

# 2015

## ANNUAL REPORT



INDUSTRONICS BERHAD  
(company No.23699-X)

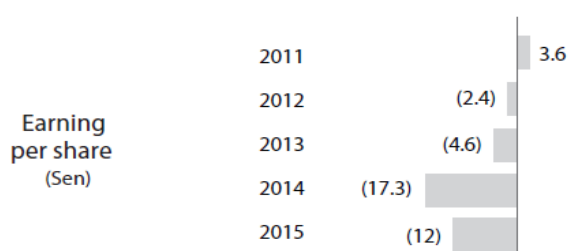
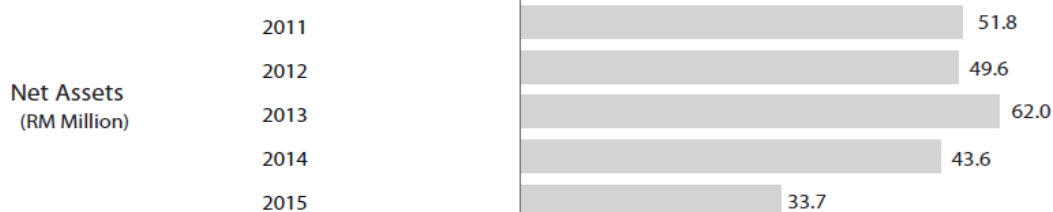
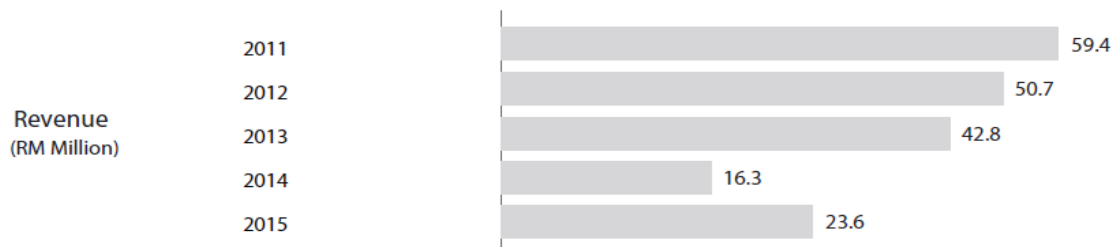
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## Financial Highlights

RM Million	2011	2012	2013	2014	2015
Revenue	59.4	50.7	42.8	16.3	23.6
Profit / (Loss) Before Taxation	4.1	(1.9)	(6.4)	(18.5)	(12.9)
Profit / (Loss) Attributable to Shareholders	3.4	(2.2)	(4.3)	(17.7)	(12.3)
Net Assets	51.8	49.6	62.0	43.6	33.7

SEN	2011	2012	2013	2014	2015
Earnings Per Share	3.6	(2.4)	(4.6)	(17.3)	(12.0)
Net Assets Per Share	55.0	52.7	61.5	42.4	32.8
Gross Dividend Per Share	0	0	0	0	0



## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Leung Kwok Kuen Jacob (*Chairman, Independent Non-Executive Director*)

Liu Wing Yee Amy (*Executive Director*)

Tsui Kwok Ho (*Independent Non-Executive Director*)

Lu Zhi Qin (*Independent Non-Executive Director*)

Fung Ling Yip (*Independent Non-Executive Director*)

### **AUDIT COMMITTEE**

Fung Ling Yip (*Chairman*)

Leung Kwok Kuen

Lu Zhi Qin

### **NOMINATION COMMITTEE**

Leung Kwok Kuen Jacob (*Chairman*)

Tsui Kwok Ho

Fung Ling Yip

### **REMUNERATION COMMITTEE**

Tsui Kwok Ho (*Chairman*)

Liu Wing Yee Amy

Leung Kwok Kuen Jacob

### **COMPANY SECRETARIES**

Chok Kwee Wah (MACS No. 00550)

Tan Kean Wai (MAICSA No. 7056310)

Pang Lee Mei (MAICSA No. 7030934)

### **AUDITORS**

CHI-LLTC (AF 1114)

Chartered Accountants

Suite 18.07, 18<sup>th</sup> Floor, Wisma Zelan

No.1, Jalan Tasik Permaisuri 2

Bandar Tun Razak

56000 Kuala Lumpur

Tel: (603) 9173 8180

Fax: (603) 9173 1989

## **CORPORATE INFORMATION (Continued)**

### **REGISTERED OFFICE**

Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan  
No.1, Jalan Tasik Permaisuri 2  
Bandar Tun Razak  
56000 Kuala Lumpur  
Tel: (603) 9173 8932  
Fax: (603) 9173 1989

### **SHARE REGISTRAR**

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House, Block D13  
Pusat Dagangan Dana 1, Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel: (603) 7841 8000  
Fax: (603) 7841 8008

### **PRINCIPAL BANKERS**

HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad

### **SOLICITORS**

K.H. Wong, Chin & Cheah  
Harjit & Co.

