) responsible workplace; and (e) inclusive society and communities. Based on the material issues we have identified, we have laid out a set of strategies and long term goals in this report as our "Frontken 2025 Vision". In the long term vision, we aim to benchmark our sustainability development with the GRI Framework and United Nations Sustainable Development Goals by continuing to make efforts in the economic, environmental, and social dimensions of our business, and make a contribution towards resolving environmental and social issues.

B. FY2017 ACHIEVEMENT OF SUSTAINABILITY GOALS

1. Responsible Management

Frontken views the sustainable development of its management team characters and capabilities as a key part of its corporate social responsibility. We focus on financial prudence, discipline and integrity with strong risk management. We are committed to high standards of corporate governance to sustain growth and performance, and to safeguard stakeholders' interest and maximize long-term shareholder value.

2. Responsible Innovation and Service

Frontken Group has long been the trusted technology partner and service provider to the global semiconductor industry. We are a leader in providing next generations of precision cleaning and coating technology to our customers. We help customers quickly enter into production with our precision cleaning and coating capabilities and provide them with competitive advantage in their products and yield performance. In 2017, we led the advanced precision cleaning and coating in the 10/7nm process technology in Taiwan. We also led the most advanced precision cleaning and coating for the next generation memory wafer process in Singapore.

3. Responsible Green Production

Frontken Group has continued to improve its green production method to meet the operational challenges that global warming may bring by making progress through innovation. In FY2017, Our production capacity has doubled while processes continue to grow more complex, but through our efforts, unit production average power usage is 12.10 kWh per part produced; the unit production average water usage is 0.14 cubic meter per part; and unit production average waste produced is 0.00013 ton (0.13kg) per part.

B. FY2017 ACHIEVEMENT OF SUSTAINABILITY GOALS (CONT'D)

3. Responsible Green Production (cont'd)

In FY2017, we also purchased (to be implemented in FY2018) 378 kWp of green power, directly supporting renewable energy. We continue to adhere to strict waste classification at the source, we have introduced new methods to perform internal recycling of waste water, enabling them to become reusable resources and lowering reliance on outsourcing. Total benefits from waste recycling for the full year exceeded USD25,000.

We are committed to complying with or exceeding all relevant regulatory requirements, to prevention of pollution and to continual improvement in the environmental, health and safety performance of its operations, processes and products.

4. Responsible Workplace

Frontken strive to groom and retain a diverse and robust talent pool to support and drive our growth through continuous training and development and instilling a strong culture of safety and excellence, whilst encouraging work-life balance. These are implemented through talent development, groom leaders, knowledge training and exchange, health & safety, employee wellness, etc. We employ people based on their talents, without regard to their nationality. We offer good terms of compensation above the industry average, leave and benefits that meet employees' needs, a variety of training courses, and do our utmost to create a safe and healthy work environment.

In FY2017, Frontken employee Retention Rate (%) is 98.73.

Frontken contributed or invested more than 9,029 hours to train employees.

We have a very low health and safety recordable injury rate of 0.17 hour per 100 employees.

5. Inclusive Society and Communities

Frontken aims to be proactive in corporate social responsibility to create a total inclusive society and communities. Through the caring for education of the underprivileged, providing education opportunities, and promoting sports, arts and culture, we encourage employees to participate in public service in reading, guiding, ecology and conservation, and caring for the underprivileged and elderly.

In FY2017, Frontken and its volunteers contributed for a total of 5,398 hours.

We have been supporting schools and non-profit organisations to benefit a total of 10 people.

C. CONCLUSION

Frontken will continue to be committed to deliver value to all our shareholders through sustaining growth in our businesses, empowering lives of people and nurturing communities where we operate. We will also continue to build the company on the foundation of responsible management, responsible innovations, responsible employees and responsible green production and inclusive society and communities. Based on our core values of integrity, commitment, innovation, and customer trust, we hold ourselves to the highest standards of corporate governance. We believe employees are its most important asset, and works actively to build a collaborative team with shared vision, balanced culture and positive values. We provide customers with the most advanced and comprehensive process technologies and services through continuous innovation, green production and sustainable supply chains friendly to the environment, and take action to give back to society.

Statement Of Directors' Responsibilities

The directors are required by the Companies Act 2016 ("the Act") to prepare financial statements in accordance with the applicable approved accounting standards set out by Malaysian Accounting Standards Board, and the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year ended 31 December 2017.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

Corporate Governance
Overview Statement

The Board of Directors ("Board") of Frontken Corporation Berhad (the "Company") is cognizant of the importance of deploying high standards of corporate governance in the Company for the purposes of safeguarding the interest of its shareholders and other stakeholders as well as the assets of the Group, comprising the Company and all its subsidiaries. In adopting corporate governance practices, the Board is mindful that such practices should reflect and take into consideration transparency, accountability, ethical culture, sustainability and financial performance.

As such, the Board seeks to embed in the Group a culture that is aimed at delivering balance between conformance requirements with the need to deliver long-term strategic imperatives through performance, without compromising on personal or corporate ethics and integrity.

Following the release of the new Malaysian Code on Corporate Governance ("MCCG") by the Securities Commission on 26 April 2017, the Board recognises the growing level of expectation by regulators and stakeholders for proper corporate governance and, accordingly, has taken such steps as are necessary to strengthen and ensure a high level of governance is adopted throughout the Group.

This Statement, which is issued pursuant to Paragraph 15.25(1), provides an overview of the Company's application of the Principles set out in the MCCG for the financial year under review and up to the date of this Statement. The details on how the Company has applied each Practice as set out in the MCCG are disclosed in the Corporate Governance Report, which is available for viewing on the Company's website at www.frontken.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Directors are collectively responsible to the Company's shareholders for the long-term success of the Group for its overall strategic direction, its values and its governance. The Board of Directors is led by experienced and knowledgeable Board members who provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives and goals of the Group.

All members of the Board are aware of their responsibility to take decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders. The role and responsibilities of the Board, which are summarized as follows, are clearly set out in the Board Charter and is available on the Company's website at www.frontken.com:

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business;
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- Succession planning;
- Overseeing the development and implementation of a shareholder communications policy for the Company; and
- Reviewing the adequacy and integrity of the management information and internal controls system of the Company.

The Board Charter is periodically reviewed and updated, with the most recent on 23 May 2016, in tandem with changes to regulatory requirements, with final approval by the Board.

To assist in the discharge of its stewardship role, the Board has delegated and conferred some of its authority and powers to its Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee ("Board Committees"). The Board Committees are entrusted with the responsibility to oversee specific aspects of the Company's affairs in accordance with their respective terms of reference as approved by the Board and to report to the Board with their findings and recommendations. The decision whether to act on such recommendation lies with the Board.

The Chairman of the Board, who is also the Chief Executive Officer, is primarily responsible to lead the Board. Based on the Board Charter, the Chairman's responsibilities encompass the following:

- Leading the Board in its responsibilities for the business and affairs of the Company and its oversight of management
- Overseeing the Board in the effective discharge of its supervisory role
- The efficient organisation and conduct of the Board's function and meetings

Corporate Governance
Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (cont'd)

- Facilitating the effective contribution of all Directors
- Briefing of all Directors in relation to issues arising at meeting
- The promotion of constructive and respectful relations between Board members and between the Board and Management
- Committing the time necessary to discharge effectively his/her role as Chairman
- Ensuring regular and effective evaluation of the Board's performance

In carrying out his role, the Chairman works with Senior Management, manage the Board, and promote effective relations with shareholders, other stakeholders and the public.

The role of day-to-day management of the Group's business development and operations, including implementation of policies and decisions of the Board, is helmed by the Chief Executive Officer, assisted by his fellow Executive Director. The Board is mindful of the dual role held by Mr Ng Wai Pin as the Chairman and Chief Executive Officer which is a departure from Practice 1.3 of the MCCG 2012 that states the positions of Chairman and the Chief Executive Officer are to be held by different individuals. The Board is of the view that there is no concentration of power and authority, and that no one individual has unfettered powers for decision making. Furthermore, there is a majority of Independent Non-Executive Directors on the Board who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. These Independent Non-Executive Directors are capable of exercising independent judgement to ensure fair and objective deliberations at Board meetings.

To enhance accountability, the Board has established clear functions reserved for itself and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter, which serves as a reference point for Board activities. Delegation of authorities have also been put in place to ensure balance between operational efficiency and control over corporate and financial governance.

The Company has in place a Code of Conduct for its Directors and employees and it is available on the Company's website. The Board also has formalised in writing its Whistle Blowing Policies and Procedures, including reporting templates, for employees to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. The Whistle Blowing Policies and Procedures document has been uploaded on the Company's website at www.frontken.com.

The Board members have full access to the Company Secretaries, who are all members of the Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"), to provide advisory services to the Board, particularly on corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to the administrative matters on meetings of the Board, Board Committees and shareholders.

As stipulated in the Board Charter, the Directors are required to devote sufficient time to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board or Board Committees.

Continuous Professional Development

The Board encourages its members to enrol in appropriate continuing education programme to equip them to serve the interests of the Company. The Directors were updated on an ongoing basis by way of circulars on matters relating to changes to the Listing Requirements and briefing by the Company Secretaries at the Board Meeting following the changes.

Corporate Governance
Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (cont'd)

Continuous Professional Development (cont'd)

All Directors have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa. During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows:

Directors	Training/Seminar/Conference/Workshop
Ng Wai Pin	• Integrated Reporting - Creating value by implementing it for your business • SEMICON Taiwan 2017
Dr Tay Kiang Meng	• SEMICON Taiwan 2017 • Lam Research technical conference
Dato' Haji Johar bin Murat @ Murad	• The CG Breakfast Series for Directors - Leading Change @ The Brain
Aaron Sim Kwee Lein	• Have you complied with the Companies Act 2016? - Major revamps and Regulation updates with Guide on practical compliance procedures • Cost of Capital and Discounts & Premiums
Dr Jorg Helmut Holnloser	• Trade fairs for power management and environmental technology; energy production, distribution and storage; building and industrial applications; power and electronics technology

II. Board Composition

The Board currently consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Board composition exceeds the recommendation of Practice 4.1 of the MCCG which states that at least half the Board is to comprise Independent Non-Executive Directors as well as the requirements as set out in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa"), which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

The Independent Non-Executive Directors provide the necessary check and balances in the Board's exercise of their functions by facilitating an independent evaluation of the Board's decisions and decision-making process.

The Executive Directors are complemented by the experience and independent views of the Independent Non-Executive Directors who are professionals in the field of finance, accounting, administration, strategic management, and research and development. The Board members possess a fair range of business, finance, administration, research and development, and legal experience. The mix skills and experience are vital in directing and supervising the Group's overall business activities in light of the increasing challenging economic and operating environment in which the Group operates. The profile of each Director is set out on pages 14 to 16 of the Company's 2017 Annual Report.

The Nomination Committee ("NC") is entrusted to assess the adequacy and appropriateness of the Board composition, identifying and recommending suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity, including gender, age and ethnicity diversity, training courses for Directors and other qualities of the Board including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility of decision making on the appointment. This process ensures that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine the skill matrix to support the strategic direction and needs of the Company.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (cont'd)

Based on the annual assessment conducted during the financial year under review, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence and capability to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review, and recommended to the Board for the re-election of the retiring Directors at the Company's forthcoming Annual General Meeting ("AGM"). All assessments and evaluations carried by the NC in discharge of its functions were duly documented.

At the date of this Statement, the Board has a Director, namely Dato' Haji Johar bin Murat @ Murad, who has served for more than twelve (12) years as an Independent Non-Executive Director. The Board has assessed, via the Nomination Committee, his independence and, accordingly, recommended him for shareholders' approval to continue to serve as an Independent Non-Executive Director of the Company for the ensuing year. Apart from being satisfied that he fulfilled the criteria under the definition of Independent Non-Executive Director as stated in the Main Market Listing Requirements of Bursa Securities, the Board believes the following justifications are sufficient for it to recommend his extension as an Independent Non-Executive Director to be voted on a single tier basis as opposed to the 2-Tier voting process promulgated by Practice 4.2 of the MCCG, at the forthcoming Annual General Meeting of the Company:

- He has demonstrated his commitment to the Company by attending all meetings of the Board and Board Committees of which he is a member;
- He brings with him vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decision;
- He has been with the Company for more than twelve (12) years since 2006 and, accordingly, is familiar with the nuances and understands the Group's business operations; and
- He has exercised due care and diligence during his tenure as an Independent Non-Executive Director of the Company and carried out his duties professionally and objectively in the interest of the Company and shareholders.

The NC has conducted an assessment on the independence of Independent Directors for the financial year 2017 based on the criteria on independence adopted by the Board. Following the recommendation of the NC, the Board is of the opinion that the independence of the existing Independent Directors remain unimpaired and their judgement over business dealings of the Company were not influenced by the interest of the other Directors or substantial shareholders.

The Board does not have a specific policy for setting targets for women, ethnic or age composition on the Board. Evaluation of suitability of candidates is based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre.

A summary of key activities undertaken by the NC in discharging if its duties during the financial year under review is set out below:

- Reviewed and assessed the independence of Independent Directors;
- Reviewed and recommended re-election of Directors who were due for re-appointment and retirement by rotation, including deliberation on an Independent Non-Executive Director whose tenure has exceeded twelve (12) years and which would require his continuance as an Independent Non-Executive Director to be voted at the forthcoming Annual General Meeting;
- Assessed the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual Director;
- Considered the training undertaken by the Directors; and
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members.

III. Remuneration

The Board has established a Remuneration Committee ("RC") which three (3) with the majority being Independent Non-Executive Directors. The RC is entrusted by the Board to implement the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations on the same to the Board for approval.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (cont'd)

The Board has adopted the said policies as deliberated by the Remuneration Committee, with the Director interested abstaining from discussion, to determine the remuneration of Directors and Senior Management to align with business strategy and long-term objectives of the Company. The Executive Directors and Senior Management are paid salaries, allowance, performance-based incentive including bonus and other customary benefits as appropriate. The remuneration is set based on relevant market relativities, performance, qualifications, experience and geographic location where the personnel is based. The salary level for Executive Directors and Senior Management takes into account the nature of the role, performance of the business and the individual and market positioning.

The remuneration of Independent Directors comprises fees, meeting allowances and other benefits. The Board ensures that the remuneration for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors are required to abstain from deliberation and voting on their own remuneration at Board Meetings.

Pursuant to the Listing Requirements of Bursa Securities, the remuneration received by Directors of the Company, on a named basis, from the Group and Company for the financial year ended 31 December 2017 is disclosed as follows:

GROUP

Name of Director	Salaries RM	Fees RM	Bonus RM	Benefits -in-kind RM	Others RM
Subsidiaries					
Ng Wai Pin	1,900,740	19,496	583,958	-	11,312
Dr Tay Kiang Meng	1,168,968	-	459,008	-	58,774
Dato' Haji Johar bin Murat @ Murad	-	-	-	-	-
Aaron Sim Kwee Lein	-	-	-	-	-
Dr Jorg Helmut Holnloser	-	-	-	-	-
Sub-total	**3,069,708**	**19,496**	**1,042,966**	**-**	**70,086**
Company					
Ng Wai Pin	72,768	75,600	2,060,364	-	413,352
Dr Tay Kiang Meng	-	39,600	-	-	-
Dato' Haji Johar bin Murat @ Murad	-	50,400	-	-	-
Aaron Sim Kwee Lein	-	58,200	-	-	-
Dr Jorg Helmut Holnloser	-	46,200	-	-	-
Sub-total	**72,768**	**270,000**	**2,060,364**	**-**	**413,352**
Grand total	**3,142,476**	**289,496**	**3,103,330**	**-**	**483,438**

Note: The remuneration paid to the Executive Directors were in respect of their employment with the Company/Group. Included in the bonus component of the remuneration of Mr Ng Wai Pin received from the Group and Company is an amount in respect of his bonus for the financial year ended 31 December 2016 which was only accrued in the financial statements of the Group and Company for the financial year ended 31 December 2017.

The Remuneration Committee and the Board are of the view that disclosing the top 5 key Senior Management's remuneration on a named basis in bands of RM50,000 according to salaries, bonuses, benefits-in-kind and other emoluments would be disadvantageous to the Group's business interest, given the highly competitive conditions in the industry the Group operates where poaching of executives is commonplace.