### **STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad

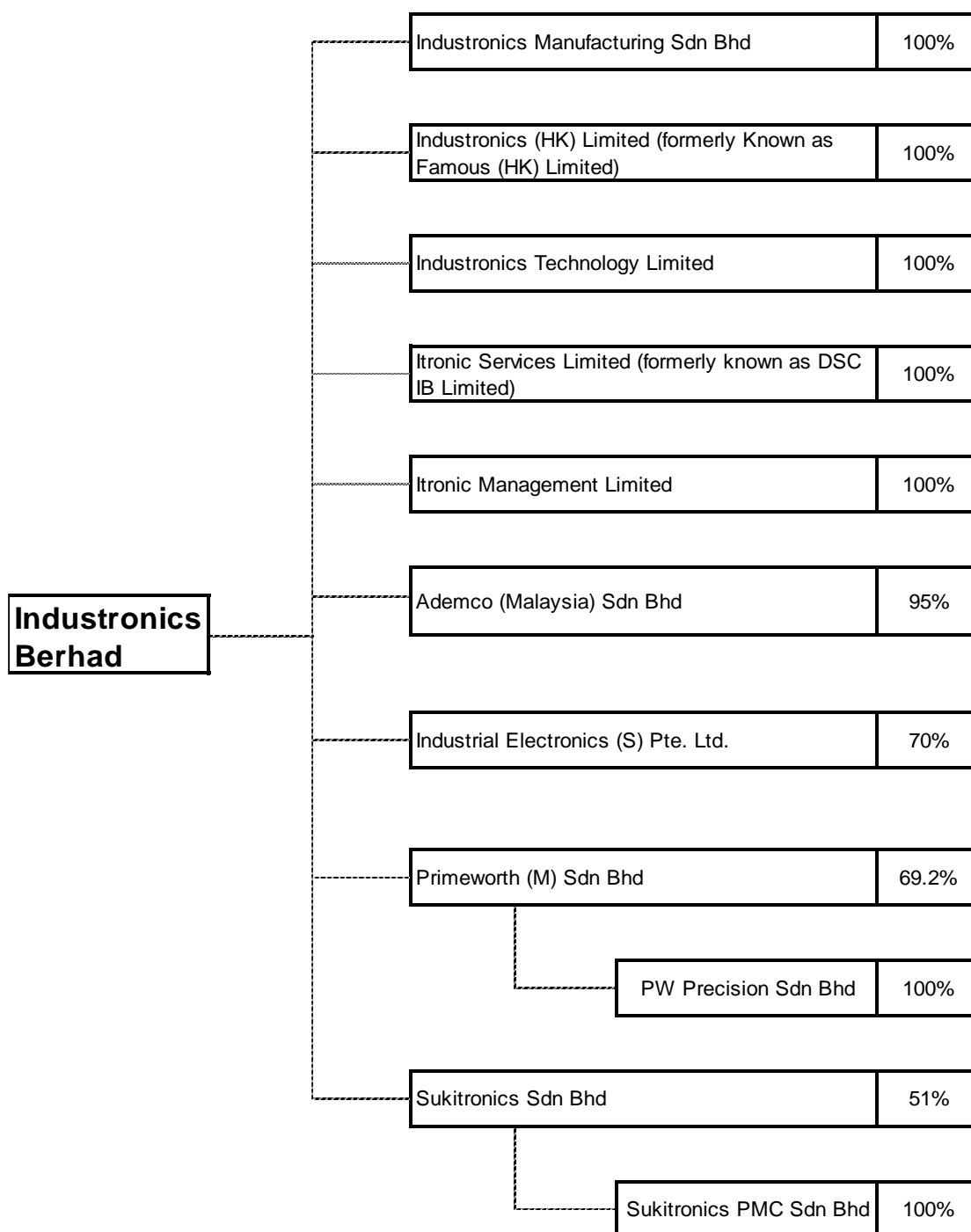
### **INVESTORS SERVICE**

Shareholders, investors and members of public are invited to access the Company's website at [www.industronics.com.my](http://www.industronics.com.my) for information on the Group's operations and latest developments. For further details, please contact -

Ms Amy Liu  
Investor Relations  
Industronics Berhad  
Tel: (603) 8961 3024  
Fax: (603) 8961 6409  
email: [IR@industronics.com.my](mailto:IR@industronics.com.my)

# INDUSTRONICS BERHAD

## CORPORATE STRUCTURE AS AT 5 APRIL 2016



 Note: Excluding dormant subsidiaries

## **CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors ("Board") of Industronics Berhad ("IB" or "the Company"), I am pleased to present the Annual Report of IB for the financial year ended 31 December 2015.

### **Financial Performance**

The past two years have been a challenging period for our Group with escalating material costs, project delays, lower book orders and increasingly competitive environment in the industry.

The Group reported a higher revenue of RM23.63 million as compared to RM16.27 million in the previous year. The Group recorded lower loss after tax of RM12.94 million compared to a loss of RM19.38 million in the preceding year.

In order to improve the Group financial position and performance, our Group had undertaken efforts to venture into new businesses such as software development, provision of hospitality services, general trading etc. In addition, the Group has also continuously streamlined its structure to enhance the efficiency of its operations. Efforts that have been undertaken include disposing non-performing subsidiaries and disposing of properties which were not used in Group operations.

In line with effort to diversify the sources of revenue to mitigate risk of over dependency on core revenues only, our Group has continuously ventured into new markets and new product segments.

At 31 December 2015, the Cash and Bank Balances of the Group stood at RM5.4 million. The Group's loss per share was 11.97 sen.

### **Operation Review**

2015 was a challenging year for the Group mainly due to external factors such as increasingly competitive business environment, slowdown of economy and increase in material costs.

To strengthen the financial performance of the Group, The Group has continued to look for ways to increase its sales order such as by participation in open tender of large projects, diversify its revenue streams and venture into overseas market.

During the financial year, IB continued to build sales from its main product segments such as LED Display Boards, Flight Information Display System, System Integration (SI) for Audio Visual Systems, Intelligent Transport Systems (ITS) more specifically Traffic Control & Surveillance System (TCSS), Telecommunication Equipment Solutions and Security & Surveillance Systems.

Apart from local sales which is the main market of IB, the Company continued to look for opportunities in overseas market. In 2015, IB had secured sales in countries like United States and Brunei.

## **CHAIRMAN'S STATEMENT (Continued)**

Whilst facing an increasingly competitive environment, the Company successfully secured extended maintenance contracts for some past projects mainly from SPRINT and LDP highways. The Company was also awarded new contracts for System Integration and trading sales jointly valued at more than three and half million during the year. Engineering construction activity were lower as demand for services followed the general slowdown of the economy. Nevertheless, other maintenance prospects remain positive and the Company is well positioned to capitalize on opportunities currently in the tendering phase. The completion of the IRDA CCTV Package 2 project for Public Safety System for Local Authorities and Police District in Iskandar Malaysia, Johor Bharu, raised the standard on surveillance related projects to another level for the Company. The ongoing maintenance for this and other similar projects provide sustainable revenue whilst pursuing new ones.

Ademco (Malaysia) Sdn. Bhd. (Ademco), an IB subsidiary, saw modest success in many projects in the Security, Fire & Safety sector of which the most notable include to maintain the Security Alarm System for AEON for whole Malaysia & to supply the Industronics manufactured fire alarm panels for many projects in Malaysia.

IB Singapore subsidiary, Industrial Electronics (S) Pte Ltd, continued to build sales on its main product segments such as LED Sign Boards, LED Video Scoreboards and Lightning Surge Arresters. The company has had good demand on its products from sports stadium, local authorities and system integrators.

In FY2015, IB Hong Kong subsidiaries have started to contribute to the Group revenue as most of the subsidiaries have started their operations. Below is a summary of the Hong Kong operations:

Industronics Technology Limited (ITL) has recorded revenue of about HKD15 million (approximately RM7.6 million) from the sale of tablets. During the year, ITL has also started its software development project in cloud computing which consists of openstack cloud computing software platform, file hosting platform and game server platform. Upon completion of the project, the project is expected to generate steady stream of revenue to the company.

Industronics (HK) Limited, a subsidiary which is involved in provision of mobile entertainment services, has ventured into the trading of luxury watches during the financial year.

Itronic Services Limited and Itronic Management Limited, have also started their operations mainly in provision of hospitality services in FY2015.

### **Dividend**

The Board of Directors does not recommend any payment of dividend for the financial year ended 31 December 2015.

### **Prospects**

The prevailing uncertainties in the global economy continue to pose challenges to the Group financial performance.

External factors such as increased competition in the industry, changing business trends, slowdown of economic growth and other macro-economic factors are among those that will continuously affect the prospects of the Group future performance.



## **CHAIRMAN'S STATEMENT (Continued)**

The Group will continue to explore new investment opportunities and improve the efficiency of its operations to enhance shareholders' values.

### **Acknowledgements**

On behalf of the Board of Directors, I wish to extend our appreciation to all stakeholders, business partners, management personnel and employees for their support and contributions over the past year.

I look forward to your continued support in the coming year as we work hard to take IB up to the next level of success.

Thank you.

Leung Kwok Kuen Jacob  
Independent Non-Executive Chairman

## **STATEMENT ON CORPORATE GOVERNANCE**

### **THE CODE**

The Board of Industronics Berhad (“Industronics” or “Company”) continues to uphold our commitment and responsibilities in ensuring an appropriate and sound system of corporate governance throughout the Company and its subsidiaries (“Industronics Group”) and will strive to continuously improve its governance process and structure towards enhancing long-term shareholder value.

The Board is pleased to set out below the insight of application of the principles and compliance with the recommendations as laid down in the Malaysian Code on Corporate Governance (“the Code”) by the Group throughout the financial year ended 31 December 2015 up to the date of this Annual Report.

### **BOARD OF DIRECTORS**

#### **Composition and Size of Board**

The Board at the date of this statement consists of five (5) members comprising four (4) Independent Non-Executive Directors and an Executive Director. The Board composition complied with the Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) whereby at least one third (1/3) of the Board must be of Independent Directors.

#### **Board Balance and Board Effectiveness**

The Board views the number of its Independent Directors as ideal to provide the necessary check and balance to the Board’s decision-making process. The Board deems the Board composition is appropriate in terms of its membership and size. There is a good mix of skills and core competencies in the Board membership. The Board is well represented by individuals with diverse professional backgrounds and experiences the areas of technology, finance and accounting.

The Board did not appoint a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Chairman of the Board encourages the active participation of each and every Board member in the decision making process.

The Board carries out assessment on the performance and effectiveness of the Board as a whole and the Board Committees on annual basis with the assistance of the Nomination Committee.

The Board does not have any gender diversity policy. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on merits and are not driven by any racial or gender basis.

In addition, the Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationship with the Company so that they are capable of exercising independent views, advice and judgment and act in the best interest of the Company and its shareholders.

## Board Balance and Board Effectiveness (Continued)

The Chairman is responsible for ensuring the Board's effectiveness and conduct whilst the Executive Director has overall responsibility over the operating units, organizational effectiveness and implementation of the Board's policies and decisions. The Board is of the view that the balance of power is in place and no individual or groups of individuals on the Board dominate decisions of the Board.

The Board is collectively responsible for setting policies which promote the success of the Group. The Board is entrusted with the proper stewardship responsibility of providing strategic leadership, overseeing the business conduct ensuring the adequacy and integrity of financial information and enhancing the effectiveness of the Group's system of internal control and risk management process.

## Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

A copy of the Board Charter is available at the Company's website.

## Board Meetings

The Board meets at least once every quarter on a scheduled basis and additional meetings may be convened when necessary should major issues arise that need to be resolved between scheduled meetings. The quarterly Board meetings are scheduled in advance prior to the start of the financial year to allow the Directors to plan their appointments ahead and as such to facilitate full attendance at Board meetings. All proceedings, deliberations and conclusions of the Board Meetings are duly minuted and signed by the Chairman of the meeting.

During the financial year ended 31 December 2015, six (6) Board Meetings were held and details of the attendance record of each Director is set out below:-

<b>Name of Directors</b>	<b>Attendance</b>	<b>% of Attendance</b>
Liu Wing Yee Amy	3/6	50%
Leung Kwok Kuen Jacob	6/6	100%
Tsui Kwok Ho	5/6	83%
Lu Zhi Qin	5/6	83%
Fung Ling Yip	6/6	100%

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by all the Directors have complied with the minimum 50% attendance requirement in respect of Board meeting as stipulated in the Listing Requirements of Bursa Securities. In the intervals between Board meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions.

## **Supply of Information**

Notice of meetings, setting out the agenda and accompanied by the relevant Board report and documents are provided to the Directors on a timely manner to allow the Directors to review and consider the agenda items to be discussed at Board meetings.

The Chairman of the Audit Committee will report to the Directors of the Board meetings of any salient audit findings deliberated at the Audit Committee meetings which require the Board's notice or direction.

Directors have access to all information within the Company whether as a full Board or in their individual capacity, in furtherance of their duties and receive regular information updates from the Management.

In addition, all Directors have full access to the advice and the services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions. When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

The Management is responsible in providing the Board with all the information that will assist the Board in discharging its responsibilities and to facilitate informed decision making. The Company Secretary(ies) attends all Board meetings and ensures that accurate and adequate records of the proceedings of the Board meetings and decisions made are properly recorded. Senior Management of the Group and external auditors are also invited to attend Board meetings on specific items on the agenda which may require further clarification.

## **Appointment of Directors**

The Nomination Committee established by the Board, is responsible for ensure that the Board has the appropriate balance and size, and the required mix of skills and experience and other core competencies and recommends the appointment of new Director to the Board.

The Nomination Committee would also assess and review the performance and effectiveness of the Board as a whole and the Committees of the Board on annual basis through a formal assessment evaluation. The contribution of each individual Director is reviewed and assessed through the Board's performance as a whole.

The performance evaluation and the result of assessment was tabled to the Nomination Committee for review and reporting to the Board.

From this annual performance assessment, the Board would also be able to review and assess the required mix of skills and experience and other qualities of the Board on an annual basis.

## **Re-appointment and re-election of Directors**

The Nomination Committee will assess the effectiveness of the Board as a whole and the contribution of each individual director, including review of the independency of the Independent Directors.

In respect of the financial year under review, the Nomination Committee had conducted the annual review and the performance of the Board Committees and the performance assessment of each individual Director.

In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) of the Board of Directors are required to submit themselves for re-election by rotation at each annual general meeting. Directors who are appointed by the Board are subject to re-election by shareholders at the first annual general meeting after their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually pursuant to Section 129(6) of the Companies Act, 1965.

The Articles of Association of the Company also requires all directors to retire from office once in every three (3) years, including the Managing Director and such Directors shall be eligible for re-election.

None of the current independent board members had served the company for more than nine (9) years as per the recommendations of the Code. Should the tenure of an independent director exceed nine (9) years, shareholders approval will be sought at a General Meeting or if the services of the director concerned are still required, the director concerned will be re-designated as a non-independent director.

In view thereof, the Board recommends that the retiring directors at the forthcoming 41<sup>th</sup> AGM be re-elected.

## **Director's Training and Education**

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities for director of public listed companies.

Directors' training is an on-going process as the Directors recognize the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business, relevant changes in laws and regulations and corporate governance matters from time to time.

The Directors will continue to undergo other relevant training programmes to enable them to enhance their knowledge and skills and be updated on new regulatory requirements.

## **Board Committees**

The Board has established several Board Committees whose compositions and terms of reference are in line with the best practices of the Code. The functions and terms of reference of the Board committees as well as authority delegated to these Board Committees have been clearly defined by the Board.

The composition of the Board Committees comprises members of the Board. The Chairman of the committees will report to the Board on the outcome of the respective committee meetings and such reports are incorporated into the minutes of Board meetings.

### **(i) Audit Committee**

The Audit Committee consists of three (3) independent non-executive Directors one of whom fulfilled the requirement of an Audit Committee member in accordance with Paragraph 15.09(1) of the Listing Requirements of Bursa Securities.

The Audit Committee assists and supports the Board in fulfilling its fiduciary responsibilities relating to the Group's financial reporting practices, accounting policies, internal controls, business ethics policies and the independence of the Group's external and internal auditors. The Report of Audit Committee is set out in page 17 to 19 of this Annual Report.

### **(ii) Nomination Committee**

The Nomination Committee is empowered to recommend to the Board recommendations on the appointment of any new Executive and Non-Executive Directors by evaluating and assessing the suitability of candidates for Board membership.

The members of the Nomination Committee as at the date of this statement are as follows:

- (1) Leung Kwok Kuen Jacob – Chairman, Independent Non-Executive Director
- (2) Tsui Kwok Ho – Independent Non-Executive Director
- (3) Fung Ling Yip – Independent Non-Executive Director

The summary duties of the Nomination Committee are as follows:

- to review the composition of the Board and its subsidiaries;
- to consider and recommend the appointment and removal of directors;
- to review the size and membership of the Board;
- to regularly assess the independence of each member;
- to review annually the Board's required mix of skills, experience and other qualities; and
- to assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director to the effective decision.

The Nomination Committee met one (1) time during the financial year under review.

## Board Committees (continued)

### (iii) Remuneration Committee

The Remuneration Committee is primarily responsible for development and carries out review of the overall remuneration policy and packages for the executive directors.

The Remuneration Committee at the date of this statement are as follows:-

- (1) Tsui Kwok Ho – Chairman, Independent Non-Executive Director
- (2) Liu Wing Yee Amy – Executive Director
- (3) Leung Kwok Kuen Jacob – Independent Non-Executive Director

The summary of the duties of the Remuneration Committee are as follows:

- To ensure transparency in the development of the remuneration framework and minimizes the risk of any potential conflict of interest.
- Recommendations are submitted for endorsement by the entire Board.
- Determine the remuneration packages for non-executive directors is the matter of the Board and individuals concerned shall be abstain from discussion of his/her own remuneration.

The non-executive directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. The determination of the fees of non-executive directors is a matter for the Board as a whole, subject to shareholders' approval.