As an Alternative, the Remuneration Committee and the Board believe that the disclosure of Senior Management's remuneration, that includes the top 5 key Senior Management, in the audited financial statements are adequate as it complies with the requirements of Paragraph 17 of MFRS 124 "Related Party Disclosures". It is the Group's practice to hire the best talents from the geographical regions that the Group operates in. Accordingly, the compensation and benefits packages for Group's Senior Management are structured competitively to attract, motivate and retain talents.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (cont'd)

Meetings of the Board and Board Committees

During the financial year under review, the Board convened five (5) meetings whilst the Audit Committee, Nomination Committee and Remuneration Committee held five (5), two (2) and two (2) meetings respectively. The attendance of the members at the said meetings is set out below:

Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Ng Wai Pin *Chairman of Board and Remuneration Committee and Managing Director*	5/5	N/A	N/A	2/2
Dr Tay Kiang Meng *Executive Director*	5/5	N/A	N/A	N/A
Dato' Haji Johar bin Murat @ Murad *Independent Non-Executive Director and Chairman of Audit Committee and Nomination Committee*	5/5	5/5	2/2	2/2
Aaron Sim Kwee Lein *Independent Non-Executive Director*	5/5	5/5	2/2	2/2
Dr Jorg Helmut Holnloser *Independent Non-Executive Director*	3/5	2/5	0/2	N/A

PRINCIPLE B – EFFECTVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising three (3) members, all of whom are Independent, with Dato' Haji Johar bin Murat @ Murad as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities as well as a summary of its activities carried out in year 2017, are set out in the Audit Committee Report on pages 34 to 36 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates, including the need for obtaining the Audit Committee's approval for such services.

At the date of this Statement, the Audit Committee has yet to formalise a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee, even though its Charter provides for a process to agree with the Board a policy on the employment of former employees of the Company's auditors, with monitoring of the implementation of this policy. Going forward, the Audit Committee will formalise this policy for incorporation into its Charter.

II. Risk Management And Internal Control Framework

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

Corporate Governance
Overview Statement (cont'd)

PRINCIPLE B – EFFECTVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management And Internal Control Framework (cont'd)

The Audit Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The Audit Committee does this via the deployment of an independent outsourced internal audit function that conducts internal audit based on an internal audit plan approved by the Audit Committee. Findings raised from internal audit are presented directly to the Audit Committee, including the remedial measures and action plans agreed by Management to address the matters so highlighted. For more details of the Internal Audit function, refer to the Statement on Risk Management and Internal Control which is included in the Company's 2017 Annual Report as well as the Corporate Governance Report that is made available on the Company's website at www.frontken.com. The Audit Committee is responsible to oversee the risk management framework and policies while Management of the respective business units or subsidiaries tasked to manage business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels.

Details of the Group's Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

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

I. Communication With Stakeholders

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board consistently ensures the supply of clear, comprehensive and timely information to their stakeholders via various disclosures and announcements including quarterly and annual financial results which provides investors with up-to-date financial information of the Group. All these announcements and other information about the Company are available on the Company's website at www.frontken.com where shareholders, investors and public may access.

In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the AGM to better understand their needs and obtain their feedback.

II. Conduct Of General Meetings

The AGM is the principal forum for shareholder dialogue, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

At the 13th AGM held on 30 May 2017, all the Directors (including the chair of the Board Committees) were present in person to engage directly with and were accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participated in deliberating resolutions being proposed or on the Group's operations in general. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders.

The Board has not adopted electronic voting as the number of shareholders turning up for the AGM was relatively small and the voting for resolutions was expediently carried out by traditional balloting, supervised by an independent scrutineer.

The Board has set up the corporate website at www.frontken.com to encourage shareholders and investors to pose questions and queries to the Company. These questions and queries will be attended to by the Company's Senior Management. In addition, the Board also encourages shareholders, stakeholders and other investors to communicate with the Company through other channels, via post at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia, fax at (03) 7968 3316 or e-mail at erichee@frontken.com.

This Statement is dated 28 March 2018.

Statement On Risk Management And Internal Control

PURPOSE OF STATEMENT

Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") stipulates that a listed issuer must ensure that its board of directors makes a statement ("Statement on Risk Management and Internal Control" or "Statement") about the state of risk management and internal control of the listed issuer as a group. The Statement shall include sufficient and meaningful information needed by shareholders and other stakeholders to make an informed assessment of the main features and adequacy of the listed issuer's risk management and internal control system as a group.

Accordingly, the Board of Directors ("Board") furnishes this Statement, which outlines the nature and scope of the system of risk management and internal control in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2017 and up to the date of approval of this Statement for inclusion in the Company's Annual Report. For purposes of disclosure, this Statement has considered the "Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers", a publication of Bursa Securities which provides guidance to boards in preparing the Statement, in particular the contents to be included.

RESPONSIBILITY OF THE BOARD

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing the adequacy and integrity of the system in meeting the Group's business and corporate objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance ("MCCG"). As such, the Board is aware of its principal responsibilities, as outlined in the following Practices and Guidance of the MCCG, pertaining to risk management and internal control:

- Practice 1.1 and Guidance 1.1 – The Board should:
  - ensure there is a sound framework for internal controls and risk management;
  - understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
  - set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Practice 9.1 - The Board should establish an effective risk management and internal control framework; and
- Practice 9.2 - The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

The MCCG also provides that the Board should, in its disclosure, include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place to mitigate or manage those risks.

In view of the limitations inherent in any system of risk management and internal control ("System"), the System is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business and corporate objectives. The System can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

In embracing Practice 9.1 of the MCCG, the Board has formalised an Enterprise Risk Management framework ("ERM framework" or "framework") that sets out pertinent policies and guidelines to streamline the Group's risk management initiatives and activities in a structured and holistic manner to safeguard shareholders' investment and the Group's assets. This framework is largely fashioned after the ISO31000:2009 Risk Management Principles and Guidelines which set out the key principles, framework and process on risk management. Based on this framework, the Board has established an on-going process to identify, evaluate, control, report and monitor significant business risks faced by the Group. The Board, through its Audit Committee, reviews the results of this process, including mitigating measures implemented by Management to address the key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

Statement On Risk Management And Internal Control (cont'd)

RISK MANAGEMENT FRAMEWORK

Risk management is embedded in the Group's key business processes through its ERM framework, which provides, amongst others, an easy-to-understand step by step approach to identify and evaluate risks faced by business units and, by extension, the Group. To streamline risk management processes and activities, the Board has formalised in writing pertinent risk management policies and guidelines for adherence by business units across the Group. The ERM framework embodies a structured risk assessment process, which results in the compilation of specific risk profiles of key business units and companies in the Group by Risk Management Units ("RMUs"), including the semi-annual update of risk profiles to take into account the vagaries of changing business environment as well as emerging risks.

The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix deploying parameters established for each key business unit or company in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its corporate objectives.

Details of specific risks are recorded in individual risk registers, covering the risk description, causes of risk, risk consequences, internal controls implemented by Management to address the causes of risk, Management's assessment of the effectiveness of internal controls and the residual risk rating, i.e. the balance of risk after considering the effects of controls deployed to mitigate the risk. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the RMUs to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Audit Committee would thereafter brief the Board the outcome of the risk update, including any significant issues therefrom. For each of the business risks identified, a risk owner is entrusted to ensure appropriate actions are taken to mitigate the risk to an acceptable level within specified timeline. The Risk Coordinator of the Group, when reviewing the risk update by business units, enquires into the status of action plans undertaken by Management of the business units concerned. During the financial year under review, there were two (2) risk updates conducted by the various business units and companies in the Group with the outcome reported to the Audit Committee and the Board for further comments. The business risks as identified encompassed risks on finance, operations, regulatory compliance, reputation, cyber security and sustainability.

INTERNAL CONTROL SYSTEM

The Group's internal control system comprises the following key elements:

- an organisation structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority in approving transactions/activities as well as mandate to operate bank accounts. The structure also sets out clear reporting lines and segregation of duties for key processes like strategic management, operations, sales and collections, procurement and payment, human resource, capital expenditure, research and development, financial reporting, corporate affairs, and investments;

- a process of hierarchical reporting which provides a documented and auditable trail of accountability, with appropriate sign-off by personnel entrusted with the responsibilities;

- an annual budgetary exercise that requires all business units and companies in the Group to formulate financial budgets which are then consolidated into a Group budget, presented to the Board for comments and approval. Quarterly review of the Group's performance against budget is carried out at Board meetings where explanations on significant variances are furnished by Management. Management meetings at operational level are conducted to review financial performance against business plans and monitor the respective business unit's performance against budget;

- significant changes in business development are reported by Management to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group's business performance vis-à-vis its corporate objectives;

- the Audit Committee, which is entrusted by the Board to oversee the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets at least quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;

Statement On Risk Management And Internal Control (cont'd)

INTERNAL CONTROL SYSTEM (CONT'D)

- internal policies and procedures on key business processes are formalised in writing for adherence across the Group. These policies and procedures serve as guidance to enable compliance by personnel with internal control requirements and applicable laws and regulations;

- structured whistle-blower policies and procedures are formalised in writing to enable employees of the Group to raise genuine concerns about suspected improprieties on matters of financial reporting, non-compliance with laws and regulations, malpractices or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal; and

- where issues arise that affect the reliability and integrity of financial information of any business unit, special audits are commissioned by the Audit Committee or Senior Management, as the case may be, to assist the Board in fulfilling its oversight responsibilities.

INTERNAL AUDIT FUNCTION

During the financial year, the internal audit function was outsourced to an independent professional firm, namely BDO Governance Advisory Sdn Bhd, a firm which has a 50-strong staff force. The appointment of the service provider followed an assessment of its suitability and capability by the Audit Committee.

The internal audit team, which was helmed by 5 professionals from the firm, including the head of the team who is a member of the Malaysian Institute of Accountants and the Institute of Internal Auditors, Malaysia, conducted an assessment of the Group's system of internal control, focusing on selected significant business units and reported its observations, including Management's response and action plans thereto, directly to the Audit Committee. The internal audit function was also tasked to conduct a follow-up on the status of implementation by Management on the recommendations highlighted, as deemed relevant. The Audit Committee took note of the issues raised and questions were posed to Management on the timeliness of measures to address the concerns as reported.

The internal audit plan for the financial year was prepared based largely on the Group's financial information and the relative risks of the business units to the achievement of the Group's objectives. The internal audit function adopted a risk-based and process life cycle approach in identifying auditable entities within the Group as well as the auditable areas. For the financial year ended 31 December 2017, the following 2 significant business units in Malaysia, together with the identified processes, were selected for internal audit with the Audit Committee's concurrence:

Name of business unit	Processes covered by internal audit, addressing the key business risks therein
Frontken (Singapore) Pte Ltd	• Sales to receipts (including credit control) • Procure to pay (including expenses management) • Fixed assets management (including maintenance and spare part management)
Frontken (East Malaysia) Sdn Bhd	• Sales to receipt (including credit control) • Procure to pay (including expenses management) • Fixed assets management (including maintenance and spare part management)

Detailed internal audit tests were carried out by the internal audit function to assess the adequacy and operating effectiveness of the Group's system of internal controls in achieving business objectives. Transactions and activities were selected for testing on a sample basis. Internal audit observations on systems weakness and areas for improvement, including recommended mitigating measures to address the concerns raised, were included in internal audit reports presented to the Audit Committee. Further details of the internal audit function and its activities are provided in the Audit Committee Report included in this Annual Report.

For the financial year ended 31 December 2017, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations in order to obtain assurance on the adequacy and effectiveness of the Group's risk management and internal control system. The total cost incurred for the outsourced internal audit function for the financial year under review amounted to approximately RM68,000 (2016: RM115,000).

Statement On Risk Management And Internal Control (cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

The external auditors, in the course of their statutory audit of the Group's financial statements, reviewed the Group's system of internal control to the extent of their planned reliance as laid out in their audit planning memorandum. Any significant deficiencies in internal controls identified during the audit, together with the improvement measures to strengthen internal controls, were reported in writing to the Audit Committee by the external auditors vide their presentation deck.

In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the internal and external auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2017. The Audit Committee reported to the Board the outcome of its engagement with the internal and external auditors concerning the adequacy and operating effectiveness of the Group's system of risk management and internal control.

BOARD'S COMMENTS ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through its Audit Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control, in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company, is sound and sufficient to safeguard shareholders' investment and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing business landscape and environment the Group operates in. Therefore, the Board continues to put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance in writing from the Chief Executive Officer and Chief Financial Officer stating that the Group's risk management and internal control system operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Statement.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Bursa's Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2017. The external auditors have reported to the Board that, based on their review procedures performed and evidence obtained, nothing has come to their attention that causes them to believe that this Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 28 March 2018.

Audit Committee Report

A. COMPOSITION AND ATTENDANCE

Pursuant to Paragraph 15.09(1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company has established an Audit Committee (the "Committee"), comprising the following members who are all Independent Non-Executive Directors:

Name	Position
Dato' Haji Johar bin Murat @ Murad	Chairman of Committee
Aaron Sim Kwee Lein	Member
Dr Jorg Helmut Hohnloser	Member

The Board shall appoint the members of the Committee from amongst its Directors who fulfils the following requirements:

(a) the Committee must be composed of not fewer than three (3) members;

(b) all the Committee members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors; and

(c) at least one (1) member of the Committee:

- (i) must be a member of the Malaysian Institute of Accountants;
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
  - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

The Board, through the Nomination Committee, assesses the performance of the Committee in terms of its effectiveness and contribution of Committee members on an annual basis to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference. The meeting attendance of the Committee members is provided in the Corporate Governance Overview Statement in this Annual Report.

B. MEETINGS

There were five (5) meetings held during the financial year under review. The Committee met with the External Auditors privately without the presence of the Executive Directors and Management twice during the financial year. At these private sessions, the Committee enquired into the co-operation extended by Management in the course of the audit, including the supply of information to facilitate the conduct of the external audit and whether the External Auditors encountered any difficulty in obtaining such co-operation and information for the purpose of the external audit.

Meetings of the Committee are planned ahead so that the members can make the necessary arrangement to attend the meetings. The notice for the meetings is served at least one (1) week before each meeting and the meeting papers are sent to each member to provide them time to read, including an opportunity for the members to inquire into the agenda items as well as to seek more information before the meeting.

At each Board meeting, the Committee Chairman briefs the Board pertaining to matters discussed at the Committee meeting held earlier. A copy of the minutes of the Committee meeting is circulated to the Board for notation.

C. ROLES AND RESPONSIBILITIES

In compliance with the Listing Requirements of Bursa Securities, the roles and responsibilities of the Audit Committee, which remained unchanged during the financial year under review, are uploaded on the Company's website at www.frontken.com.

D. AUTHORITY

The Committee shall have the authority to:

- Investigate any matter within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to an information which it requires in the course of performing its duties;
- Have direct communication channels with the internal and external auditors;
- Obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- Convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

E. SUMMARY OF WORKS DURING THE FINANCIAL YEAR

The principal activities undertaken by the Committee during the financial year under review are summarised as follows:

- Reviewed the unaudited quarterly and year-end financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events and compliance with applicable approved accounting standards and other legal requirements;

- Reviewed the appointment of the external and internal auditors, their independence and effectiveness, including their fees, which are disclosed in the notes to the financial statements of the Group. The amount of fees paid to the external auditors of the Company or a firm or company affiliated to the external auditors for the financial year under review in respect of non-audit services rendered to the Group amounted to approximately RM10,000;

- Reviewed with the external auditors the latter's audit planning memorandum, comprising the scope of audit, key audit areas, contemplated key audit matters, audit approach and timetable;

- Met with the external auditors two times during the financial year under review without the presence of the Executive Directors and Management to review the audit report and discuss relevant issues and obtain feedback;

- Reviewed the issues raised by the external auditors, including opportunities for improvement to internal controls based on observations made in the course of the audit;

- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

- Reviewed and approved the Internal Audit Plan tabled by the outsourced independent internal auditors, with pertinent modifications as deemed fit by the Committee, reviewed the scope of coverage of work by the internal auditors for the financial year under review, including the results of evaluation of adequacy of the internal control system, as well as Management's response to recommendations for improvement, on the reports from the internal auditors;

- Briefed the Board the outcome of the meetings of the Committee, covering largely the work and results of the external auditors and internal auditors, recurrent related party transactions, quarterly announcements and year-end financial statements as well as risk management update of the Group;

- Reviewed the related party transactions within the Group;

- Reviewed semi-annually the summary reports on risk management of the Group as presented by the Risk Management Units on the status of risks faced by the Group, including emerging risks, and action plans deployed to manage the risks concerned to acceptable levels;

- Reviewed the Group's financial and accounting policies and practices; and

Audit Committee Report (cont'd)

E. SUMMARY OF WORKS DURING THE FINANCIAL YEAR (CONT'D)

- Evaluated the performance of the external auditors' function based on timeliness, competency, adequacy of resources to achieve the agreed scope of audit, and assistance given by the employees of the Group to the external auditors before recommending the re-appointment of external auditors to the Board.

The dates for the Audit Committee meetings are pre-planned and communicated to the auditors in advance for them to prepare the Audit Review Memorandum, Audit Planning Memorandum and Audited Financial Statements for presentation to the Audit Committee to meet the respective deadlines. The Audit Committee also noted the internal control deficiencies or areas of improvement identified by the Internal Auditors and action plan for corrective actions or improvement by Management.

The Group outsourced its internal audit function to an independent internal audit service provider, namely BDO Governance Advisory Sdn. Bhd. The principal function of internal audit is to undertake systematic reviews of the governance, risk and internal control systems within the Group in accordance with an approved internal audit plan, so as to provide assurance that such systems are adequate and functioning as intended. The internal auditors' responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.

Details of the internal audit activities and scope of coverage, including the cost incurred on the outsourced internal audit function, are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

This Report is dated 28 March 2018.