The remuneration for the Directors during the year, analysed into bands of RM50,000, which complies with the disclosure requirements under Listing Requirements of Bursa Securities is as follows:

	<u>Executive</u>	<u>Non-Executive</u>
	RM	RM
Fee	-	156,000
Salaries, Employee Provident Funds & Allowances	93,753	167,735
Termination Benefit	-	-
Benefits-in-kind	-	-
Total	<u>93,753</u>	<u>323,735</u>

	No. of Directors	
	<u>Executive</u>	<u>Non-Executive</u>
RM 50,000 & below	-	2
RM 50,001 – RM100,000	1	2

*Note: Successive bands of RM50,000 are not shown entirely as they are not represented.*

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosures by band and analysis between Executive and Non-Executive Directors satisfy the accountability and transparency aspects of the Code.

## **Directors' Responsibility Statement**

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

In preparing the financial statements, the Directors have considered the presentation of the financial statements and ensure that appropriate accounting policies have been adopted and applied consistently and where judgements and estimates were made, they were based on prudence and reasonableness.

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

The Directors also have the general overall responsibility for taking such steps as are reasonable to them, to safeguard the assets of the Group and the Company, to prevent and detect fraud and other irregularities.

## **Financial Reporting**

The Board is responsible for ensuring accurate and timely announcements of quarterly financial results and annual financial statements are made and that they represent a fair assessment of the Group's position and prospects. The Group financial statements are presented on pages 34 to 111 of this Annual Report.

A statement by directors of their responsibility in preparing the financial statements is set out above.

## **External Audit**

The Company's independent external auditors hold an essential role to the shareholders by enhancing the reliability of the financial statement of the Company and of the Group and provide assurance of that reliability to users of these financial statements. The external auditors may report any significant weaknesses and recommend improvements, in the Company's system of control and compliance, which may arise during the course of audit, to the attention of the management, and if necessary, to the Audit Committee and the Board.

The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements without the presence of the Executive Director and management. In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

## **Risk Management and Internal Control**

The Board is overall responsible for the maintenance of a sound system of risk management and internal control that supports effective and efficient operations and compliance with laws and regulations. The Statement on Risk Management and Internal Control is set out on pages 20 to 22 of this Annual Report.



## **Shareholders**

### **Communications with Shareholders and Relationship with Investors**

The Board acknowledges its role in representing and promoting the interest of the shareholders, and its accountability to shareholders for the performance and activities of the Group. The Board also recognizes the importance of timely and thorough dissemination of information to shareholders whereby announcements and releases of financial results on a quarterly basis provide the shareholders and investing public with a continuous overview of the Group's performances and operations.

Shareholders, investors and members of public are invited to access the Company's website at [www.industronics.com.my](http://www.industronics.com.my) and Bursa Malaysia's website at [www.bursamalaysia.com/market/](http://www.bursamalaysia.com/market/) for the latest corporate and market information on the Company and the Group.

### **Annual General Meeting**

The Company's Annual General Meeting is the principal avenue for dialogue and interaction with the shareholders of the Company. Members of the Board, senior management and the Group's external auditors are available to respond to all queries and undertake to provide clarification on issues and concerns raised by the shareholders.

The outcome of all resolutions proposed at the general meeting is announced to Bursa Securities at the end of the meeting day.

### **Compliance with the Code**

The Board has taken steps to ensure the Group has implemented as far as possible the recommendations as set out in the Code.

### **Corporate Social Responsibility ("CSR")**

The Board continues to uphold our commitment and responsibilities towards our stakeholders including our employees, clients, suppliers, business partners, shareholders and the wider environment and community that we operate in.

While there is no formal policy on CSR, our commitment to CSR has become an integral part of our business.

#### **Environment**

The Group is supportive of green environment and to ensure wastage is kept to the minimum, our Company are working towards bringing down our energy consumption with several key initiatives such as recycling for papers, encouraging all officers to turn off lights and air conditioners when not in use and etc.

#### **Community**

We believe in sharing our technological knowledge with the community. The Company provided industrial training opportunities to undergraduates in disciplines that are relevant to the Company's operation in our recognition to share technology knowledge with the community.

**Workplace and employees welfare**

The Group continued to improve the welfare of all employees with safe and quality workplace. We encouraged our staff to continuous learning and to develop the skills and competencies to meet challenging environment.

Social events such as festival celebration and annual dinner are organized to enhance the relationship between employees and the management and as a token of appreciation for the employees' continuous support and contribution.

We believe that this is an on-going initiative and will continue to incorporate environmental considerations into our processes.

## AUDIT COMMITTEE REPORT

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The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

### MEMBERSHIP

The Audit Committee ("Committee") as at the date of this Statement consists of the following members:

Fung Ling Yip

***Chairman, Independent Non-Executive Director***

Leung Kwok Kuen Jacob

***Independent Non-Executive Director***

Lu Zhi Qin

***Independent Non-Executive Director***

### ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2015, the Committee held a total five (5) meetings. The details of attendance of the Committee members are as follows:-

Name of Directors	Attendance	% of Attendance
Fung Ling Yip	5/5	100%
Leung Kwok Kuen Jacob	5/5	100%
Lu Zhi Qin	4/5	80%

The General Manager, Vice Financial Controller and Internal Audit Officers attended these meetings upon invitation by the Audit Committee. The Group's external auditors were invited to attend some of these meetings.

### SUMMARY OF THE TERM OF REFERENCE

The summary of the terms of reference of the Audit Committee are as follows:

#### Membership

The Audit Committee must be appointed by the Board of Directors from amongst their numbers, which fulfils the following requirements:

- the Audit Committee must comprise of not fewer than three (3) members.
- a majority of the members must be independent directors.
- at least one (1) member of the audit Committee must be a member of the Malaysian Institute of Accountants (MIA); or any other equivalent qualification recognised by MIA.

The Chairman shall be an independent non-executive director appointed by the Board.

The Company Secretary shall act as Secretary to the Committee and shall provide the necessary administrative and secretarial services for the effective functioning of the Committee.

## **Authority**

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- a. to investigate any activity within its term of reference;
- b. to have the resources which are required to perform its duties;
- c. to have full and unrestricted access to information and relevant to its activities, to the Internal and External Auditors, and to senior management of the Company and its subsidiaries;
- d. to have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- e. to obtain independent professional or other advice as necessary; and
- f. to convene meetings with the External Auditors without the attendance of the executive board members, whenever deemed necessary.

## **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are : -

- a. to consider the appointment, resignation and dismissal of the External Auditors and the audit fees;
- b. to review the nature and scope of the audit with Internal and External Auditors before the audit commences;
- c. to review the quarterly and annual financial statements before submission to the Board;
- d. to review any related party transaction and conflict of interest situation that may arise;
- e. to discuss problems and reservations arising from the interim and final audits and any matter the Auditors may wish to discuss;
- f. to review the audit reports by the Internal and External Auditors, the major findings and management's responses thereto;
- g. to review the effectiveness and efficiency of risk management internal control systems; and
- h. to consider other matters relating to audit.

## **ACTIVITIES DURING THE FINANCIAL YEAR**

During the year, the Audit Committee carried out its duties as set out in its terms of reference.

The main activities undertaken by the Committee were as follows:

- Reviewed the unaudited quarterly financial statements of the Group prior to recommending them to the Board for their consideration and approval;
- Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval;
- Reviewed the annual audit plan of the outsourced internal audit function;
- Reviewed the internal audit reports, recommendations made and management's response to these recommendations;
- Reviewed financial statement audit plan of the external auditors and the results of the annual audit, their audit report and management letter respectively;
- Reviewed the recurrent related party transactions of the Company and other related party transactions, if any, and conflict of interest situation that might arise including transaction, procedure or course of conduct that raises questions of management integrity; and
- Reported to the Board on its activities and significant findings and results.

## **INTERNAL AUDIT FUNCTION**

The Board has engaged an independent professional firm for the provision of Internal Audit (IA) services to Industronics Group. The professional firm reviews the adequacy and integrity of internal control systems in key business areas within the Group operations and reports to the Audit Committee on a quarterly or half yearly basis.

The professional firm assisted the Audit Committee in discharging their roles and responsibilities with regards to assessing the adequacy and integrity of the system of internal control systems by undertaking an Internal Audit Plan for Industronics Group.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

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### **INTRODUCTION**

The Malaysian Code on Corporate Governance (“Code”) sets out the principle that the Board of Directors (“Board”) of a listed company should establish a sound risk management framework and internal control system to safeguard shareholders’ investments and the Group’s assets.

The Statement on Risk Management and Internal Control outlines the nature and scope of the risk management and internal control of the Group during the year.

### **RESPONSIBILITY**

The Board of Directors is committed to maintain a system of risk management and internal controls in financial, operational and compliance to achieve the following objectives:

- Safeguard assets of the Group and shareholders’ interest;
- Identify and manage risks affecting the Group;
- Compliance with regulatory requirements; and
- Operational results are closely monitored and substantial variances are promptly explained.

The Board affirms the overall responsibility for maintaining a sound system of risk management and of internal controls and for reviewing its adequacy and integrity so as to safeguard shareholders’ investment and the Group’s assets.

However, there are limitations that are inherent in any system of risk management and internal controls and such systems are designed to manage and control risks appropriately rather than to eliminate them. Hence, it is imperative to note that these systems can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Key risk management and internal control processes**

The Group has instituted an on-going process for identifying, evaluating and managing the significant risks affecting the achievement of its business objectives.

This process includes identifying major risks involved in entering into major contracts.

The process is regularly reviewed by the Board and is in accordance with the "Statement of Risk Management and Internal Control: Guidelines for Directors of Issued Listers". The Board has delegated to management the implementation of the Board’s policies, procedures and guidelines on risk and control to identify and evaluate the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

The Board has outsourced the internal audit functions to RMS Corporate Management Sdn Bhd (“RMS”), with the primary objective of assisting the Board on the following:

- Review the adequacy and integrity of the Group’s system of internal controls to manage the risks faced by the Group;
- Check compliance to policies and procedures and recommended business practices; and
- Review and identify any potential areas for improvement in the effectiveness and efficiency of the business processes (where applicable).

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)**

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Towards this purpose, RMS has developed an annual Internal Audit Plan using a risk-based approach, which was presented to and approved by the Audit Committee. RMS performed periodic internal control reviews according to the approved Internal Audit Plan to assess the adequacy and integrity of the system of internal controls of the major business units within the Group. The audit observations, recommendations for improvement and status of actions taken by the management to address the issues were reported to the Audit Committee. Follow-up audits are conducted to assess the status of implementation of corrective actions and recommendations. The total cost incurred for the internal audit function for the financial year ended 31 December 2015 was RM8,000.

The Board also takes cognisance the improvement points highlighted by the external auditors and acknowledges that reviewing and enhancing the Group's system of internal controls is a continuing process.

Key elements of the system of internal controls are as follows:

### Term of Reference

Clear definition of the terms of reference, i.e. functions, authorities and responsibilities of the various committees of the Board of Directors has been established.

### Operating structure with clearly defined lines of responsibility

The operating structure includes defined delegation of responsibilities to the committees of the Board, the senior management and the operating units.

### Independence of the Audit Committee

The Audit Committee comprises non-executive members of the Board who are majority independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.

### Control procedures

Operating Procedures Manuals that set out the policies, procedures and practices are adopted by all companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.

### Employee competency

Emphasis is placed on the continuing enhancement of the quality and abilities of employees where continuing education, training and development are actively carried out through various programmes.

### Internal audit

Periodical internal control reviews were conducted by internal auditors to assess the adequacy and integrity of the system of internal controls and compliance with policies, procedures and recommended business practices. Control deficiencies and relevant recommendations for business improvement as well as management's actions to address the control deficiencies were reported to the Audit Committee.

### Financial Reporting

Regular monitoring and review of financial results by the management and formulation of action plan to address areas of concern.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)**

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### ISO 9001: 2008

An ISO 9001: 2008 Quality Management System, which is subject to regular review and improvement, continually manages and administers the quality requirement of the Group's products and services.

### Insurance

Adequate insurance on major assets, i.e. stocks, property, plant and equipment of the Group is in place to ensure that the Group is sufficiently covered against any mishap that may result in material losses to the Group.

The Board remains committed to enhance the Group's control environment and processes

For the financial year under review, the Board is of the view that the existing system of risk management and internal controls are satisfactory and adequate and has received assurance from the Executive Director of the Company that the company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the company.

As an on-going process of improvement, the Group will continue to take necessary measures to further strengthen its risk management and internal controls.

### Review of the statement by external auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2015 and reported to the Board that nothing come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.



## **DIRECTORS' PROFILE**

### **MR. LEUNG KWOK KUEN JACOB**

*Chairman, Independent Non-Executive Director*

Mr. Leung Kwok Kuen Jacob, a Chinese nationality, aged 51, is an Independent Non-Executive Director of Industronics. He was appointed to the Board on 19 December 2013 and re-designated as Chairman of the Company on 21 December 2015. He completed the five-year secondary education in Hong Kong on 1982 and passed with the Hong Kong Certificate of Education Examination (HKCEE).

He has extensive experience in securities, financial and corporate management. He is the founder of Eternal Pearl Securities Limited. Since 2003, he has been the Executive Director of Eternal Pearl Securities Limited and responsible for the overall strategic development. He is also the Director of Eternal Pearl Investment Limited and Success Richly Finance Limited.

He is a member of the Remuneration Committee and Chairman of Nomination Committee.

Mr. Leung does not hold any directorship in any public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

### **MS. LIU WING YEE AMY**

*Executive Director*

Ms. Liu Wing Yee Amy, a Canadian nationality, aged 29, was appointed to the Board on 2 December 2013 and later on 14 February 2014 was appointed as the Executive Director of Industronics Berhad ("Industronics"). She is currently pursuing her Degree in Bachelor of Arts and Business Management from Kwantien Polytechnic University.

Prior to joining Industronics, she was with TD Canada Trust Bank and was the manager of operations at Elite Team Asia Ltd.

She is a member of the Remuneration Committee.

Ms. Liu does not hold any directorships in any other public companies. She does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which she has a personal interest. She has had no convictions for any offences within the law.

## **DIRECTORS' PROFILE (continued)**

### **MR. TSUI KWOK HO**

*Independent Non-Executive Director*

Mr. Tsui Kwok Ho, a citizen of People's Republic of China, aged 41, is an Independent Non-Executive Director of Industronics. He was appointed to the Board on 2 December 2013. He graduated from the University of Victoria, British Columbia, Canada with a Bachelor Degree of Commerce in Business Administration as well as Specialized in International Business.

With excellent interpersonal skills and strong commercial acumen, Mr. Tsui began his four years directorship in Regus Business Centre, the world's largest business centre network. He was then appointed as the Exhibition Director in United Business Media (UBM). Presently, he is the General Manager in ITE Asia Exhibitions Limited.

He is a member of the Nomination Committee and Chairman of Remuneration Committee.

Mr. Tsui does not hold any directorships in any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

### **MS. LU ZHI QIN**

*Independent Non-Executive Director*

Ms. Lu Zhi Qin, a Canadian nationality, aged 43, was appointed to the Board on 16 June 2014. Ms. Lu graduated from Baiyun College Shanghai, China.