Additional Disclosure

1. SHARE BUY-BACK

At the Thirteenth Annual General Meeting held on 30 May 2017, the shareholders of the Company granted authority to the Company to purchase its own shares provided that the aggregate number of shares purchased shall not exceed 10% of the total number of issued shares of the Company at the time of purchase.

There were no transactions carried out under the Company's share buy-back during the financial year.

As at 31 December 2017, the Company held 5,466,600 treasury shares out of its total number of issued shares of 1,053,435,130 ordinary shares. Such treasury shares were held at a carrying amount of RM663,237. There was no resale or cancellation of treasury shares during the financial year.

2. NON-AUDIT FEES

During the financial year, the audit fees paid or payable by the Company and the Group to our external auditors in respect of audit of the financial statements for the financial year ended 31 December 2017 amounted to approximately RM110,000 and RM560,000 respectively.

The non-audit fees paid or payable to a member firm of external auditors, Crowe Horwath by the Company and the Group during the financial year ended 31 December 2017 amounted to approximately RM5,000 and RM10,000 respectively.

3. MATERIAL CONTRACT

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

FINANCIAL STATEMENTS

The directors of **FRONTKEN CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

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

FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	36,408,231	13,008,793
Attributable to:		
Owners of the Company	29,857,681	13,008,793
Non-controlling interests	6,550,550	-
	36,408,231	13,008,793

DIVIDEND

The dividends on ordinary shares paid by the Company since the end of the previous financial year in respect of the financial year ended 31 December 2017 were as follows:

	RM
- Interim single-tier dividend of 0.5 sen per ordinary share on 1,047,968,530 ordinary shares, paid on 4 October 2017	5,239,843

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company did not purchase its issued ordinary shares from the open market. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from total equity.

As at 31 December 2017, the Company held 5,466,600 treasury shares at a carrying amount of RM663,237. The details on the treasury shares are disclosed in Note 21 to the financial statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would cause the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company to be inadequate to any substantial extent; 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 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 financial statements which would render any amount stated in the financial statements of the Group and of the Company 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 has arisen since the end of the financial year which secures the liability of any other person; or

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

No contingent 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following names of directors served on the Board of the Company during the financial year and up to the date of this report:

Ng Wai Pin
Dr. Tay Kiang Meng
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein
Dr. Jorg Helmut Hohnloser
Timo Fabian Seeberger (Alternate to Dr. Jorg Helmut Hohnloser) (resigned on 24 August 2017)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Hee Kok Hiong
Sia Chiok Meng
Lee Boon Tian
Mohd. Shukri Bin Hitam
Fauziah Binti Hamlawi
Mok Siew Wai
George I.Lagos
Andres Seno Jr.
Glenn A.Lagos
Wong Tong Lok

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares			
Shares in the Company	**Balance as of 1.1.2017**	**Bought**	**Sold**	**Balance as of 31.12.2017**
Direct Interests				
Ng Wai Pin	5,000,000	1,000,000	-	6,000,000
Dr. Tay Kiang Meng	9,404,808	-	-	9,404,808

The other directors holding office at the end of the financial year had no interests in the shares of the Company or of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or fixed salary of a full-time employee of the Company or related corporations) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 17 to the financial statements.

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

Directors' Report
(cont'd)

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 7 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity affected for directors, officers or auditors of the Group and of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 7 to the financial statements.

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

____
NG WAI PIN

____
DR. TAY KIANG MENG

28 March 2018

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Frontken Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><td colspan="2">Goodwill impairment
Refer to Note 13 to the financial statements.</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit address the Key Audit Matter</td></tr>
<tr><td>The Group has goodwill of approximately RM33.8 million comprised within the 3 cash-generating units ("CGU").

For the CGUs which comprised goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in identifying and then valuing the relevant CGUs.

The value-in-use models used to assess the risk of impairment are based on assumptions including revenue forecasts, gross and operating margins and discount rates, all of which are country-specific.

We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins, discount rates and terminal value.</td><td>Our procedures included, amongst others:-
(a) Making enquiries of and challenging the management on the key assumptions made, including:
(i) the achievement of the business plan; and
(ii) sales growth, operating margin, discount rates and long-term growth rates;
(b) Performing sensitivity analysis on key assumptions and agreeing with management's conclusion to ascertain the extent of change that individually, or in combination, would be required for the goodwill to be impaired; and
(c) Assessing the adequacy of disclosure of goodwill in the financial statements.</td></tr>
</table>

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad (cont'd)

Key Audit Matters (Cont'd)

Recoverable of trade receivables Refer to Note 17 to the financial statements.	
Key Audit Matter	**How our audit address the Key Audit Matter**
The trade receivables of the Group amounted to approximately RM91.7 million and it constituted 38% of the total current assets of the Group. We focused on this area due to the long outstanding receivable balances which exceeded the credit term of 90 days granted by the Group. The total long outstanding balances which exceeded the credit term amounted to approximately RM12.6 million is considered to be of a major credit risk. The assessment of recoverability of these long outstanding receivables involved judgement and estimation of uncertainty by Management.	Our procedures included, amongst others:- (a) Testing the adequacy of the Group's allowance for impairment losses on trade receivables by assessing the Group's policy and historical data from the Group's previous collection experience; (b) Reviewing the Group's subsequent collection after the financial year for major receivables; and (c) Assessing the adequacy of disclosure in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad (cont'd)

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

OTHER MATTERS

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

Crowe Horwath
Firm No : AF 1018
Chartered Accountants
28 March 2018

Kuala Lumpur

Ngiam Mia Teck
Approval No: 03000/07/2018 J
Chartered Accountant

Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Year Ended 31 December 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Revenue	5	296,580,399	261,844,249	17,072,004	10,356,895
Cost of sales		(191,761,385)	(183,366,491)	-	-
Gross profit		104,819,014	78,477,758	17,072,004	10,356,895
Other income		4,217,565	7,508,198	914,452	608,369
Administrative expenses		(48,905,377)	(39,883,190)	(4,630,345)	(4,308,240)
Other expenses		(13,001,448)	(11,502,552)	(152,857)	(161,846)
Finance costs	6	(931,264)	(1,146,951)	(194,461)	(340,916)
Share of results in associates, net of tax		(51,126)	(108,525)	-	-
Profit before tax	7	46,147,364	33,344,738	13,008,793	6,154,262
Income tax expense	8	(9,739,133)	(6,059,024)	-	-
Profit after tax		36,408,231	27,285,714	13,008,793	6,154,262
Other comprehensive expenses, net of tax					
Items that Will Not be Reclassified Subsequently to Profit or Loss					
Actuarial losses		(141,544)	(416,527)	-	-
Items that May be Reclassified Subsequently to Profit or Loss					
Foreign currency translation		(5,562,030)	6,723,976	-	-
Total other comprehensive income		30,704,657	33,593,163	13,008,793	6,154,262
Profit after tax attributable to:-					
Owners of the Company		29,857,681	20,040,231	13,008,793	6,154,262
Non-controlling interests		6,550,550	7,245,483	-	-
		36,408,231	27,285,714	13,008,793	6,154,262
Total comprehensive income attributable to:-					
Owners of the Company		24,042,022	24,824,159	13,008,793	6,154,262
Non-controlling interests		6,662,635	8,769,004	-	-
		30,704,657	33,593,163	13,008,793	6,154,262
Earnings per ordinary share attributable to owners of the Company					
Basic (sen)	9	2.85	1.91		
Diluted (sen)	9	2.85	1.91		

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Financial Position
As Of 31 December 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	150,045,683	152,066,439	33,024	53,861
Investments in subsidiaries	11	-	-	133,786,626	120,512,699
Investment in an associate	12	1,962,919	1,998,506	-	-
Goodwill on consolidation	13	33,760,856	33,760,856	-	-
Deferred tax assets	14	1,681,320	1,602,804	-	-
Fixed deposits with licensed banks	15	1,255,726	1,146,156	-	-
Total Non-Current Assets		188,706,504	190,574,761	133,819,650	120,566,560
Current Assets					
Inventories	16	13,474,892	10,976,127	-	-
Trade receivables	17	91,714,963	96,146,591	-	-
Other receivables, deposits and prepaid expenses	17	5,302,620	5,052,186	48,221	62,218
Amount owing by subsidiaries	18	-	-	2,878,962	9,921,898
Amount owing by an associate	12	1,333,852	1,362,971	-	-
Current tax assets		1,243,058	1,182,201	-	-
Short-term investments	19	3,508,429	8,996,233	2,108,006	5,390,526
Fixed deposits with licensed banks	15	6,493,207	4,725,879	1,104,683	1,072,697
Cash and bank balances		119,313,578	88,745,512	7,649,011	9,993,581
Total Current Assets		242,384,599	217,187,700	13,788,883	26,440,920
Total Assets		431,091,103	407,762,461	147,608,533	147,007,480

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Financial Position
As Of 31 December 2017 (cont'd)

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	20	118,925,352	105,343,513	118,925,352	105,343,513
Reserves	21	162,674,659	156,266,534	16,919,782	22,732,671
Equity attributable to owners of the company		281,600,011	261,610,047	135,845,134	128,076,184
Non-controlling interests		24,372,710	33,799,139	-	-
Total Equity		305,972,721	295,409,186	135,845,134	128,076,184
Non-Current Liabilities					
Term loans	22	11,546,695	20,260,384	-	2,037,776
Hire purchase payables	23	165,961	354,271	-	-
Other payables	24	3,225,327	3,134,277	-	-
Deferred tax liabilities	14	1,122,761	1,671,539	-	-
Total Non-Current Liabilities		16,060,744	25,420,471	-	2,037,776
Current Liabilities					
Trade payables	24	19,077,746	20,826,737	-	-
Other payables and accrued expenses	24	60,559,540	52,426,665	2,194,444	1,238,091
Amount owing to subsidiaries	18	-	-	7,531,022	13,564,695
Bank overdrafts	25	5,181,941	-	-	-
Bank borrowings	25	16,750,512	8,466,271	2,037,933	2,090,734
Hire purchase payables	23	182,250	249,222	-	-
Current tax liabilities		7,305,649	4,963,909	-	-
Total Current Liabilities		109,057,638	86,932,804	11,763,399	16,893,520
Total Liabilities		125,118,382	112,353,275	11,763,399	18,931,296
Total Equity and Liabilities		431,091,103	407,762,461	147,608,533	147,007,480

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2017

The Group	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Non-distributable Foreign currency translation reserve RM	Non-distributable Statutory reserve RM	Distributable Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total RM
Balance as of 1 January 2016	105,343,513	(598,746)	13,581,839	29,626,180	2,466,577	86,135,310	236,554,673	34,683,856	271,238,529
Other comprehensive income recognised for the financial year:									
- defined benefit plan actuarial loss	-	-	-	-	-	(293,880)	(293,880)	(122,647)	(416,527)
- foreign currency translation differences	-	-	-	5,077,808	-	-	5,077,808	1,646,168	6,723,976
Profit after tax for the financial year	-	-	-	-	-	20,040,231	20,040,231	7,245,483	27,285,714
Total comprehensive income for the financial year	-	-	-	5,077,808	-	19,746,351	24,824,159	8,769,004	33,593,163
Contributions by and distributions to owners of the Company:									
- Dividends:									
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,958,871)	(1,958,871)
- Transfer to statutory reserve	-	-	-	-	1,441,531	(1,441,531)	-	-	-
- Purchase of treasury shares	-	(64,491)	-	-	-	-	(64,491)	-	(64,491)
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	295,706	295,706	(7,694,850)	(7,399,144)
Balance as of 31 December 2016	105,343,513	(663,237)	13,581,839	34,703,988	3,908,108	104,735,836	261,610,047	33,799,139	295,409,186

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2017 (cont'd)

The Group	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Non-distributable Foreign currency translation reserve RM	Non-distributable Statutory reserve RM	Distributable Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total RM
Balance as of 1 January 2017	105,343,513	(663,237)	13,581,839	34,703,988	3,908,108	104,735,836	261,610,047	33,799,139	295,409,186
Other comprehensive income recognised for the financial year:									
- defined benefit plan actuarial loss	-	-	-	-	-	(95,025)	(95,025)	(46,519)	(141,544)
- foreign currency translation differences	-	-	-	(5,720,634)	-	-	(5,720,634)	158,604	(5,562,030)
Profit after tax for the financial year	-	-	-	-	-	29,857,681	29,857,681	6,550,550	36,408,231
Total comprehensive income for the financial year	-	-	-	(5,720,634)	-	29,762,656	24,042,022	6,662,635	30,704,657
Contributions by and distributions to owners of the Company:									
- Dividends:									
- by the Company	-	-	-	-	-	(5,239,843)	(5,239,843)	-	(5,239,843)
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,627,352)	(1,627,352)
- Transfer to statutory reserve	-	-	-	-	2,138,410	(2,138,410)	-	-	-
- Transfer to share capital upon implementation of the Companies Act 2016	13,581,839	-	(13,581,839)	-	-	-	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	1,187,785	1,187,785	(14,461,712)	(13,273,927)
Balance as of 31 December 2017	118,925,352	(663,237)	-	28,983,354	6,046,518	128,308,024	281,600,011	24,372,710	305,972,721

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2017 (cont'd)

The Company	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Distributable Retained earnings RM	Total RM
Balance as of 1 January 2016	105,343,513	(598,746)	13,581,839	3,659,807	121,986,413
Profit after taxation/Total comprehensive income for the financial year	-	-	-	6,154,262	6,154,262
Contribution by and distributions to owners of the Company:					
- Purchase of treasury shares	-	(64,491)	-	-	(64,491)
Balance as of 31 December 2016	105,343,513	(663,237)	13,581,839	9,814,069	128,076,184
Balance as of 1 January 2017	105,343,513	(663,237)	13,581,839	9,814,069	128,076,184
Profit after taxation/Total comprehensive income for the financial year	-	-	-	13,008,793	13,008,793
Contribution by and distributions to owners of the Company:					
- Dividend	-	-	-	(5,239,843)	(5,239,843)
- Transfer to share capital upon implementation of the Companies Act 2016	13,581,839	-	(13,581,839)	-	-
Balance as of 31 December 2017	118,925,352	(663,237)	-	17,583,019	135,845,134

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Cash Flows
For The Year Ended 31 December 2017

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before tax	46,147,364	33,344,738	13,008,793	6,154,262
Adjustments for:				
Depreciation of property, plant and equipment	18,471,479	17,193,402	21,667	24,047
Interest expense	931,264	1,146,951	194,461	340,916
Allowance for impairment loss on property, plant and equipment	49,749	51,841	-	-
Unrealised loss/(gain) on foreign exchange	4,613,657	(1,428,927)	95,813	(14,377)
Allowance for impairment losses on amount owing by a subsidiary	-	-	270,000	1,476,080
Allowance for impairment losses on receivables	71,151	133,461	-	-
Inventories written off	137,087	492,724	-	-
(Gain)/Loss on dissolution of a subsidiary	-	(719,412)	-	107,770
Property, plant and equipment written off	506,875	411,330	-	-
Share of results in associates	51,126	108,525	-	-
Interest income	(844,780)	(769,559)	(514,753)	(593,490)
(Gain)/Loss on disposal of property, plant and equipment	(11,181)	68,214	-	-
Writeback of allowance for impairment losses on trade receivables	(60,137)	(1,196)	-	-
Dividend income from subsidiaries	-	-	(17,028,204)	(10,313,095)
Operating Profit/(Loss) Before Working Capital Changes	70,063,654	50,032,092	(3,952,223)	(2,817,887)

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Cash Flows
For The Year Ended 31 December 2017 (cont'd)

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
(Increase)/Decrease in:				
Inventories	(2,955,410)	752,679	-	-
Trade receivables	2,180,666	(5,097,661)	-	-
Other receivables and prepaid expenses	(424,370)	1,172,632	13,997	(23,556)
Amount owing by an associate	1,698	(3,771)	-	-
(Decrease)/Increase in:				
Trade payables	(1,354,959)	(11,074,834)	-	-
Other payables and accrued expenses	9,419,139	15,324,322	956,353	(138,524)
Cash Generated From/(For) Operations	76,930,418	51,105,459	(2,981,873)	(2,979,967)
Taxes paid	(7,901,643)	(6,681,818)	-	-
Net Cash From/(For) Operating Activities	69,028,775	44,423,641	(2,981,873)	(2,979,967)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Repayment from subsidiaries	-	-	9,000,836	8,435,398
Purchase of property, plant and equipment	(20,152,154)	(27,730,908)	(830)	(2,929)
Dividend received from subsidiaries	-	-	14,800,304	4,268,995
Additional investment/acquisition of subsidiaries (Note 11)	(13,273,927)	(7,399,144)	(13,273,927)	(7,399,142)
Proceeds from disposal of property, plant and equipment	138,530	188,769	-	-
Withdrawal/(Placement) of short-term investments	2,197,876	(2,243,001)	-	-
Net (placement)/withdrawal of fixed deposits with licensed banks	(1,833,200)	1,377,357	(31,986)	(32,254)
Interest received	844,780	769,559	514,753	593,490
Net Cash (For)/From Investing Activities	(32,078,095)	(35,037,368)	11,009,150	5,863,558

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Cash Flows
For The Year Ended 31 December 2017 (cont'd)

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FOR FINANCING ACTIVITIES				
Decrease in amount owing to subsidiaries (Note 29(a))	-	-	(5,754,789)	(1,680,840)
Treasury shares acquired	-	(64,491)	-	(64,491)
Repayment of term loans (Note 29(a))	(7,883,738)	(30,567,224)	(2,090,577)	(1,936,843)
Interest paid	(931,264)	(1,146,951)	(194,461)	(340,916)
Dividend paid by the Company (Note 26)	(5,239,843)	-	(5,239,843)	-
Dividend paid by a subsidiary to non-controlling interests	(1,984,852)	(2,151,371)	-	-
Drawdown of term loans (Note 29(a))	7,901,920	16,146,540	-	-
Payment of hire purchase payables (Note 29(a))	(251,063)	(689,599)	-	-
Net Cash For Financing Activities	(8,388,840)	(18,473,096)	(13,279,670)	(4,023,090)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,561,840	(9,086,823)	(5,252,393)	(1,139,499)
Effect of exchange rate changes	(6,376,820)	2,037,383	(374,697)	63,094
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	98,067,899	105,117,339	15,384,107	16,460,512
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 29(b))	120,252,919	98,067,899	9,757,017	15,384,107

Note : During the financial year, the Group and the Company acquired property, plant and equipment at an aggregate cost of RM20,152,154 and RM830 (2016 : RM27,900,908 and RM2,929), respectively, of which NIL and NIL (2016 : RM170,000 and NIL), respectively, was acquired under hire-purchase arrangements.

The accompanying Notes form an integral part of these Financial Statements.

Notes To The Financial Statements

1. GENERAL INFORMATION

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

The principal activity of the Company is that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiaries during the financial year.

The registered office of the Company is located at B-11-10, Level 11, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 28 March 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 107: Disclosure Initiative

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

Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 29(a) to the financial statements.

Notes To The Financial Statements
(cont'd)

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

2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(i) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Based on the assessments undertaken to date, the Group does not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the expected credit loss impact, the Group expects an increase in the Group's allowance for impairment by less than 2% of trade receivables.

(ii) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. Based on the assessment undertaken to date, there is no material impact on the Group's and the Company's financial results upon its initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting Estimates And Judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(i) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 13 to the financial statements.

(ii) Impairment of Property, Plant and Equipment

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 10 to the financial statements.

(iii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 10 to the financial statements.

(iv) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax assets and liabilities as at the reporting date are RM1,243,058 and RM7,305,649 (2016: RM1,182,201 and RM4,963,909) respectively.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (Cont'd)

(v) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 14 to the financial statements.

(vi) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade receivables and analyses their ageing profiles, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 17 to the financial statements.

(vii) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 16 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(b) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating Segments

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

Revenue Recognition

(i) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(ii) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(iii) Management fee

Management fee is recognised on an accrual basis.

(iv) Interest income

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

(v) Dividend income

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

Income Taxes

(i) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(ii) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (Cont'd)

(ii) Deferred Tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(iii) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

Government Grants

Grants from the government are recognised initially as deferred income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss over the periods necessary to match the grants with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss or a deduction in reporting the related expenses in profit or loss.

Borrowing Costs

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (Cont'd)

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit with service increment method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group of it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Notes To The Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised 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 at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional and Foreign Currencies (Cont'd)

(iii) Foreign operations (Cont'd)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definition in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- Financial assets at fair value through profit or loss

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

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

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- Held-to-maturity investments

  As at the end of the reporting period, there were no financial assets classified under this category.

- Loans and receivables financial assets

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

  The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

  Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

- Available-for-sale financial assets

  As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Financial Liabilities

- Financial liabilities at fair value through profit or loss

  Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

- Other financial liaibilities

  Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

  The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities 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 reporting date.

(iii) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(iii) Equity Instruments (Cont'd)

- Ordinary shares

  Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

  Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

- Treasury Shares

  When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

  Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

  Where treasury shares are cancelled, their costs are transferred to retained profits.

(iv) Derecognition

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

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

(v) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Freehold buildings	25 - 50 years
Long-term leasehold buildings	50 years
Long-term leasehold land	47 - 60 years
Factory and office renovation	5% - 10%
Plant and machinery	10% - 20%
Workshop tools	10% - 20%
Office equipment	33.3% - 80%
Furniture and fittings	10% - 33.3%
Motor vehicles	10% - 20%
Computers	33.3% - 85.7%

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital asset. Capital work-in-progress is not depreciated until its completion and availability for commercial use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) 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. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2017. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate into profit or loss when the equity method is discontinued.

Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment (Cont'd)

(i) Impairment of Financial Assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the assets' fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leased Assets

(i) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

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

(ii) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

The Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At end of each reporting period, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurements

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Earnings Per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4. OPERATING SEGMENTS

The Group has one reportable segment as the Group is principally engaged in one business segment which is the provision of engineering services.

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group is organised into the following geographical segments:
- Malaysia
- Singapore
- Philippines
- Taiwan
- Indonesia

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2017	Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
	Geographical segment						
Revenue							
External revenue	50,275,907	55,646,383	17,494,618	171,431,491	1,732,000	-	296,580,399
Inter-segment revenue	152,284	1,819,801	57,824	256,827	-	(2,286,736)	-
Total revenue	50,428,191	57,466,184	17,552,442	171,688,318	1,732,000	(2,286,736)	296,580,399
Results							
Segment profit/(loss) before interest, tax and share of results in an associate	18,843,703	4,402,242	2,575,152	40,068,920	(1,399,077)	(18,205,966)	46,284,974
Share of results in an associate							(51,126)
Interest income							844,780
Finance costs							(931,264)
Profit before tax							46,147,364
Income tax expense							(9,739,133)
Profit after tax							36,408,231

4. **OPERATING SEGMENTS (CONT'D)**

The Group 2017	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Assets							
Non-current assets							
- Property, plant and equipment	22,567,767	31,318,885	3,074,167	90,208,490	2,876,374	-	150,045,683
- Investment in an associate	-	1,962,919	-	-	-	-	1,962,919
	22,567,767	33,281,804	3,074,167	90,208,490	2,876,374	-	152,008,602
- Deferred tax assets	-	-	-	1,681,320	-	-	1,681,320
- Goodwill	33,760,856	-	-	-	-	-	33,760,856
- Others	1,255,726	-	-	-	-	-	1,255,726
Current assets	13,829,265	90,708,738	16,694,204	120,280,108	1,279,707	(407,423)	242,384,599
Consolidated total assets							431,091,103
Liabilities							
Tax liabilities	519,186	2,060,749	14,076	5,834,399	-	-	8,428,410
Segment liabilities	36,041,531	30,110,213	6,623,246	74,107,072	9,922,050	(40,114,140)	116,689,972
Consolidated total liabilities							125,118,382
Other Information							
Capital expenditure	2,097,418	1,274,791	387,669	16,392,276	-	-	20,152,154
Depreciation	3,299,029	6,395,619	827,296	7,635,607	313,928	-	18,471,479
Other non-cash items							
- income	728,870	53,137	44,358	3,771	-	-	830,136
- expenses	313,582	4,730,572	-	515,605	577,578	-	6,137,337

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2016	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Revenue							
External revenue	68,007,607	44,631,360	18,077,406	128,082,986	3,044,890	-	261,844,249
Inter-segment revenue	525,098	2,336,693	310,493	172,411	-	(3,344,695)	-
Total revenue	68,532,705	46,968,053	18,387,899	128,255,397	3,044,890	(3,344,695)	261,844,249
Results							
Segment profit/(loss) before interest, tax and share of results in an associate	17,645,387	(187,338)	3,210,431	24,836,290	(92,238)	(12,301,289)	33,111,243
Share of results in an associate							(108,525)
Interest income							769,559
Gain on dissolution of a subsidiary							719,412
Finance costs							(1,146,951)
Profit before tax							33,344,738
Income tax expense							(6,059,024)
Profit after tax							27,285,714

4. OPERATING SEGMENTS (CONT'D)

The Group 2016	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Assets							
Non-current assets							
- Property, plant and equipment	23,912,422	37,159,415	3,889,844	83,552,888	3,551,870	-	152,066,439
- Investment in an associate	-	1,998,506	-	-	-	-	1,998,506
	23,912,422	39,157,921	3,889,844	83,552,888	3,551,870	-	154,064,945
- Deferred tax assets	-	-	-	1,602,804	-	-	1,602,804
- Goodwill	33,760,856	-	-	-	-	-	33,760,856
- Others	1,146,156	-	-	-	-	-	1,146,156
Current assets	30,468,472	83,747,713	16,109,400	101,719,788	1,521,125	(16,378,798)	217,187,700
Consolidated total assets							407,762,461
Liabilities							
Tax liabilities	451,701	1,946,941	122,658	4,114,148	-	-	6,635,448
Segment liabilities	47,824,104	24,905,845	7,958,997	70,503,189	9,804,693	(55,279,001)	105,717,827
Consolidated total liabilities							112,353,275
Other Information							
Capital expenditure	1,582,247	761,933	818,529	24,727,465	10,734	-	27,900,908
Depreciation	4,250,341	6,651,693	909,584	5,061,493	320,291	-	17,193,402
Other non-cash items							
- income	169,312	1,097,453	362,851	3,057	256,268	-	1,888,941
- expenses	969,059	390,503	-	168,513	88,313	-	1,616,388

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

Other significant non-cash expenses/(income) consists of the following:-

	The Group	
	2017	**2016**
	RM	**RM**
Allowance for impairment losses on		
- Property, plant and equipment	49,749	51,841
- Receivables	71,151	133,461
Inventories written off	137,087	492,724
Unrealised loss on foreign exchange	5,372,475	388,534
Property, plant and equipment written off	506,875	411,330
Loss on disposal of property, plant and equipment	-	138,498
	6,137,337	1,616,388
Writeback of allowance for impairment losses on trade receivables	(60,137)	(1,196)
Gain on disposal of property, plant and equipment	(11,181)	(70,284)
Unrealised gain on foreign exchange	(758,818)	(1,817,461)
	(830,136)	(1,888,941)

Major customers

The major customers with revenue equal to or more than 10% of the Group's total revenue are as follows:-

	Revenue		Segment
	2017	**2016**	
	RM	RM	
Customer 1	82,961,664	51,402,459	Engineering services
Customer 2	35,197,962	27,703,939	Engineering services

5. REVENUE

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Provision of services	123,366,479	133,499,723	-	-
Sale of goods	173,213,920	128,344,526	-	-
Dividend income from subsidiaries	-	-	17,028,204	10,313,095
Management fee from subsidiaries	-	-	43,800	43,800
	296,580,399	261,844,249	17,072,004	10,356,895

6. FINANCE COSTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense on:-				
Term loans	522,694	777,557	194,461	335,475
Hire purchase	25,343	56,958	-	-
Money market loan	298,948	271,259	-	-
Bank overdrafts	84,279	41,177	-	-
	931,264	1,146,951	194,461	335,475
Amount owing to subsidiaries	-	-	-	5,441
	931,264	1,146,951	194,461	340,916

7. PROFIT BEFORE TAX

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from:				
Subsidiaries	-	-	107,981	274,079
Third parties	844,780	769,559	406,772	319,411
Dividend income from subsidiaries	-	-	17,028,204	10,313,095
Writeback of allowance for impairment losses on trade receivables	60,137	1,196	-	-
(Loss)/Gain on foreign exchange - net:				
Unrealised	(4,613,657)	1,428,927	(95,813)	14,377
Realised	908,165	1,254,333	403,883	(103,942)
Gain/(Loss) on disposal of property, plant and equipment	11,181	(68,214)	-	-
Gain/(Loss) on dissolution of a subsidiary	-	719,412	-	(107,770)
Staff costs	(96,482,716)	(82,621,584)	(845,130)	(597,545)
Sub-contractor works	(10,107,680)	(16,629,940)	-	-
Depreciation of property, plant and equipment	(18,471,479)	(17,193,402)	(21,667)	(24,047)
Directors' remuneration:				
- directors of the Company:				
- fee	(270,000)	(148,920)	(270,000)	(148,920)
- salaries and other emoluments	(2,546,483)	(982,531)	(2,546,483)	(982,531)
- directors of the Subsidiaries:				
- fee	(19,496)	(35,881)	-	-
- salaries and other emoluments	(4,182,759)	(4,279,848)	-	-

Notes To The Financial Statements
(cont'd)

7. PROFIT BEFORE TAX (CONT'D)

Profit before tax is arrived at after crediting/(charging) the following: (Cont'd)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
- audit fee				
- current financial year				
- Crowe Horwath in Malaysia	(221,000)	(210,500)	(110,000)	(102,000)
- other auditors	(341,335)	(327,130)	-	-
- (under)/overprovision in prior year				
- Crowe Horwath in Malaysia	(1,000)	-	-	-
- other auditors	3,119	10,330	-	-
- non-audit fee				
- Crowe Horwath in Malaysia	(10,100)	(81,000)	(5,000)	(11,000)
Property, plant and equipment written off	(506,875)	(411,330)	-	-
Allowance for impairment loss on plant and equipment	(49,749)	(51,841)	-	-
Allowance for impairment losses on amount owing by a subsidiary	-	-	(270,000)	(1,476,080)
Allowance for impairment losses on receivables	(71,151)	(133,461)	-	-
Inventories written off	(137,087)	(492,724)	-	-

(a) Staff costs

Staff costs include salaries, bonuses, contributions to statutory defined contribution plans, defined benefits plan and all other staff related expenses. Contributions to statutory defined contribution plans and defined benefits plan, included in staff costs, made by the Group and by the Company during the financial year are as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Defined contribution plan	4,457,505	4,285,546	98,277	73,544
Defined benefits plan	218,866	190,912	-	-

(b) Key management personnel compensation

The remuneration of the members of key management is as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company	6,729,242	5,262,379	2,546,483	982,531
Directors of the Subsidiaries	2,260,663	1,910,220	-	-
Other Key Management Personnel	3,225,615	3,101,420	365,630	341,576
	12,215,520	10,274,019	2,912,113	1,324,107

7. PROFIT BEFORE TAX (CONT'D)

(c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group and by the Company during the current financial year are as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Contributions to provident funds:				
Directors of the Company	406,523	156,789	406,523	156,789
Directors of the Subsidiaries	47,462	45,494	-	-
	453,985	202,283	406,523	156,789

8. INCOME TAX EXPENSE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Estimated current tax payable:				
Malaysian:				
- Current year	1,172,020	1,533,294	-	-
- Overprovision in prior years	(15,165)	(23,312)	-	-
	1,156,855	1,509,982	-	-
Foreign:				
- Current year	8,451,372	4,683,087	-	-
- Underprovision in prior years	740,768	1,641,877	-	-
	9,192,140	6,324,964	-	-
	10,348,995	7,834,946	-	-
Deferred tax (Note 14):				
- Current year	(429,222)	(493,616)	-	-
- Overprovision in prior years	(180,640)	(1,282,306)	-	-
	(609,862)	(1,775,922)	-	-
	9,739,133	6,059,024	-	-

Notes To The Financial Statements
(cont'd)

8. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	46,147,364	33,344,738	13,008,793	6,154,262
Tax at the applicable tax rate of 24% (2016 : 24%)	11,075,367	8,002,737	3,122,110	1,477,023
Effect of different tax rates of other tax jurisdictions	(3,486,645)	(2,031,679)	-	-
Tax effects of:				
Non-deductible expenses	2,373,685	1,290,307	998,530	988,712
Income not subject to tax	(66,071)	(44,140)	(4,120,640)	(2,465,735)
Utilisation of deferred tax assets previously not recognised	(547,559)	(1,255,950)	-	-
Tax incentives	(250,718)	(54,632)	-	-
Income tax exemption	(419,768)	(271,901)	-	-
Deferred tax assets not recognised for the year	503,609	61,977	-	-
Under/(Over)provision in prior years				
- Current tax	725,603	1,618,565	-	-
- Deferred tax	(180,640)	(1,282,306)	-	-
Effect of share of results in associates	12,270	26,046	-	-
Income tax expense	9,739,133	6,059,024	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit after taxation attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2017	**2016**
Profit after taxation attributable to owners of the Company (RM)	29,857,681	20,040,231
Number of shares in issue as of 1 January	1,053,435,130	1,053,435,130
Effects of:		
Treasury shares acquired	(5,466,600)	(5,301,026)
Weighted average number of ordinary shares for basic earnings per share computation as of 31 December	1,047,968,530	1,048,134,104
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	2.85	1.91

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

Notes To The Financial Statements
(cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