She is an entrepreneur in food and beverages industries and owned several restaurant.

She is a member of the Audit Committee.

Ms. Lu does not hold any directorships in any other public companies. She does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which she has a personal interest. She has had no convictions for any offences within the law.

## **DIRECTORS' PROFILE (continued)**

### **MR. FUNG LING YIP**

*Independent Non-Executive Director*

Mr. Fung Ling Yip, a citizen of People's Republic of China, aged 39, was appointed to the Board on 10 December 2014. Mr. Fung is a fellow member of CPA Hong Kong and Association of Chartered Certified Accountants (UK).

He has extensive experience in financial consultancy, taxation and auditing.

He is Chairman of the Audit Committee and member of the Nomination Committee.

Mr. Fung does not hold any directorships in any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which she has a personal interest. He has had no convictions for any offences within the law.

# FINANCIAL STATEMENTS

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## Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## Principal activities

The principal activities of the Company include the design, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system.

The principal activities of the subsidiaries are described in Note 36 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## Results

	<b>Group RM</b>	<b>Company RM</b>
Loss for the year	<u>(12,936,882)</u>	<u>(11,364,400)</u>
Attributable to:		
Owners of the parent	(12,304,276)	(11,364,400)
Non-controlling interests	<u>(632,606)</u>	<u>-</u>
	<u>(12,936,882)</u>	<u>(11,364,400)</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## Dividend

No dividend has been recommended, declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend in respect of the financial year ended 31 December 2015.

## **Directors**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Liu Wing Yee Amy  
Tsui Kwok Ho  
Leung Kwok Kuen Jacob  
Lu Zhi Qin  
Fung Ling Yip

## **Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 10 of the financial statements) by reason of a contract made by the Company or a related corporation with any 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 as disclosed in Note 32(c) to the financial statements.

## **Directors' interests**

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## **Treasury shares**

There was no share repurchased or disposed off during the financial year.

## **Industronics Berhad Share Issuance Scheme**

The Company Share Issuance Scheme (SIS) was approved by the shareholders at the Extraordinary General Meeting held on 26 June 2013 and become effective on 12 November 2013. The scheme shall be in force for a period of three years from 12 November 2013.

The salient features and other terms of the SIS, details of share options exercised during the financial year, and outstanding at the end of the financial year are disclosed in Note 25 to the financial statements.

## Industronics Berhad Share Issuance Scheme (Continued)

On 17 March 2015, the Company SIS committee has cancelled the unexercised SIS share options as at that date, number of unexercised share options were same as those unexercised as at 31 December 2014.

After the cancellation, the Company SIS committee has granted another share options to the following eligible employees:

Name	Grant date	Exercise price (RM/Share)	<----- Number of share options ----->		
			Granted at 17.3.15	Exercised	Balance at 31.12.15
Siu Hiu Ki	17.3.2015	0.500	2,187,100	-	2,187,100
Yau Chi Shing	17.3.2015	0.500	313,100	-	313,100
Christian Kwok-Leun Yau Heilesen	17.3.2015	0.500	4,119,800	-	4,119,800

### Issue of shares and debentures

The Company did not issue any shares during the financial year.

The Company did not issue any debentures during the financial year.

### Other statutory information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### **Significant events**

Details of significant events are disclosed in Note 37 to the financial statements.

### **Subsequent events**

Details of subsequent events are disclosed in Note 38 to the financial statements.

### **Auditors**

The auditors, Messrs. CHI-LLTC have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2016.

Liu Wing Yee Amy

Leung Kwok Kuen Jacob



## **Statement by directors**

### **Pursuant to Section 169(15) of the Companies Act, 1965**

We, the undersigned, being two of the directors of Industronics Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out on page 111 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2016.

Liu Wing Yee Amy

Leung Kwok Kuen Jacob

## **Statutory declaration**

### **Pursuant to Section 169(16) of the Companies Act, 1965**

I, Lee Kim Vun, being the officer primarily responsible for the financial management of Industronics Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 111 are in my opinion 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.

Lee Kim Vun

Subscribed and solemnly declared by the abovenamed Lee Kim Vun at Kuala Lumpur in the Federal Territory on 5 April 2016.

Before me,

No. W292  
Mohd Zainal Abiddin Bin Mohd Zainuddin

Commissioner for Oaths

**Independent auditors' report to the members of  
Industronics Berhad  
(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Industronics Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 110.

**Directors' responsibility for the financial statements**

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

**Auditors' responsibility**

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

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

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

**Opinion**

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

**Report on other legal and regulatory requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

**Independent auditors' report to the members of  
Industronics Berhad (continued)  
(Incorporated in Malaysia)**

- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 36 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other reporting responsibilities**

The supplementary information set out on page 111 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

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

**CHI-LLTC**  
AF: 1114  
Chartered Accountants

**Chong Sai Sin**  
Partner - 2398/06/17(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
5 April 2016

## Statements of profit or loss and other comprehensive income

For the financial year ended 31 December  
2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	4	23,631,414	16,270,764	11,119,784	14,429,744
Cost of sales	5	(19,425,960)	(12,792,185)	(8,242,824)	(9,430,356)
<b>Gross profit</b>		4,205,454	3,478,579	2,876,960	4,999,388
Other income	6	1,684,551	1,627,649	1,803,319	295,646
Administrative expenses		(16,440,806)	(15,420,177)	(7,122,959)	(7,077,059)
Selling and marketing expenses		(1,347,763)	(2,051,107)	(1,332,303)	(1,987,118)
Other expenses		(885,050)	(5,948,776)	(7,552,126)	(23,198,550)
<b>Operating (loss)/profit</b>		(12,783,614)	(18,313,832)	(11,327,109)	(26,967,693)
Finance costs	7	(153,268)	(186,448)	(37,291)	(49,088)
<b>(Loss)/profit before tax</b>	8	(12,936,882)	(18,500,280)	(11,364,400)	(27,016,781)
Income tax (expense)/ credit	11	-	(875,573)	-	-
<b>(Loss)/profit net of tax</b>		(12,936,882)	(19,375,853)	(11,364,400)	(27,016,781)
<b>Other comprehensive income</b>					
Reversal of revaluation of land and buildings		-	(700,000)	-	(700,000)
Foreign currency translation		2,649,159	1,275,017	-	-
Fair values (loss)/gain on financial assets		-	(585,143)	-	(585,143)
Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal		(70,498)	(2,278,584)	(70,498)	(2,278,584)
Income tax relating to components comprehensive income		-	761,306	-	604,588
<b>Total comprehensive loss for the year</b>		(10,358,221)	(20,903,257)	(11,434,898)	(29,975,920)
<b>Loss attributable to:</b>					
Owners of the parent		(12,304,276)	(17,729,096)		
Non-controlling interests		(632,606)	(1,646,757)		
		(12,936,882)	(19,375,853)		
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent		(9,884,816)	(19,514,924)		
Non-controlling interests		(473,405)	(1,388,333)		
		(10,358,221)	(20,903,257)		

## Statements of profit or loss and other comprehensive income (continued)

For the financial year ended 31 December  
2015

		Group	
		2015	2014
Note		RM	RM
Loss per share attributable to owners of the parent (sen per share):			
Basic	12(a)	(11.97)	(17.29)
Diluted	12(b)	(11.25)	(16.24)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of financial position