The Group	COST						
	As at 1 January 2016 RM	Foreign currency translation differences RM	Transfer to inventories and reclassification RM	Additions RM	Write-offs RM	Disposals RM	As at 31 December 2016 RM
Freehold land	19,803,082	1,102,738	-	-	-	-	20,905,820
Freehold buildings	45,805,121	3,240,490	2,728,807	697,071	-	-	52,471,489
Long-term leasehold land	4,784,454	60,862	-	-	-	-	4,845,316
Long-term leasehold buildings	41,296,196	805,919	-	-	-	-	42,102,115
Factory and office renovation	25,888,408	327,146	39,624	574,533	-	-	26,829,711
Plant and machinery	168,602,672	4,873,723	8,029,612	5,652,986	(7,051,685)	(1,230,351)	178,876,957
Workshop tools	2,395,300	-	-	63,320	(126,746)	-	2,331,874
Office equipment	7,388,476	202,770	6,102	387,858	(147,533)	(645)	7,837,028
Furniture and fittings	986,401	(599)	-	4,590	(7,378)	-	983,014
Motor vehicles	7,212,223	277,123	460,834	465,280	-	(68,805)	8,346,655
Computers	1,287,203	21,780	-	100,852	(48,669)	(2,899)	1,358,267
Capital work-in-progress	3,922,973	1,017,599	(11,302,990)	19,954,418	(13,222)	-	13,578,778
Total	329,372,509	11,929,551	(38,011)	27,900,908	(7,395,233)	(1,302,700)	360,467,024

Notes To The Financial Statements (cont'd)

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

	COST						
The Group	**As at 1 January 2017 RM**	**Foreign currency translation differences RM**	**Reclassifications RM**	**Additions RM**	**Write-offs RM**	**Disposals RM**	**As at 31 December 2017 RM**
Freehold land	20,905,820	(298,554)	-	-	-	-	20,607,266
Freehold buildings	52,471,489	(1,158,079)	8,639,752	687,896	(59,388)	-	60,581,670
Long-term leasehold land	4,845,316	(89,970)	-	-	-	-	4,755,346
Long-term leasehold buildings	42,102,115	(790,939)	-	-	-	-	41,311,176
Factory and office renovation	26,829,711	(572,880)	-	347,296	-	-	26,604,127
Plant and machinery	178,876,957	(4,108,535)	16,058,823	5,886,272	(3,283,917)	(149,227)	193,280,373
Workshop tools	2,331,874	-	-	96,977	(13,500)	-	2,415,351
Office equipment	7,837,028	(148,648)	-	489,995	(167,334)	(37,600)	7,973,441
Furniture and fittings	983,014	(19,931)	-	2,630	(432)	-	965,281
Motor vehicles	8,346,655	(130,345)	91,156	329,257	-	(382,643)	8,254,080
Computers	1,358,267	(21,018)	-	99,812	-	(2,679)	1,434,382
Capital work-in-progress	13,578,778	180,067	(24,789,731)	12,212,019	-	-	1,181,133
Total	360,467,024	(7,158,832)	-	20,152,154	(3,524,571)	(572,149)	369,363,626

Notes To The Financial Statements
(cont'd)

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

	ACCUMULATED DEPRECIATION					
The Group	**As at 1 January 2016 RM**	**Foreign currency translation differences RM**	**Charge for the year RM**	**Write-offs RM**	**Disposals RM**	**As at 31 December 2016 RM**
Freehold land	-	-	-	-	-	-
Freehold buildings	17,360,813	1,239,573	1,345,345	-	-	19,945,731
Long-term leasehold land	583,245	-	68,290	-	-	651,535
Long-term leasehold buildings	13,332,030	326,051	1,432,769	-	-	15,090,850
Factory and office renovation	15,549,152	231,972	1,930,446	-	-	17,711,570
Plant and machinery	127,872,540	3,283,765	11,184,385	(6,261,771)	(1,018,907)	135,060,012
Workshop tools	2,211,504	-	103,610	(126,746)	-	2,188,368
Office equipment	6,672,392	170,646	466,264	(146,978)	(322)	7,162,002
Furniture and fittings	925,295	(292)	39,320	(7,378)	-	956,945
Motor vehicles	5,391,229	211,964	544,118	-	(23,509)	6,123,802
Computers	1,098,799	12,818	78,855	(48,669)	(2,979)	1,138,824
Capital work-in-progress	-	-	-	-	-	-
Total	190,996,999	5,476,497	17,193,402	(6,591,542)	(1,045,717)	206,029,639

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

The Group	ACCUMULATED DEPRECIATION					
	As at 1 January 2017 RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	As at 31 December 2017 RM
Freehold land	-	-	-	-	-	-
Freehold buildings	19,945,731	(387,722)	1,922,376	(59,388)	-	21,420,997
Long-term leasehold land	651,535	-	68,290	-	-	719,825
Long-term leasehold buildings	15,090,850	(327,665)	1,489,277	-	-	16,252,462
Factory and office renovation	17,711,570	(375,026)	1,901,519	-	-	19,238,063
Plant and machinery	135,060,012	(2,799,617)	11,967,741	(2,617,464)	(128,378)	141,482,294
Workshop tools	2,188,368	-	59,993	(13,498)	-	2,234,863
Office equipment	7,162,002	(130,504)	358,396	(167,334)	(37,532)	7,185,028
Furniture and fittings	956,945	(18,303)	12,623	(432)	-	950,833
Motor vehicles	6,123,802	(88,108)	592,723	-	(276,144)	6,352,273
Computers	1,138,824	(16,969)	98,541	-	(2,746)	1,217,650
Capital work-in-progress	-	-	-	-	-	-
Total	206,029,639	(4,143,914)	18,471,479	(2,858,116)	(444,800)	217,054,288

Notes To The Financial Statements
(cont'd)

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

The Group	IMPAIRMENT LOSS As at 1 January 2016 RM	Foreign currency translation differences RM	Recognised for the year RM	Write-off RM	As at 31 December 2016/1 January 2017 RM	Foreign currency translation differences RM	Recognised for the year RM	Write-off RM	As at 31 December 2017 RM	NET BOOK VALUE As at 31 December 2017 RM	As at 31 December 2016 RM
Freehold land	-	-	-	-	-	-	-	-	-	20,607,266	20,905,820
Freehold buildings	-	-	-	-	-	-	-	-	-	39,160,673	32,525,758
Long-term leasehold land	-	-	-	-	-	-	-	-	-	4,035,521	4,193,781
Long-term leasehold buildings	-	-	-	-	-	-	-	-	-	25,058,714	27,011,265
Factory and office renovation	-	-	-	-	-	-	-	-	-	7,366,064	9,118,141
Plant and machinery	2,708,834	2,632	51,841	(392,361)	2,370,946	2,540	49,749	(159,580)	2,263,655	49,534,424	41,445,999
Workshop tools	-	-	-	-	-	-	-	-	-	180,488	143,506
Office equipment	-	-	-	-	-	-	-	-	-	788,413	675,026
Furniture and fittings	-	-	-	-	-	-	-	-	-	14,448	26,069
Motor vehicles	-	-	-	-	-	-	-	-	-	1,901,807	2,222,853
Computers	-	-	-	-	-	-	-	-	-	216,732	219,443
Capital work-in-progress	-	-	-	-	-	-	-	-	-	1,181,133	13,578,778
Total	2,708,834	2,632	51,841	(392,361)	2,370,946	2,540	49,749	(159,580)	2,263,655	150,045,683	152,066,439

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

The Company	COST As at 1 January 2016 RM	Additions RM	Write-off RM	As at 31 December 2016/1 January 2017 RM	Additions RM	Write-offs RM	As at 31 December 2017 RM
Office renovation	151,775	-	-	151,775	-	-	151,775
Office equipment	36,667	-	-	36,667	830	(720)	36,777
Furniture and fittings	73,032	-	-	73,032	-	(2,032)	71,000
Computers	53,425	2,929	(16,606)	39,748	-	-	39,748
Total	314,899	2,929	(16,606)	301,222	830	(2,752)	299,300

The Company	ACCUMULATED DEPRECIATION As at 1 January 2016 RM	Charge for the year RM	Write-off RM	As at 31 December 2016/1 January 2017 RM	Charge for the year RM	Write-offs RM	As at 31 December 2017 RM	NET BOOK VALUE As at 31 December 2017 RM	As at 31 December 2016 RM
Office renovation	91,113	15,178	-	106,291	15,178	-	121,469	30,306	45,484
Office equipment	27,551	5,466	-	33,017	3,696	(720)	35,993	784	3,650
Furniture and fittings	71,302	987	-	72,289	513	(2,032)	70,770	230	743
Computers	49,954	2,416	(16,606)	35,764	2,280	-	38,044	1,704	3,984
Total	239,920	24,047	(16,606)	247,361	21,667	(2,752)	266,276	33,024	53,861

Notes To The Financial Statements
(cont'd)

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

As of 31 December 2017, freehold land and buildings, long-term leasehold land and buildings and plant and machinery of the Group with a total net book value of RM76,966,680 (2016: RM72,364,307) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 22 to the financial statements.

Included in property, plant and equipment of the Group are plant and equipment acquired under hire purchase arrangements with net book value totalling RM321,132 (2016: RM652,076).

11. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017 RM	2016 RM
Unquoted shares, at cost:-		
At beginning of the year	121,499,940	88,663,164
Transferred from a subsidiary	-	25,545,404
Addition during the year	13,273,927	7,399,142
Dissolution of a subsidiary	-	(107,770)
	134,773,867	121,499,940
Accumulated impairment losses	(987,241)	(987,241)
	133,786,626	120,512,699

The details of the subsidiaries are as follows:

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2017 %	2016 %	Principal Activities
Subsidiaries of the Company				
Frontken Malaysia Sdn. Bhd. ("FMSB") [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Singapore) Pte. Ltd. ("FSPL")[1]	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
PT Frontken Indonesia [1]	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
TTES Frontken Integrated Services Sdn. Bhd. ("TTES") [2,3]	Malaysia	45	45	Engaged in the business of turbo machinery technical engineering services.
Ares Green Technology Corporation ("AGTC") [1]	Taiwan	84.65	73.22	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semi-conductor industries.

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows: (Cont'd)

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2017 %	2016 %	Principal Activities
Subsidiaries of FMSB				
Frontken (East Malaysia) Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd. [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
Frontken Projects Sdn. Bhd. ("FPSB") [2]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
Subsidiaries of FSPL				
Frontship Pte. Ltd. [1]	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.
Frontken Projects Pte. Ltd. ("FPPL") [1]	Singapore	100	100	General contractors and process and individual plant engineering services.
Frontken Philippines Inc [1]	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Subsidiary of AGTC				
Ares Green International Corporation ("AGIC") [1]	Samoa	100	100	Investment holding.

[1] The financial statements of the subsidiaries are audited by auditors other than the auditors of the Company.

[2] The financial statements of the subsidiaries are audited by Messrs. Crowe Horwath.

[3] TTES is considered a subsidiary of the Group as the Group has control over the operating and management policies of this subsidiary via the board of directors appointed by the Group.

Notes To The Financial Statements
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2017	2016	2017	2016
	%	%	RM	RM
AGTC	15.35	26.78	21,992,581	31,438,211
TTES	55	55	4,363,942	4,298,315
Other individually immaterial subsidiaries			(1,983,813)	(1,937,387)
			24,372,710	33,799,139

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	AGTC	
	2017	2016
	RM	RM
<u>At 31 December</u>		
Non-current assets	96,308,669	89,649,704
Current assets	119,981,594	101,324,020
Non-current liabilities	(11,631,864)	(16,503,324)
Current liabilities	(68,309,606)	(58,046,598)
Net assets	136,348,793	116,423,802
<u>Financial Year Ended 31 December</u>		
Revenue	171,688,318	128,255,397
Profit for the financial year	32,409,052	19,347,549
Total comprehensive income	29,559,209	26,380,753
Total comprehensive income attributable to non-controlling interests	6,494,934	7,287,193
Dividends paid to non-controlling interests	(1,478,852)	(1,051,371)
Net cash from operating activities	42,947,705	34,930,769
Net cash for investing activities	(20,432,017)	(21,360,451)
Net cash for financing activities	(13,876,148)	(3,921,542)

Notes To The Financial Statements (cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:- (Cont'd)

	TTES 2017 RM	TTES 2016 RM
At 31 December		
Non-current assets	2,770,350	3,028,333
Current assets	7,636,730	10,615,226
Non-current liabilities	(199,574)	(319,732)
Current liabilities	(2,273,064)	(5,508,708)
Net assets	7,934,442	7,815,119
Financial Year Ended 31 December		
Revenue	15,396,296	28,366,528
Profit for the financial year	389,320	2,844,874
Total comprehensive income	389,320	2,844,874
Total comprehensive income attributable to non-controlling interests	214,126	1,564,681
Dividends paid to non-controlling interests	(148,500)	(907,500)
Net cash from operating activities	1,543,746	4,307,661
Net cash for investing activities	(1,858,768)	(703,752)
Net cash for financing activities	(764,202)	(2,087,527)

During the financial year:-

(i) In the month of June 2017, the Company acquired 3,891,229 ordinary shares of NT$10 each representing 11.43% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$93,675,619 (including incidental costs) (equivalent to RM13,273,927). Following the acquisition, the Group's interest in AGTC increased from 73.22% to 84.65%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM95,753,364. The Group recognised a decrease in non-controlling interests of RM14,461,712 and an increase in retained earnings of RM1,187,785.

The following summarises the effect of changes in equity interest in AGTC that is attributable to owners of the Company:

	AGTC 2017 RM
Equity interest at 1 January 2017	84,985,591
Effect of increase in Company's ownership interest	14,461,712
Share of comprehensive income	14,908,909
Equity interest at 31 December 2017	114,356,212

Notes To The Financial Statements
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

In the previous financial year:-

(i) In the month of February 2016, the Company acquired 1,135,575 ordinary shares of NT$10 each representing 3.33% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$19,514,250 (including incidental costs) (equivalent to RM2,438,473). Following the acquisition, the Group's interest in AGTC increased from 64.38% to 67.71%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM56,664,383. The Group recognised a decrease in non-controlling interests of RM2,953,962 and an increase in retained earnings of RM515,489.

(ii) In the month of February 2016, the Company's wholly-owned subsidiary, FMSB, acquired the remaining 39.93% of the entire issued and paid-up share capital in FPSB for a cash consideration of RM2. Following the acquisition, FPSB became a wholly-owned subsidiary of FMSB. The carrying amount of FPSB's net liabilities shared by the Group on the date of the acquisition was RM2,220,473. The Group recognised an increase in non-controlling interests of RM498,348 and a decrease in retained earnings of RM498,350.

(iii) In the month of June 2016, the Company acquired 1,250,267 ordinary shares of NT$10 each representing 3.67% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$26,880,741 (equivalent to RM3,434,183). Following the acquisition, the Group's interest in AGTC increased from 67.71% to 71.38%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM65,984,121. The Group recognised a decrease in non-controlling interests of RM3,442,215 and an increase in retained earnings of RM8,033.

(iv) In the month of July 2016, the Company acquired 615,314 ordinary shares of NT$10 each representing 1.81% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$11,937,092 (equivalent to RM1,493,567). Following the acquisition, the Group's interest in AGTC increased from 71.38% to 73.19%. The carrying amount of AGTC's net assets shared the Group on the date of the acquisition was RM72,165,814. The Group recognised a decrease in non-controlling interests of RM1,765,748 and an increase in retained earnings of RM272,180.

(v) In the month of October 2016, the Company acquired 11,659 ordinary shares of NT$10 each representing 0.03% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$254,166 (equivalent to RM32,919). Following the acquisition, the Group's interest in AGTC increased from 73.19% to 73.22%. The carrying amount of AGTC's net assets shared the Group on the date of the acquisition was RM78,959,707. The Group recognised a decrease in non-controlling interests of RM31,273 and a decrease in retained earnings of RM1,646.

The following summarises the effect of changes in equity interest in AGTC and FPPL that is attributable to owners of the Company:

	AGTC 2016 RM	FPPL 2016 RM	Total 2016 RM
Equity interest at 1 January 2016	60,568,943	(2,219,163)	58,349,780
Effect of increase in Company's ownership interest	8,193,198	(498,348)	7,694,850
Share of comprehensive income	16,223,450	12,552	16,236,002
Equity interest at 31 December 2016	84,985,591	(2,704,959)	82,280,632

(vi) On 27 December 2016, the Company received the approval from Taiwan Authority for dissolution of its wholly-owned subsidiary, FTC. FTC was incorporated for the purpose of acquiring and holding the Group's 23.11% share investment in AGTC. On 30 December 2016, FTC has transferred all its AGTC shares to the Company and all FTC's assets and liabilities were assigned to the Company.

12. INVESTMENT IN AN ASSOCIATE

	The Group 2017 RM	The Group 2016 RM
Unquoted shares		
- at cost	1,193,279	1,193,279
Share of post-acquisition results	231,176	282,302
Foreign currency translation differences	538,464	522,925
	1,962,919	1,998,506

The summarised financial information of the associate that is material to the Group is as follows:-

	The Group 2017 RM	The Group 2016 RM
Current assets	1,029,788	2,064,278
Non-current assets	4,155,784	4,313,104
Current liabilities	(1,534,038)	(2,568,802)
Non-current liabilities	(25,132)	(54,807)
Net assets	3,626,402	3,753,773
Revenue	2,319,031	2,288,827
Loss for the financial year	(104,339)	(221,479)
Group's share of results for the financial year	(51,126)	(108,525)

The details of the associate are as follows:

Name of Associate	Principal Place of Business	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Indirect Associate				
Frontken (Thailand) Co., Ltd.	Thailand	49	49	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.