As at 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	13,900,651	13,168,113	4,680,506	4,694,670
Investment in subsidiaries	14	-	-	3,642,346	4,358,065
Investment properties	15	421,964	461,727	192,100	196,794
Intangible assets	16	4,084,368	-	-	-
Other investments	17	143,432	1,034,231	143,432	1,034,231
Deferred Tax Assets	18	-	-	-	-
		<u>18,550,415</u>	<u>14,664,071</u>	<u>8,658,384</u>	<u>10,283,760</u>
<b>Current assets</b>					
Inventories	19	6,834,881	6,271,323	1,010,774	1,180,185
Trade and other receivables	20	16,834,619	29,332,067	10,760,376	18,252,209
Amount due from customers on contract	21	1,123,937	1,541,064	1,034,156	1,541,064
Amount due from subsidiaries	22	-	-	5,723,505	5,023,049
Tax recoverable		356,466	319,078	159,206	152,546
Cash and bank balances	23	5,401,453	6,443,800	2,082,671	3,811,643
		<u>30,551,356</u>	<u>43,907,332</u>	<u>20,770,688</u>	<u>29,960,696</u>
<b>Total assets</b>		<u>49,101,771</u>	<u>58,571,403</u>	<u>29,429,072</u>	<u>40,244,456</u>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	24	51,381,400	51,381,400	51,381,400	51,381,400
Treasury shares	24	-	-	-	-
Reserves	26	(17,645,224)	(7,760,408)	(34,237,683)	(22,802,785)
		<u>33,736,176</u>	<u>43,620,992</u>	<u>17,143,717</u>	<u>28,578,615</u>
<b>Non-controlling interests</b>		<u>3,638,245</u>	<u>4,111,650</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>37,374,421</u>	<u>47,732,642</u>	<u>17,143,717</u>	<u>28,578,615</u>
<b>Non-current liabilities</b>					
Borrowings	27	125,320	300,728	19,728	27,589
Deferred tax liabilities	18	1,152,984	1,152,984	459,900	459,900
		<u>1,278,304</u>	<u>1,453,712</u>	<u>479,628</u>	<u>487,489</u>
<b>Current liabilities</b>					
Trade and other payables	29	8,736,085	6,979,226	4,247,286	4,440,922
Amount due to customers on contract	21	205	932,585	-	545,151
Provisions for maintenance warranties		102,094	130,211	72,093	94,123
Borrowings	27	1,610,662	1,335,774	401,800	42,266
Amount due to subsidiaries	22	-	-	7,084,548	6,055,890
Tax payable		-	7,253	-	-
		<u>10,449,046</u>	<u>9,385,049</u>	<u>11,805,727</u>	<u>11,178,352</u>
<b>Total liabilities</b>		<u>11,727,350</u>	<u>10,838,761</u>	<u>12,285,355</u>	<u>11,665,841</u>
<b>Total equity and liabilities</b>		<u>49,101,771</u>	<u>58,571,403</u>	<u>29,429,072</u>	<u>40,244,456</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

**Statement of changes in equity**  
**For the year ended 31 December 2015**

Group	Attributable to owners of the parent							Non-distributable		Total equity
	Share capital	Share premium	Share issuance scheme (SIS) reserve	Revaluation reserves	Foreign currency translation reserve	Fair value adjustment reserve	Accumulated losses	Total	Non-controlling interests	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
(Note 24)	(Note 26)	(Note 26)	(Note 26)	(Note 26)	(Note 26)	(Note 26)	(Note 26)			
<b>At 1 January 2015</b>	51,381,400	1,253,054	458,620	4,398,276	952,281	74,806	(14,897,445)	43,620,992	4,111,650	47,732,642
Loss for the financial year	-	-	-	-	-	-	(12,304,276)	(12,304,276)	(632,606)	(12,936,882)
Other comprehensive income:										
- Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	-	-	-	-	(70,498)	-	(70,498)	-	(70,498)
- Foreign exchange translation	-	-	-	-	2,489,958	-	-	2,489,958	159,201	2,649,159
<b>Total comprehensive loss for the financial year</b>	-	-	-	-	2,489,958	(70,498)	(12,304,276)	(9,884,816)	(473,405)	(10,358,221)
<b>At 31 December 2015</b>	51,381,400	1,253,054	458,620	4,398,276	3,442,239	4,308	(27,201,721)	33,736,176	3,638,245	37,374,421
<b>At 1 January 2014</b>	50,336,450	946,674	629,156	11,220,043	(64,312)	2,938,533	(4,051,422)	61,955,122	5,499,983	67,455,105
Loss for the financial year	-	-	-	-	-	-	(17,729,096)	(17,729,096)	(1,646,757)	(19,375,853)
Other comprehensive income:										
- Reversal of revaluation of land and building	-	-	-	(700,000)	-	-	-	(700,000)	-	(700,000)
- Available-for-sale financial assets - Current year gain	-	-	-	-	-	(585,143)	-	(585,143)	-	(585,143)
- Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	-	-	-	-	(2,278,584)	-	(2,278,584)	-	(2,278,584)
- Crystallisation of deferred tax upon disposal of properties	-	-	-	-	-	-	761,306	761,306	-	761,306
- Foreign exchange translation	-	-	-	-	1,016,593	-	-	1,016,593	258,424	1,275,017
<b>Total comprehensive loss for the financial year</b>	-	-	-	(700,000)	1,016,593	(2,863,727)	(16,967,790)	(19,514,924)	(1,388,333)	(20,903,257)
<b>Transactions with owners</b>										
Share based payments under SIS	-	-	-	-	-	-	-	-	-	-
Exercise of SIS options	1,044,950	306,380	(170,536)	-	-	-	-	1,180,794	-	1,180,794
<b>Total transactions with owners</b>	1,044,950	306,380	(170,536)	-	-	-	-	1,180,794	-	1,180,794
Arising from disposal of properties	-	-	-	(6,121,767)	-	-	6,121,767	-	-	-
<b>At 31 December 2014</b>	51,381,400	1,253,054	458,620	4,398,276	952,281	74,806	(14,897,445)	43,620,992	4,111,650	47,732,642

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

**Statement of changes in equity**  
**For the year ended 31 December 2015**

Company	Non-distributable					Accumulated losses RM (Note 26)	Total equity RM
	Share capital RM (Note 24)	Share premium RM (Note 26)	Share issuance scheme (SIS) reserve RM (Note 26)	Revaluation reserves RM (Note 26)	Fair value adjustment reserve RM (Note 26)		
<b>At 1 January 2015</b>	51,381,400	1,253,054	458,620	2,834,754	74,806	(27,424,019)	28,578,615
Loss for the financial year	-	-	-	-	-	(11,364,400)	(11,364,400)
Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	-	-	-	(70,498)	-	(70,498)
<b>Total comprehensive loss for the financial year</b>	-	-	-	-	(70,498)	(11,364,400)	(11,434,898)
<b>At 31 December 2015</b>	51,381,400	1,253,054	458,620	2,834,754	4,308	(38,788,419)	17,143,717
<b>At 1 January 2014</b>	50,336,450	946,674	629,156	8,540,690	2,938,533	(6,017,762)	57,373,741
Loss for the financial year	-	-	-	-	-	(27,016,781)	(27,016,781)
Other comprehensive income:							
Revaluation of land and building	-	-	-	(700,000)	-	-	(700,000)
Available-for-sales financial assets - Current year loss	-	-	-	-	(585,143)	-	(585,143)
Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	-	-	-	(2,278,584)	-	(2,278,584)
Crystallisation of deferred tax upon disposal of properties	-	-	-	-	-	604,588	604,588
<b>Total comprehensive loss for the financial year</b>	-	-	-	(700,000)	(2,863,727)	(26,412,193)	(29,975,920)
<b>Transactions with owners</b>							
Exercise of SIS options	1,044,950	306,380	(170,536)	-	-	-	1,180,794
Arising from disposal of properties	-	-	-	(5,005,936)	-	5,005,936	-
<b>At 31 December 2014</b>	51,381,400	1,253,054	458,620	2,834,754	74,806	(27,424,019)	28,578,615

The accompanying accounting policies and explanatory notes form an integral part of the financial statements