Notes To The Financial Statements
(cont'd)

12. INVESTMENT IN AN ASSOCIATE (CONT'D)

Amount owing by an associate

	The Group 2017 RM	The Group 2016 RM
Amount owing by an associate		
- Trade	922,516	943,845
- Non-trade	411,336	419,126
	1,333,852	1,362,971

The normal trade credit terms granted to associate range from 30 to 90 days (2016: 30 to 90 days).

The non-trade balance is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

13. GOODWILL ON CONSOLIDATION

	The Group 2017 RM	The Group 2016 RM
At beginning/end of year	33,760,856	33,760,856

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:

	The Group 2017 RM	The Group 2016 RM
Frontken (East Malaysia) Sdn. Bhd.	805,812	805,812
Ares Green Technology Corporation	24,588,453	24,588,453
TTES Frontken Integrated Services Sdn. Bhd.	8,366,591	8,366,591
	33,760,856	33,760,856

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the expected changes to pricing and direct costs, growth rates and discount rates during the period.

	2017 %	2016 %
Budgeted gross margin	19 to 46	18 to 39
Growth rates		
- Year 1	1 to 23	-25 to 3
- Year 2 to 5	1 to 15	1 to 5
Pre-tax discount rates	17 to 18	12 to 14

13. GOODWILL ON CONSOLIDATION (CONT'D)

The calculation of value-in-use for CGU are most sensitive to the following assumptions:

(i)	Budgeted gross margin	Management determines budgeted gross margin based on past performance and its expectations of market development.
(ii)	Growth rates	The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a five-year period based on growth rates consistent with the long-term average growth rate for the industry.
(iii)	Discount rates	Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.
(iv)	Terminal value	Terminal value is based on zero growth of projected present value of particular subsidiaries from year 2022 until infinity.

The management believes that there is no reasonable change in the above key assumptions which would cause the carrying amount of the goodwill to exceed its recoverable amounts.

14. DEFERRED TAX ASSETS/LIABILITIES

	The Group	
	2017 RM	2016 RM
Deferred tax assets		
At beginning of year	1,602,804	1,405,844
Transfer from profit or loss (Note 8)	73,771	-
Transfer to other comprehensive expenses	35,072	95,966
Foreign currency translation differences	(30,327)	100,994
At end of year	1,681,320	1,602,804
Deferred tax liabilities		
At beginning of year	1,671,539	3,446,164
Transfer to profit or loss (Note 8)	(536,091)	(1,775,922)
Foreign currency translation differences	(12,687)	1,297
At end of year	1,122,761	1,671,539

The net deferred tax liabilities and assets are in respect of the tax effects of the following:

	The Group Deferred Tax (Assets)/Liabilities	
	2017 RM	2016 RM
Temporary differences arising from property, plant and equipment	994,307	1,477,470
Others	(1,552,866)	(1,408,735)
	(558,559)	68,735

Notes To The Financial Statements
(cont'd)

14. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2017, the estimated amount of net deferred tax assets, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:

	The Group Deferred Tax Assets/(Liabilities)	
	2017 RM	2016 RM
Unutilised tax losses	2,502,877	1,431,749
Unabsorbed capital allowances	295,533	173,851
Temporary differences arising from property, plant and equipment	-	(283,821)
Others	-	(10,460)
	2,798,410	1,311,319

The unutilised tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities.

15. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group earn effective interests ranging from 0.25% to 4.33% (2016: 0.25% to 3.45%) per annum. The fixed deposits of the Group have average maturity periods ranging from 30 to 365 days (2016: 10 to 365 days).

Fixed deposits with licensed banks of the Company earn an effective interest of 2.95% (2016: 2.95%) per annum. The fixed deposits of the Company have a maturity period of 30 days (2016: 30 days).

The fixed deposits of the Group and of the Company amounting to RM3,136,080 (2016: RM3,205,263) and RM1,104,683 (2016: RM1,072,697) are pledged to licensed banks as security for banking facilities granted to the Group and the Company.

Pursuant to the Service Agreements entered between TTES and its customer, TTES is required to pledge the fixed deposits with licensed bank amounted to RM1,255,726 (2016: RM1,146,156) as security for the bank guarantee which are provided for projects that are secured by TTES. As the availability period of the bank guarantee facility for these projects are more than a year, hence, the fixed deposits with licensed banks are classified as non-current assets.

16. INVENTORIES

	The Group	
	2017 RM	2016 RM
Raw materials	4,617,245	4,486,336
Work-in-progress	2,971,259	3,275,442
Finished goods	5,886,388	3,214,349
	13,474,892	10,976,127
Recognised in profit or loss:		
Inventories recognised as cost of sales	26,617,869	26,556,170
Inventories written off	137,087	492,724

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 90 days (2016: 30 to 90 days).

	The Group	
	2017 RM	2016 RM
Trade receivables	93,498,201	98,070,241
Allowance for impairment losses	(1,783,238)	(1,923,650)
	91,714,963	96,146,591

Movement in allowance for impairment losses on trade receivables is as follows:

	The Group	
	2017 RM	2016 RM
At 1 January	1,923,650	1,889,657
Allowance for impairment losses	71,151	133,461
Write-back of allowance for impairment losses	(60,137)	(1,196)
Written off as bad debts	(128,077)	(153,974)
Exchange difference	(23,349)	55,702
At 31 December	1,783,238	1,923,650

Included in trade receivables of the Group are the following amounts owing by the related parties:

	The Group	
	2017 RM	2016 RM
A & I Engine Rebuilders Sdn. Bhd.	201	541
AMT Engineering Sdn. Bhd.	7,521	5,954
Tenaga-Tech (M) Sdn. Bhd.	18,957	11,793
	26,679	18,288

The said amount, which arose mainly from trade transactions, is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The related parties and their relationships with the Group are as follows:

Name of related parties	Relationship
A & I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
Tenaga-Tech (M) Sdn. Bhd.	A company in which Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors of a subsidiary, are also directors and have financial interest.

Notes To The Financial Statements
(cont'd)

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Transactions undertaken with related parties during the financial year are as follows:

	The Group	
	2017	2016
	RM	RM
A & I Engine Rebuilders Sdn. Bhd.		
Sales	370	1,625
AMT Engineering Sdn. Bhd.		
Sales	50,597	18,527
Purchases	1,985	1,175
Rental expense	144,000	144,000
Tenaga-Tech (M) Sdn. Bhd.		
Sales	46,850	27,400
Purchases	75,297	202,342

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other receivables	3,151,330	3,005,790	17,758	32,137
Deposits	1,610,492	1,604,796	4,950	4,850
Prepayments	540,798	441,600	25,513	25,231
	5,302,620	5,052,186	48,221	62,218

18. AMOUNTS OWING BY/TO SUBSIDIARIES

	The Company	
	2017	2016
	RM	RM
Amount owing by:-		
Advances	2,983,741	4,336,261
Non-trade balances	3,139,672	8,560,088
	6,123,413	12,896,349
Allowance for impairment losses	(3,244,451)	(2,974,451)
	2,878,962	9,921,898
Amount owing to:-		
Non-trade balances	7,531,022	13,564,695

Notes To The Financial Statements (cont'd)

18. AMOUNTS OWING BY/TO SUBSIDIARIES (CONT'D)

	The Company	
	2017 RM	2016 RM
Allowance for impairment losses:-		
At beginning of the year	(2,974,451)	(1,498,371)
Allowance for impairment losses	(270,000)	(1,476,080)
At end of the year	(3,244,451)	(2,974,451)

The amounts owing by/to the subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bear interest ranging from 3.0% to 4.9% (2016: 3.0% to 4.9%) per annum and is repayable on demand whilst the amount arising from payments made on behalf is interest-free.

19. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unit trust	3,508,429	6,753,232	2,108,006	5,390,526
Money market fund	-	2,243,001	-	-
	3,508,429	8,996,233	2,108,006	5,390,526
Fair value	3,508,429	8,996,233	2,108,006	5,390,526

20. SHARE CAPITAL

	The Group/The Company			
	2017	2016	2017	2016
	Number of shares		RM	RM
Ordinary shares of RM0.10 each:				
Authorised				
At beginning/end of year	N/A	5,000,000,000	N/A	500,000,000

N/A Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

	2017	2016	2017	2016
Issued and fully paid-up				
At beginning of year	1,053,435,130	1,053,435,130	105,343,513	105,343,513
Transfer from share premium account	-	-	13,581,839	-
At end of year	1,053,435,130	1,053,435,130	118,925,352	105,343,513

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

(ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Notes To The Financial Statements
(cont'd)

21. RESERVES

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-distributable:				
Share premium	-	13,581,839	-	13,581,839
Treasury shares	(663,237)	(663,237)	(663,237)	(663,237)
Foreign currency translation reserve	28,983,354	34,703,988	-	-
Statutory reserve	6,046,518	3,908,108	-	-
Distributable:				
Retained earnings	128,308,024	104,735,836	17,583,019	9,814,069
	162,674,659	156,266,534	16,919,782	22,732,671

Share premium

	The Group/ The Company	
	2017	2016
	RM	RM
At beginning of year	13,581,839	13,581,839
Transfer to share capital	(13,581,839)	-
At end of year	-	13,581,839

Treasury shares

During the financial year, the Company did not purchase its issued ordinary shares from the open market. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from total equity.

As at 31 December 2017, the Company held 5,466,600 (2016: 5,466,600) treasury shares at a carrying amount of RM663,237 (2016: RM663,237).

As at 31 December 2017, the number of outstanding ordinary shares in issue after the set-off of 5,466,600 (2016: 5,466,600) treasury shares held by the Company is 1,047,968,530 (2016: 1,047,968,530) ordinary shares.

Foreign currency translation reserve

Foreign currency translation differences arose from the translation of the financial statements of foreign subsidiaries and the Group's share of an associate's foreign currency translation differences are taken to the foreign currency translation reserve as described in the significant accounting policies.

Statutory reserve

The statutory reserve is maintained by the Group's subsidiary in Taiwan in accordance with the regulations in that country.

Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

Notes To The Financial Statements
(cont'd)

22. TERM LOANS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Principal outstanding	15,836,487	24,074,255	2,037,933	4,128,510
Less: Portion due within one year (Note 25)	(4,289,792)	(3,813,871)	(2,037,933)	(2,090,734)
Non-current portion	11,546,695	20,260,384	-	2,037,776

The non-current portion is repayable as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Later than one year but not later than five years	11,546,695	16,986,266	-	2,037,776
Later than five years	-	3,274,118	-	-
	11,546,695	20,260,384	-	2,037,776

(a) The term loans are secured by:

(i) legal charges over certain freehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(ii) legal charges over the long-term leasehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(iii) corporate guarantees of the Company; and

(iv) fixed deposits as disclosed in Note 15 to the financial statements.

(b) The interest rate profile of the term loans is summarised below:

	Effective Interest Rate		The Group	
	2017	2016	2017	2016
	%	%	RM	RM
Floating rate term loans	1.40 – 6.57	1.40 – 6.46	15,836,487	24,074,255

	Effective Interest Rate		The Company	
	2017	2016	2017	2016
	%	%	RM	RM
Floating rate term loans	6.57	6.46	2,037,933	4,128,510

Notes To The Financial Statements
(cont'd)

23. HIRE PURCHASE PAYABLES

	The Group	
	2017	2016
	RM	RM
Total outstanding	374,634	659,725
Less: Interest-in-suspense	(26,423)	(56,232)
Present value of payments	348,211	603,493
Less: Amount due within 12 months (included under current liabilities)	(182,250)	(249,222)
Non-current portion	165,961	354,271

The non-current portion is payable as follows:

	The Group	
	2017	2016
	RM	RM
Later than one year but not later than five years	165,961	354,271

It is the Group's policy to acquire certain of its plant and equipment under hire purchase arrangements. The hire purchase arrangements are expiring from 1 to 5 years (2016: 1 to 6 years). The interest rates implicit in the hire purchase obligations range from 1.70% to 5.28% (2016: 1.70% to 5.64%) per annum.

The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 10 to the financial statements.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2016: 30 to 90 days). Included in trade payables is RM4,721 (2016: RM5,582) owing to related parties.

Other payables and accrued expenses consist of:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables	33,705,986	31,397,358	9,358	9,079
Accrued expenses	30,078,881	24,163,584	2,185,086	1,229,012
	63,784,867	55,560,942	2,194,444	1,238,091
Less: Other payables (included under non-current liabilities)	(3,225,327)	(3,134,277)	-	-
Current liabilities	60,559,540	52,426,665	2,194,444	1,238,091

Notes To The Financial Statements (cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Included in other payables are defined benefit plan as detailed below:

	The Group	
	2017 RM	2016 RM
Defined benefit plan (Overseas subsidiaries)		
- Taiwan	2,467,745	2,450,404
- Philippines	240,191	269,068
- Indonesia	517,391	414,805
	3,225,327	3,134,277

(a) Defined benefit plan – Taiwan

	The Group	
	2017 RM	2016 RM
Fair value of plan assets	(5,554,990)	(5,835,050)
Present value of plan obligations	8,022,735	8,285,454
	2,467,745	2,450,404

The Group contributes to a defined benefit plan that provides retirement benefits for employees upon retirement based on the following:-

i) 2 months average salary for each year for the first 15 years of working; and

ii) 1 month average salary for each year subsequent to 15 years of working.

A maximum entitlement for a retired employee is 45 months average salary. The average salary of a retired employee is calculated based on the average 6 months' salary prior to his retirement date.

Plan assets comprise:

	The Group	
	2017 RM	2016 RM
Cash at bank	998,232	1,052,643
Short-term investments	297,748	159,880
Debentures	651,600	700,206
Fixed income investments	854,913	864,171
Equity securities	2,389,201	2,636,276
Others	363,296	421,874
	5,554,990	5,835,050

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(a) Defined benefit plan – Taiwan (Cont'd)

Movement in the present value of defined benefit obligations:

	The Group	
	2017 RM	2016 RM
At 1 January	8,285,454	7,118,330
Current service costs and interest	136,062	130,378
Actuarial losses in other comprehensive income	173,425	511,644
Defined plan payable	(437,803)	-
Exchange difference	(134,403)	525,102
At 31 December	8,022,735	8,285,454

Movement in the fair value of plan assets:

	The Group	
	2017 RM	2016 RM
At 1 January	5,835,050	5,258,185
Expected return on plan assets	90,349	91,644
Actuarial losses in other comprehensive income	(32,882)	(52,864)
Contribution paid into the plan	191,751	173,265
Defined plan payable	(437,803)	-
Exchange difference	(91,475)	364,820
At 31 December	5,554,990	5,835,050

Expenses recognised in profit or loss:

	The Group	
	2017 RM	2016 RM
Current service costs and interests	136,062	130,378
Expected return on plan assets	(90,349)	(91,644)
Net benefit expense	45,713	38,734

Actuarial gains and losses recognised directly in other comprehensive income:

	The Group	
	2017 RM	2016 RM
Actuarial losses recognised during the year	(171,235)	(468,542)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(a) Defined benefit plan – Taiwan (Cont'd)

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit With Service Increment method, with the following principal actuarial assumptions:

		The Group 2017	The Group 2016
i)	Retirement age	65	65
ii)	Disability rate (per annum)	10% of mortality rate	10% of mortality rate
iii)	Discount rate (per annum)	1.50%	1.50%
iv)	Expected rate of salary increases (per annum)	3.00%	3.00%

	The Group 2017 (Decrease)/ Increase RM	The Group 2016 (Decrease)/ Increase RM
Effect on defined benefit obligations		
Discount rate (per annum)		
- strengthened by 0.25%	(306,073)	(311,974)
- weakened by 0.25%	322,355	328,951
Expected rate of salary increases (per annum)		
- strengthened by 0.25%	312,093	318,375
- weakened by 0.25%	(298,000)	(303,625)

(b) Defined benefit plan – Philippines

The Group conforms to the minimum regulatory benefit under prevailing law and regulations which is of the defined benefit type.

The normal retirement age is 60. The plan provides a benefit equal to 22.5 days' salary for every year of credited service. The regulatory benefits are paid in lump sum upon retirement.

Movement in the present value of defined benefit obligations:

	The Group 2017 RM	The Group 2016 RM
At 1 January	269,068	227,743
Current service costs and interest	41,578	37,491
Actuarial (gain)/losses in other comprehensive income	(42,928)	4,568
Exchange difference	(27,527)	(734)
At 31 December	240,191	269,068

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(b) Defined benefit plan – Philippines (Cont'd)

Expenses recognised in profit or loss:

	The Group 2017 RM	The Group 2016 RM
Current service costs and interests	41,578	37,491

Actuarial gains and losses recognised directly in other comprehensive income:

	The Group 2017 RM	The Group 2016 RM
Actuarial gain/(losses) recognised during the year	42,928	(4,568)

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:

		The Group 2017	The Group 2016
i)	Retirement age	60	60
ii)	Discount rate (per annum)	5.70%	5.38%
iii)	Expected rate of salary increases (per annum)	2.00%	2.00%

	The Group 2017 (Decrease)/ Increase RM	The Group 2016 (Decrease)/ Increase RM
Effect on defined benefit obligations		
Discount rate (per annum)		
- strengthened by 1%	(11,557)	(16,594)
- weakened by 1%	13,065	18,942
Expected rate of salary increases (per annum)		
- strengthened by 1%	10,968	17,163
- weakened by 1%	(9,804)	(15,260)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(c) Defined benefit plan – Indonesia

The Group conforms to the obligations relating to the employee benefits due under the prevailing law and regulations.

Movement in the present value of defined benefit obligations:

	The Group	
	2017	**2016**
	RM	**RM**
At 1 January	414,805	345,534
Current service costs and interest	131,575	114,687
Actuarial losses/(gains) in other comprehensive income	13,237	(56,583)
Defined plan payable	-	(18,837)
Exchange difference	(42,226)	30,004
At 31 December	517,391	414,805

Expenses recognised in profit or loss:

	The Group	
	2017	**2016**
	RM	**RM**
Current service costs and interests	131,575	114,687

Actuarial gains and losses recognised directly in other comprehensive income:

	The Group	
	2017	**2016**
	RM	**RM**
Actuarial (losses)/gains recognised during the year	(13,237)	56,583

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:

		The Group	
		2017	**2016**
i)	Retirement age	55	55
ii)	Disability rate (per annum)	1% of mortality rate	1% of mortality rate
iii)	Discount rate (per annum)	7.00%	8.30%
iv)	Expected rate of salary increases (per annum)	10.00%	10.00%

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(c) Defined benefit plan – Indonesia (Cont'd)

	The Group	
	2017	**2016**
	(Decrease)/ Increase	**(Decrease)/ Increase**
	RM	**RM**
Effect on defined benefit obligations		
Discount rate (per annum)		
- strengthened by 1%	(48,762)	(39,066)
- weakened by 1%	56,997	45,434
Expected rate of salary increases (per annum)		
- strengthened by 1%	60,307	48,511
- weakened by 1%	(52,296)	(42,313)

25. BANK BORROWINGS

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Short-term borrowings				
- Money market security	12,460,720	4,652,400	-	-
Term loans - current portion (Note 22)	4,289,792	3,813,871	2,037,933	2,090,734
	16,750,512	8,466,271	2,037,933	2,090,734
Bank overdrafts	5,181,941	-	-	-
	21,932,453	8,466,271	2,037,933	2,090,734

The short-term borrowings represent money market loan facility obtained by a subsidiary incorporated in Singapore which are rolled over every month. The money market loan facility bear effective interest rates ranging from 2.44% to 2.96% (2016: 2.39% to 3.33%) per annum. The bank overdrafts, which are obtained by a subsidiary incorporated in Singapore, bear effective interest rate of 5.00% per annum.

The security for the bank borrowings are disclosed in Note 22 to the financial statements.

Notes To The Financial Statements (cont'd)

26. DIVIDEND

	The Group/ The Company	
	2017	2016
	RM	RM
Interim single-tier dividend of 0.5 sen per ordinary share in respect of the current financial year, paid on 4 October 2017	5,239,843	-

27. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar, New Taiwan Dollar and Indonesian Rupiah. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

27. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

The Group 2017	**Singapore Dollar RM**	**Ringgit Malaysia RM**	**United States Dollar RM**	**Philippine Peso RM**	**New Taiwan Dollar RM**	**Others* RM**	**Total RM**
Financial assets							
Trade receivables	7,889,047	11,363,347	12,135,537	1,115,711	58,436,349	355,467	91,295,458
Other receivables and deposits	1,061,202	810,080	759,120	644,599	1,399,626	86,582	4,761,209
Amount owing by an associate	1,333,852	-	-	-	-	-	1,333,852
Short-term investments	-	3,508,429	-	-	-	-	3,508,429
Fixed deposits with licensed banks	465,785	7,283,148	-	-	-	-	7,748,933
Cash and bank balances	1,499,260	11,493,610	54,667,584	753,002	50,171,421	728,701	119,313,578
	12,249,146	34,458,614	67,562,241	2,513,312	110,007,396	1,170,750	227,961,459
Financial liabilities							
Trade payables	1,984,718	3,074,082	830,861	296,596	11,926,227	178,834	18,291,318
Other payables and accrued expenses	4,735,616	5,202,735	505,381	336,538	48,893,047	97,613	59,770,930
Bank overdrafts	5,181,941	-	-	-	-	-	5,181,941
Bank borrowings							
- Term loans	4,220,944	2,037,933	-	-	9,577,610	-	15,836,487
- Short-term borrowings	12,460,720	-	-	-	-	-	12,460,720
Hire purchase payables	73,728	274,483	-	-	-	-	348,211
	28,657,667	10,589,233	1,336,242	633,134	70,396,884	276,447	111,889,607
Net financial (liabilities)/assets	(16,408,521)	23,869,381	66,225,999	1,880,178	39,610,512	894,303	116,071,852
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	16,116,067	(23,469,723)	-	(1,880,178)	(39,610,512)	(882,627)	(49,726,973)
Currency exposure	(292,454)	399,658	66,225,999	-	-	11,676	66,344,879

* Denominated in Euro, Great Britain Pound and Indonesian Rupiah.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:- (Cont'd)

The Group 2016	**Singapore Dollar RM**	**Ringgit Malaysia RM**	**United States Dollar RM**	**Philippine Peso RM**	**New Taiwan Dollar RM**	**Others* RM**	**Total RM**
Financial assets							
Trade receivables	10,328,805	15,996,875	17,795,021	639,706	50,816,601	294,492	95,871,500
Other receivables and deposits	1,647,747	660,327	385,571	590,266	1,199,731	94,925	4,578,567
Amount owing by an associate	1,362,971	-	-	-	-	-	1,362,971
Short-term investments	2,243,002	6,753,231	-	-	-	-	8,996,233
Fixed deposits with licensed banks	474,166	5,397,869	-	-	-	-	5,872,035
Cash and bank balances	1,989,027	15,269,959	25,330,584	1,915,656	43,381,102	859,184	88,745,512
	18,045,718	44,078,261	43,511,176	3,145,628	95,397,434	1,248,601	205,426,818
Financial liabilities							
Trade payables	1,578,993	3,914,441	2,841,588	171,449	11,451,094	100,020	20,057,585
Other payables and accrued expenses	3,744,878	4,605,750	1,089,499	916,891	41,315,199	105,377	51,777,594
Bank borrowings							
- Term loans	6,030,745	4,128,510	-	-	13,915,000	-	24,074,255
- Short-term borrowings	4,652,400	-	-	-	-	-	4,652,400
Hire purchase payables	209,727	393,766	-	-	-	-	603,493
	16,216,743	13,042,467	3,931,087	1,088,340	66,681,293	205,397	101,165,327
Net financial assets	1,828,975	31,035,794	39,580,089	2,057,288	28,716,141	1,043,204	104,261,491
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	113,651	(31,035,794)	-	(2,057,288)	(28,716,141)	(1,031,788)	(62,727,360)
Currency exposure	1,942,626	-	39,580,089	-	-	11,416	41,534,131

* Denominated in Euro, Great Britain Pound and Indonesian Rupiah.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Company 2017	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Indonesian Rupiah RM	Total RM
Financial assets					
Amount owing by subsidiaries	-	1,641,301	-	1,237,661	2,878,962
Cash and bank balances	-	641,588	7,007,423	-	7,649,011
	-	2,282,889	7,007,423	1,237,661	10,527,973
Financial liability					
Amount owing to subsidiaries	46,773	-	7,484,249	-	7,531,022
Net financial (liability)/assets	(46,773)	(2,282,889)	(476,826)	1,237,661	2,996,951
Less: Net financial assets denominated in the entity's functional currency	-	2,282,889	-	-	5,201,360
Currency exposure	(46,773)	-	(476,826)	1,237,661	8,198,311

The Company 2016	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Indonesian Rupiah RM	Total RM
Financial assets					
Amount owing by subsidiaries	-	8,343,147	-	1,578,751	9,921,898
Cash and bank balances	-	9,321,072	672,509	-	9,993,581
	-	17,664,219	672,509	1,578,751	19,915,479
Financial liability					
Amount owing to subsidiaries	801,355	7,155,840	5,607,500	-	13,564,695
Net financial (liability)/assets	(801,355)	10,508,379	(4,934,991)	1,578,751	6,350,784
Less: Net financial assets denominated in the entity's functional currency	-	(10,508,379)	-	-	(10,508,379)
Currency exposure	(801,355)	-	(4,934,991)	1,578,751	(4,157,595)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis on profit after taxation to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2017 Increase/ (Decrease) RM	**2016 Increase/ (Decrease) RM**	**2017 Increase/ (Decrease) RM**	**2016 Increase/ (Decrease) RM**
Effects on profit after taxation/equity				
Singapore Dollar:				
- strengthened by 5%	(14,623)	97,131	(2,339)	(40,068)
- weakened by 5%	14,623	(97,131)	2,339	40,068
United States Dollar:				
- strengthened by 5%	3,311,300	1,979,004	(23,841)	(246,750)
- weakened by 5%	(3,311,300)	(1,979,004)	23,841	246,750
Others*:				
- strengthened by 5%	584	571	61,883	78,938
- weakened by 5%	(584)	(571)	(61,883)	(78,938)

* Denominated in Euro, Great Britain Pound and Indonesian Rupiah.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 22 and 25 to the financial statements.

Interest rate risk sensitivity analysis

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, a 100 basis points strengthening in the interest rate as at the end of the reporting period would have decreased profit after taxation by RM319,579 (2016 : RM248,535) and RM15,488 (2016 : RM31,377) respectively. A 100 basis points weakening would have had an equal but opposite effect on the profit after taxation. This assumes that all other variables remain constant.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Equity price risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

If prices for quoted investments at the end of the reporting period strengthened by 10% with all other variables being held constant, the Group's profit after taxation or other comprehensive income would have increase by RM350,843 (2016 : RM899,623). A 10% weakening in the quoted prices would have had an equal but opposite effect on the Group's profit after taxation or equity.

(iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides corporate guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by 1 (2016: 1) customer which constituted approximately 16% (2016: 18%) of its total trade receivables as at the end of the reporting period.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (v) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Ageing analysis

The ageing of the Group's trade receivables as at end of the reporting period was:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2017				
Not past due	78,685,551	-	-	78,685,551
Past due:-				
- Less than 1 month	7,618,770	-	-	7,618,770
- 1 to 9 months	5,057,355	-	(80,269)	4,977,086
- over 9 months	1,717,020	(1,110,776)	(592,193)	14,051
	93,078,696	(1,110,776)	(672,462)	91,295,458
2016				
Not past due	83,525,876	-	-	83,525,876
Past due:-				
- Less than 1 month	7,614,233	-	-	7,614,233
- 1 to 9 months	4,813,744	(98,322)	(131,547)	4,583,875
- over 9 months	1,841,297	(1,141,430)	(552,351)	147,516
	97,795,150	(1,239,752)	(683,898)	95,871,500

At the end of the reporting period, trade receivables that are individually impaired are those which have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

Maturity analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
2017						
Hire purchase payables	1.70 – 5.28	348,211	374,634	199,373	175,261	-
Term loans	1.40 – 6.57	15,836,487	16,373,878	4,522,210	11,851,668	-
Short-term borrowings	2.44 – 2.96	12,460,720	12,460,720	12,460,720	-	-
Bank overdrafts	5.00	5,181,941	5,181,941	5,181,941	-	-
Trade payables	-	18,291,318	18,291,318	18,291,318	-	-
Other payables	-	59,770,930	59,770,930	59,770,930	-	-
		111,889,607	112,453,421	100,426,492	12,026,929	-
2016						
Hire purchase payables	1.70 – 5.64	603,493	659,725	278,374	381,351	-
Term loans	1.40 – 6.46	24,074,255	25,377,626	4,352,336	17,730,163	3,295,127
Short-term borrowings	2.39 – 3.33	4,652,400	4,652,400	4,652,400	-	-
Trade payables	-	20,057,585	20,057,585	20,057,585	-	-
Other payables	-	51,777,594	51,777,594	51,777,594	-	-
		101,165,327	102,524,930	81,118,289	18,111,514	3,295,127

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-(Cont'd)

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 – 5 years RM
2017					
Term loan	6.57	2,037,933	2,037,933	2,037,933	-
Other payables	-	2,194,444	2,194,444	2,194,444	-
Amount owing to subsidiaries - interest-free	-	7,531,022	7,531,022	7,531,022	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	22,101,098	22,101,098	-
		11,763,399	33,864,497	33,864,497	-
2016					
Term loan	6.46	4,128,510	4,400,187	2,296,104	2,104,083
Other payables	-	1,238,091	1,238,091	1,238,091	-
Amount owing to subsidiaries - interest-free	-	13,564,695	13,564,695	13,564,695	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	11,131,493	11,131,493	-
		18,931,296	30,334,466	28,230,383	2,104,083

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as external borrowings less cash and bank balances and fixed deposits with licensed banks.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Company is not disclosed in the financial statements as the cash and bank balances and fixed deposits with licensed banks are in surplus position after net off with external borrowings.

The Group is also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Group has complied with requirement.

(c) Classification of Financial Instruments

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Financial Assets				
Fair value through profit or loss:				
Held-for-trading				
Short-term investments	3,508,429	8,996,233	2,108,006	5,390,526
Loans and receivables financial assets				
Trade receivables	91,295,458	95,871,500	-	-
Other receivables and deposits	4,761,209	4,578,567	22,708	36,987
Amount owing by subsidiaries	-	-	2,878,962	9,921,898
Amount owing by an associate	1,333,852	1,362,971	-	-
Fixed deposits with licensed banks	7,748,933	5,872,035	1,104,683	1,072,697
Cash and bank balances	119,313,578	88,745,512	7,649,011	9,993,581
	224,453,030	196,430,585	11,655,364	21,025,163
Financial Liabilities				
Other financial liabilities				
Trade payables	18,291,318	20,057,585	-	-
Other payables and accrued expenses	59,770,930	51,777,594	2,194,444	1,238,091
Amount owing to subsidiaries	-	-	7,531,022	13,564,695
Bank overdrafts	5,181,941	-	-	-
Term loans	15,836,487	24,074,255	2,037,933	4,128,510
Bank borrowings	12,460,720	4,652,400	-	-
Hire purchase payables	348,211	603,493	-	-
	111,889,607	101,165,327	11,763,399	18,931,296

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2017								
Financial Asset								
Short-term investments	3,508,429	-	-	-	-	-	3,508,429	3,508,429
Financial Liabilities								
Hire purchase payables	-	-	-	-	346,797	-	346,797	348,211
Short-term borrowings	-	-	-	-	12,460,720	-	12,460,720	12,460,720
Term loans	-	-	-	-	15,836,487	-	15,836,487	15,836,487

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2016								
Financial Asset								
Short-term investments	8,996,233	-	-	-	-	-	8,996,233	8,996,233
Financial Liabilities								
Hire purchase payables	-	-	-	-	602,488	-	602,488	603,493
Short-term borrowings	-	-	-	-	4,652,400	-	4,652,400	4,652,400
Term loans	-	-	-	-	24,074,255	-	24,074,255	24,074,255

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-(Cont'd)

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Company	RM	RM	RM	RM	RM	RM	RM	RM
2017								
Financial Asset								
Short-term investments	2,108,006	-	-	-	-	-	2,108,006	2,108,006
Financial Liabilities								
Term loans	-	-	-	-	2,037,933	-	2,037,933	2,037,933

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Company	RM	RM	RM	RM	RM	RM	RM	RM
2016								
Financial Asset								
Short-term investments	5,390,526	-	-	-	-	-	5,390,526	5,390,526
Financial Liabilities								
Term loans	-	-	-	-	4,128,510	-	4,128,510	4,128,510

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information (Cont'd)

(i) Fair Value of Financial Instruments Carried at Fair Value

- The fair value of short-term investments is determined at their quoted closing bid prices at the end of the reporting period.

- There were no transfer between level 1 and level 2 during the financial year.

(ii) Fair Value of Financial Instruments Carried at Fair Value

The fair values, which are for disclosure purpose, have been determined using the following basis:-

The fair value of hire purchase payables, short-term borrowing and term loans determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2017	2016	2017	2016
	%	%	%	%
Hire purchase payables	1.70 – 5.28	1.70 - 5.64	-	-
Short-term borrowings	2.44 – 2.96	2.39 - 3.33	-	-
Term loans	1.40 – 6.57	1.40 - 6.46	6.57	6.46

28. COMMITMENTS

(i) Operating lease commitments

	The Group	
	2017	2016
	RM	RM
Non-cancellable future minimum lease payments		
- Not later than one year	2,083,092	2,212,584
- Between one year and five years	4,426,849	5,552,495
- Later than five years	10,610,926	12,459,651
	17,120,867	20,224,730

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

(ii) Capital commitments

As of 31 December 2017, the Group has the following capital commitments:

	The Group	
	2017	2016
	RM	RM
Purchase of property, plant and equipment	693,898	9,690,898

Notes To The Financial Statements
(cont'd)

29. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bank Borrowings* RM	Hire Purchase Payables RM	Total RM
2017			
At 1 January	28,726,655	603,493	29,330,148
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	7,901,920	-	7,901,920
Repayment of borrowing principal	(7,883,738)	(251,063)	(8,134,801)
Repayment of borrowing interests	(821,642)	(25,343)	(846,985)
Non-cash changes	374,012	21,124	395,136
At 31 December	28,297,207	348,211	28,645,418

* It includes term loan and money market security.

The Company	Amount Owing to Subsidiaries RM	Term Loans RM	Total RM
2017			
At 1 January	13,564,695	4,128,510	17,693,205
<u>Changes in Financing Cash Flows</u>			
Repayment to subsidiaries	(5,754,789)	-	(5,754,789)
Repayment of borrowing principal	-	(2,090,577)	(2,090,577)
Repayment of borrowing interest	-	(194,461)	(194,461)
Non-cash changes	(278,884)	194,461	(84,423)
At 31 December	7,531,022	2,037,933	9,568,955

Comparative information is not presented by virtue of the exemption given in MFRS 107.

Notes To The Financial Statements (cont'd)

29. CASH FLOW INFORMATION (CONT'D)

(b) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	119,313,578	88,745,512	7,649,011	9,993,581
Fixed deposits with licensed banks	7,748,933	5,872,035	1,104,683	1,072,697
Short-term investments-unit trust	3,508,429	6,753,232	2,108,006	5,390,526
	130,570,940	101,370,779	10,861,700	16,456,804
Less: Bank overdrafts	(5,181,941)	-	-	-
Less: Fixed deposits pledged with licensed banks	(3,136,080)	(3,205,263)	(1,104,683)	(1,072,697)
Less: Fixed deposits with maturity period more than 3 months	(2,000,000)	(97,617)	-	-
Cash and cash equivalents	120,252,919	98,067,899	9,757,017	15,384,107

30. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:-

(i) Removal of the authorised share capital;
(ii) Ordinary shares ceased to have par value; and
(iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to financial statements.

31. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the end of the reporting period are as follows:-

	The Group/The Company	
	2017 RM	2016 RM
Singapore Dollar	3.04	3.10
United States Dollar	4.06	4.49
Philippine Peso	0.08	0.09
New Taiwan Dollar	0.14	0.14
Euro	4.85	4.72
Chinese Renminbi	0.62	0.65
Indonesian Rupiah	0.00030	0.00033
Thai Baht	0.12	0.13

Statement By Directors

Pursuant To Section 251(2) Of The Companies Act 2016

We, **NG WAI PIN** and **DR. TAY KIANG MENG**, being two of the directors of **FRONTKEN CORPORATION BERHAD**, state that, in the opinion of the directors, and to the best of our knowledge and belief, the financial statements set out on pages 46 to 123 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and the cash flows for the financial year ended on that date.

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

NG WAI PIN

DR. TAY KIANG MENG

28 March 2018

Declaration By The Officer

Primarily Responsible For The Financial Management Of The Company Pursuant To Section 251(1)(B) Of Companies Act 2016

I, **HEE KOK HIONG**, being the officer primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 46 to 123 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

HEE KOK HIONG

Subscribed and solemnly declared by
the abovenamed **HEE KOK HIONG** at
KUALA LUMPUR this 28th day of March 2018.

Before me,
Lai Din (No. W-668)
COMMISSIONER FOR OATHS

List Of Properties

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below:

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2017	Date of acquisition
		sq m			RM'000	
Frontken (Singapore) Pte Ltd (FS) Pte Lot A12843 (to be known as Pte Lot A21020) Bearing postal address: 156A Gul Circle Singapore 629614	2 factory buildings with mezzanine office and a 4-storey factory to house production facilities	11,154/ 11,213	21 years, 31 years & 7 years	Leasehold expiring on 19.07.2039	17,056	01.08.2001
FS Pte Lot A22490 (to be known as Pte Lot A1355601) Bearing postal address: 15 Gul Drive Singapore 629466	4-storey factory building to house production facilities and R&D activities	4,877/ 3,147	16 years	Leasehold expiring on 30.04.2026	2,510	18.03.2005
Frontken Malaysia Sdn Bhd (FM) 177296 Lot 38206 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-46, Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	1½-storey detached factory building to house production facilities	2,023/ 1,006	21 years	Freehold	1,901	17.03.2003
FM 177293 Lot 38196 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-47, Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007

List Of Properties
(cont'd)

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2017	Date of acquisition
		sq m			RM'000	
FM GRN 150384 & 150398 Lots 12049 & 12063 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 18, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½-storey semi-detached factory to house production facilities and R&D activities	604/ 597	15 years	Freehold	467	07.07.2003
GRN 150385 & 150399 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 20, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½-storey semi-detached factory to house production facilities and R&D activities	604/ 541	15 years	Freehold		
FM GRN 210078 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman Bearing postal address: PT1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park 09000 Kulim Kedah Darul Aman	Single-storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	12 years	Leasehold expiring on 08.05.2066	6,169	23.12.2005
FM GRN 210078 P.T. No. 1923 Mukim Padang Cina Daerah Kulim Kedah Darul Aman Bearing postal address: PT 1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park 09000 Kulim Kedah Darul Aman	Vacant industrial land	15,419/ -	N/A	Leasehold expiring on 08.05.2066	1,731	09.11.2007

List Of Properties
(cont'd)

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2017	Date of acquisition
		sq m			RM'000	
Ares Green Technology Corporation						
0273-0000, 0276-0000 & 0277-0000 Bearing postal address: No. 17, Bade Road Xinying Dist. Tainan City, 73054 Taiwan, R.O.C.	A single-storey factory building and a 2-storey factory building to house production facilities and R&D activities and a 2-storey office building	16,966/ 16,644	18 years	Freehold	55,900	14.06.2004
PT Frontken Indonesia						
NIB No. 28.04.02.19.00499 28.04.02.19.00497 28.04.02.19.00495 28.04.02.19.00493 28.04.02.19.00492 28.04.02.19.00490 Bearing postal address: Jl. Raya Serang KM.13 RT.003/RW.002 Kp. Cirewed, Sukadamai-Cikupa Tangerang Banten Indonesia 15710	A single-storey factory building to house production facilities and office	5,385/ 3,222	33 years	Leasehold expiring on 17.10.2039 & 19.05.2041	1,381	12.12.2011
TTES Frontken Integrated Services Sdn Bhd						
Lot 3687 & 3688, Kawasan Perindustrian Telok Kalong, 24000 Terengganu Bearing postal address: Lot 3687 & 3688, Kawasan Perindustrian Telok Kalong, 24000 Terengganu	Vacant industrial land	4,133/ -	N/A	Leasehold expiring on 22.08.2057	247	08.12.2009

Shareholding Statistics
AS AT 30 MARCH 2018

Issued and Paid-up Share Capital	:	RM118,925,352 comprising 1,053,435,130 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2018

Size of holdings	No. of shareholders	% of shareholders	*No. of shares	*% of issued capital
Less than 100	191	3.8	8,445	~
100 – 1,000	472	9.5	238,522	~
1,001 – 10,000	1,809	36.2	11,338,132	1.1
10,001 – 100,000	2,039	40.8	77,213,196	7.4
100,001 to less than 5% of issued shares	483	9.7	611,723,962	58.4
5% and above of issued shares	2	~	347,446,273	33.1
Total	4,996	100.0	1,047,968,530	100.0

Notes:
~ Negligible
* Excluding 5,466,600 shares held as treasury shares as at 30 March 2018
Distribution of shareholdings based on Record of Depositors

DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2018

The shareholdings of the directors of the Company and the number of shares held by them as recorded in the Register of Director Shareholdings at the date of this statement are as follows:-

		Direct		Indirect	
No.	Name	No. of shares	*%	No. of shares	%
1.	Ng Wai Pin	6,592,900	0.6	-	-
2.	Dr Tay Kiang Meng	9,404,808	0.9	-	-
3.	Dato' Haji Johar Bin Murat @ Murad	-	-	-	-
4.	Aaron Sim Kwee Lein	-	-	-	-
5.	Dr Jorg Helmut Hohnloser	-	-	-	-

Note:
* Excluding 5,466,600 shares held as treasury shares as at 30 March 2018

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2018

		Direct		Indirect	
No.	Name	No. of shares	*%	No. of shares	%
1.	Maybank Securities Nominees (Asing) Sdn Bhd CP Asia Holding GmbH	290,991,473	27.8	-	-
2.	Ooi Keng Thye	152,332,200	14.5	-	-

Note:
*Excluding 5,466,600 shares held as treasury shares as at 30 March 2018
Substantial shareholders based on Register of Substantial Shareholders

Shareholding Statistics (Cont'd)

Thirty Largest Shareholders
AS AT 30 MARCH 2018

No.	Shareholders	No. of shares	*% of issued capital
1	Maybank Securities Nominees (Asing) Sdn Bhd CP Asia Holding GmbH	290,991,473	27.77
2	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye	56,454,800	5.39
3	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Evli Emerging Frontier Fund	32,209,425	3.07
4	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 14)	29,962,900	2.86
5	Ooi Keng Thye	24,567,500	2.34
6	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Small Cap Fund	21,700,100	2.07
7	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap (6000179)	20,764,000	1.98
8	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (6000009)	20,114,600	1.92
9	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (E-PPG)	15,081,000	1.44
10	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For CIMB-Principal Small Cap Fund (240218)	14,902,900	1.42
11	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Pheim)	13,615,200	1.30
12	Kho Chew Swan	13,075,552	1.25
13	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Ooi Keng Thye (Smart)	9,929,600	0.95
14	Tay Kiang Meng	9,404,808	0.90
15	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For CIMB Islamic Dali Equity Theme Fund	9,068,100	0.87
16	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Dali Equity Fund	8,872,000	0.85
17	HSBC Nominees (Asing) Sdn Bhd Morgan Stanley & Co. International Plc (Firm A/C)	7,987,100	0.76
18	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (023)	7,982,600	0.76
19	Yeoh Yew Choo	7,596,200	0.72
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Growth Fund	7,400,000	0.71
21	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Dividend Fund	7,300,000	0.70
22	Maybank Securities Nominees (Tempatan) Sdn Bhd Maybank Kim Eng Securities Pte Ltd For Tan San Chuan	7,077,900	0.68
23	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ooi Keng Thye	7,069,300	0.67
24	Mohd Shukri Bin Hitam	6,982,000	0.67
25	Ng Wai Pin	6,592,900	0.63
26	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chai Hoon @ Chan Ah Keng	6,460,000	0.62
27	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap (023)	6,337,700	0.60
28	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd (SFS)	5,817,300	0.56
29	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap	5,508,400	0.53
30	Amanahraya Trustees Berhad For CIMB Islamic Dali Asia Pacific Equity Growth Fund	5,065,700	0.48

Note:-
*Excluding 5,466,600 shares held as treasury shares as at 30 March 2018

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Thursday, 24 May 2018 at 11.00 a.m. for the transaction of the following businesses:-

AGENDA

As Ordinary Business:-

1. To receive the Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon. *(Please refer to Explanatory Note 1)*

2. To re-elect the following Directors who retire pursuant Article 74 of the Company's Constitution:-

   (a) Mr Ng Wai Pin; and *(Ordinary Resolution 1)*

   (b) Dr Tay Kiang Meng. *(Ordinary Resolution 2)*

3. To approve the payment of Directors' fees and Benefits of up to RM500,000.00 for the financial year ending 31 December 2018 up to the following next Annual General Meeting. *(Ordinary Resolution 3)*

4. To re-appoint Messrs Crowe Horwath as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 4)*

As Special Business:-

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

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("ACT")** *(Ordinary Resolution 5)*

   "**THAT** subject always to the Act, the Constitution of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares of the Company at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue.

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

Notice Of Annual General Meeting
(cont'd)

6. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")** *(Ordinary Resolution 6)*

"**THAT** subject to the provisions under the Act, the Constitution of the Company, the Listing Requirements and any other applicable laws, rules, regulations and guidelines for the time being in force, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Shares") as may be determined by the Directors 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 the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company.

THAT the maximum amount of funds to be allocated for the purpose of purchasing the Shares shall not exceed the retained profits of the Company.

THAT authority be and is hereby given to the Directors to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any of the Shares so purchased by the Company in the following manner:

(i) the Shares so purchased could be cancelled or transferred; or
(ii) the Shares so purchased could be retained as treasury shares for distribution as dividends or bonus shares to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
(iii) combination of (i) and (ii) above.

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company, at which time the said authority would lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM is required by law to be held; or
(iii) the authority is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors be and are hereby authorised to take such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

7. **RETENTION OF INDEPENDENT DIRECTOR** *(Ordinary Resolution 7)*

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

"**THAT** approval be and is hereby given to Dato' Haji Johar Bin Murat @ Murad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company."

8. To transact any other business of which due notice shall be given.

BY ORDER OF THE BOARD

Mah Li Chen (MAICSA 7022751)
Chew Mei Ling (MAICSA 7019175)
Company Secretaries

Kuala Lumpur
30 April 2018

Notice Of Annual General Meeting
(cont'd)

Notes:-

1. A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where the appointer is a corporation, this form must be executed under its common seal, if any or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.
5. For the purpose of determining a member who shall be entitled to attend the Fourteenth Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17 May 2018. Only a depositor whose name appears on the Record of the Depositor as at 17 May 2018 shall be entitled to attend this Fourteenth Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.
6. All resolutions at the Annual General Meeting shall be voted by poll.

Explanatory Notes on Ordinary Business:-

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.

2. Item 3 of the Agenda

Section 230(1) of the Act requires that the fees of the directors and any benefits payable to the directors be approved at a general meeting. The benefits comprised of meeting allowance, travelling allowance and Board Committee allowances.

Explanatory Note on Special Business:-

3. Item 5 of the Agenda

The proposed Ordinary Resolution 5, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) without the need to convene a general meeting and for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. This mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for the purpose of funding working capital, future investment project(s) and/or acquisition(s). At this juncture, there is no decision to issue new shares. If there should be a decision to issue any new share after the general mandate is sought, the Company will make an announcement in respect thereof.

The proposed Ordinary Resolution 5 is a renewal of the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. The Company had, at the Thirteenth AGM held on 30 May 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016. As at the date of this notice, the Company did not issue any share pursuant to the said mandate.

4. Item 6 of the Agenda

The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company the authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. This authority will, unless renewed or revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Fourteenth AGM is required by the law to be held. Please refer to the Share Buy-Back Statement dated 30 April 2018 which is despatched together with this Annual Report for more information.

5. Item 7 of the Agenda

The Nomination Committee has assessed the independence of Dato' Haji Johar Bin Murat @ Murad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

a) He fulfills the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, he is able to provide a check and balance by bringing an element of objectivity and independent judgement to the Board's deliberation;
b) He brings with him vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussion and decision;
c) He has been with the Company for more than twelve (12) years since 2006 and accordingly, is familiar with the nuances and understands the Group's business operations;
d) He has exercised due care and diligence during his tenure as an Independent Non-Executive Director of the Company and carried out his duties professionally and objectively in the interest of the Company and shareholders; and
e) The Company does not wish to carry out the two-tier voting and the reasons for this departure can be found under Practice 4.2 in the Corporate Governance Report.

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CDS Account No.

Number of shares held

FRONTKEN CORPORATION BERHAD
(Company No.: 651020-T)
(Incorporated in Malaysia under the Companies Act 2016)

PROXY FORM

I/We... Tel. No.:...
[Full name in block and NRIC No./Company No.]

of...
[Address]

....

being a member/members of **Frontken Corporation Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport/Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC/Passport/Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Thursday, 24 May 2018 at 11.00 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	For	Against
1.	Re-election of Mr Ng Wai Pin	Ordinary Resolution 1		
2.	Re-election of Dr Tay Kiang Meng	Ordinary Resolution 2		
3.	Payment of Directors' fees and Benefits	Ordinary Resolution 3		
4.	Re-appointment of auditors	Ordinary Resolution 4		
5.	Authority to issue shares	Ordinary Resolution 5		
6.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 6		
7.	Retention of Independent Director	Ordinary Resolution 7		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this day of , 2018.

Signature of Shareholder(s)/Common Seal

Notes:-

1. *A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where the appointer is a corporation, this form must be executed under its common seal, if any or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.*
5. *For the purpose of determining a member who shall be entitled to attend the Fourteenth Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 17 May 2018. Only a depositor whose name appears on the Record of the Depositor as at 17 May 2018 shall be entitled to attend this Fourteenth Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.*
6. *All resolutions at the Annual General Meeting will be voted by poll.*

FOLD THIS FLAP FOR SEALING

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Affix
stamp

FRONTKEN CORPORATION BERHAD (651020-T)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
MALAYSIA

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Frontken Corporation Berhad (651020-T)
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