**Statements of cash flows**  
**For the year ended 31 December 2015**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Operating activities</b>				
(Loss)/profit before tax	(12,936,882)	(18,500,280)	(11,364,400)	(27,016,781)
Adjustments for:				
Interest income	(1,384)	(131,516)	(533)	(146,903)
Bad debts written off	-	35,944	-	-
Trade and other payables written off	-	(26,447)	-	-
(Reversal)/provision for maintenance warranties	(28,117)	16,036	(22,030)	16,036
Property, plant and equipment written off	-	241,212	-	-
Impairment on investment in subsidiaries	-	-	721,350	-
Gain on disposal of transferable membership in golf clubs	-	(5,000)	-	(5,000)
Interest expense	118,749	131,047	11,459	13,663
Depreciation of property, plant and equipment	745,163	806,376	161,176	339,914
Depreciation of investment properties	39,763	39,763	4,694	4,695
Dividend income	(2,592)	(9,592)	(2,592)	(9,592)
Amortisation of intangible assets	-	349,520	-	-
Impairment on intangible assets	-	1,145,787	-	-
Loss/(Gain) on disposal of property, plant and equipment - net	(30,000)	1,434,908	-	1,354,432
(Reversal of write-down)/write-down of inventories - net	337,902	7,560	319,021	(1,397,435)
Allowance/(Reversal) for doubtful debts				
- Third parties	509,221	213,885	106,670	-
- Written back - third parties	-	-	-	-
- Subsidiary companies	-	-	6,538,776	20,140,598
Loss/(Gain) on disposal of quoted investments	(564,397)	963,445	(564,397)	963,445
Gain on disposal of unquoted investments	-	-	-	-
Net unrealised (gain)/loss on foreign exchange	(527,333)	21,134	(643,300)	(4,383)
<b>Operating loss before working capital changes carried forward</b>	<b>(12,339,907)</b>	<b>(13,266,218)</b>	<b>(4,734,106)</b>	<b>(5,747,311)</b>

**Statements of cash flows (continued)**  
**For the year ended 31 December 2015**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Operating loss before working capital changes brought forward</b>	(12,339,907)	(13,266,218)	(4,734,106)	(5,747,311)
Decrease/(increase) in inventories	(901,460)	(2,875,646)	(149,610)	2,486,790
Decrease/(increase) in trade and other receivables	11,988,227	(10,104,411)	7,385,163	(4,184,253)
Decrease/(increase) in amount due from customers on contract	(515,253)	6,725,743	(38,243)	2,262,513
(Decrease)/increase in trade and other payables	2,284,192	(6,186,745)	449,664	(3,411,677)
(Increase)/decrease in amount due from subsidiaries	-	-	(6,210,574)	(14,195,485)
Cash flows used in operations	515,799	(25,707,277)	(3,297,706)	(22,789,423)
Interest paid	(118,749)	(131,047)	(11,459)	(13,663)
Income taxes refunded	16,804	-	-	-
Income taxes paid	(61,445)	(13,566)	(6,660)	(6,668)
<b>Net cash flows used in operating activities</b>	<b>352,409</b>	<b>(25,851,890)</b>	<b>(3,315,825)</b>	<b>(22,809,754)</b>
<b>Investing activities</b>				
Dividend income	2,592	9,592	2,592	9,592
Purchase of property, plant and equipment	(1,351,757)	(162,189)	(147,012)	(45,520)
Purchase of intangible assets	(4,084,368)	-	-	-
Proceeds from disposal of property, plant and equipment	30,000	1,813,761	-	1,182,835
Proceeds from disposal of investments – net	1,384,698	2,074,843	1,384,698	2,074,843
Proceeds from disposal of a subsidiary	-	-	1	-
Investment in subsidiaries	-	-	(5,632)	(435,950)
Interest received	1,384	131,516	533	146,903
<b>Net cash flows from investing activities</b>	<b>(4,017,451)</b>	<b>3,867,523</b>	<b>1,235,180</b>	<b>2,932,703</b>
<b>Financing activities</b>				
Proceeds from issuance of ordinary shares pursuant to SIS	-	1,180,794	-	1,180,794
Net (repayment)/drawdown of bankers acceptances	-	(984,000)	-	-
Net drawdown/(repayment) of term loans	-	(182,495)	-	-
Net drawdown/(repayment) of hire purchase liabilities	(214,937)	(267,085)	(42,267)	(84,786)
<b>Net cash flows from financing activities</b>	<b>(214,937)</b>	<b>(252,786)</b>	<b>(42,267)</b>	<b>1,096,008</b>

# Statements of cash flows ( continued)

For the year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
<b>Net decrease in cash and</b>				
<b>cash equivalents</b>	(3,879,979)	(22,237,153)	(2,122,912)	(18,781,043)
Effects of foreign exchange rate changes	2,523,215	1,226,943	-	-
<b>Cash and cash equivalents at</b>				
<b>beginning of year</b>	5,373,369	26,383,579	3,811,643	22,592,686
<b>Cash and cash equivalents at</b>				
<b>end of year</b>	4,016,605	5,373,369	1,688,731	3,811,643
<b>Cash and cash equivalents at end</b>				
<b>of year comprised:</b>				
Cash and bank balances	5,401,453	6,443,800	2,082,671	3,811,643
Bank overdrafts - unsecured (Note 27)	(1,384,848)	(1,070,431)	(393,940)	-
	4,016,605	5,373,369	1,688,731	3,811,643

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

## Notes to the financial statements - 31 December 2015

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 18.06, 18th Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur and principal place of business of the Company is located at 9, Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan.

The principal activities of the Company include the design, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiaries are disclosed in Note 36. There have been no significant changes in the nature of these principal activities during the financial year.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on the historical cost conversion, unless otherwise indicated in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM").

#### 2.2 Statement of Compliance

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations as follows:-

##### **Adoption of Amendments to MFRSs and Annual Improvements**

At the beginning of the financial year, the Company adopted the following amendments to MFRSs and annual improvements which are mandatory for the financial periods beginning on or after 1 January 2015:

Amendments to MFRS 119	Employee Benefits - <i>Defined Benefit Plans</i> : <i>Employee Contributions</i>
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Annual improvements to MFRSs 2010 - 2012 Cycle

Annual improvements to MFRSs 2011 - 2013 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Company.

## 2. Summary of significant accounting policies (continued)

### 2.2 Statement of Compliance (continued)

#### Standards issued but not yet implemented

As at the date of authorisation of these financial statements, the following standards, amendments and annual improvements have been issued by the Malaysian Accounting Standards Board ("MASB") but they have not been adopted by the Company:

#### For financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Joint Arrangements - <i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 101	Presentation of Financial Statements - <i>Disclosure Initiative</i>
Amendments to MFRS 127	Separate Financial Statements - <i>Equity Method in Separate Financial Statements</i>
Amendments to MFRS 116	Property, Plant and Equipment - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 116	Property, Plant and Equipment - <i>Agriculture: Bearer Plants</i>
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 138	Intangible Assets - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 141	Agriculture - <i>Agriculture: Bearer Plants</i>

## 2. Summary of significant accounting policies (continued)

### 2.2 Statement of Compliance (continued)

#### For financial periods beginning on or after 1 January 2016 (continued)

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operation (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements - <i>Investment Entities: Applying the Consolidation Exception</i>
*Amendments to MFRS 10	Consolidated Financial Statements - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 12	Disclosure of Interests in Other Entities - <i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 119	Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures - <i>Investment Entities: Applying the Consolidation Exception</i>
*Amendments to MFRS 128	Investments in Associates and Joint Ventures - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

Annual improvements to MFRSs 2012 - 2014 Cycle

\*The effective date of these standards have been deferred, and yet to be announced by MASB.

#### For financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

The Company will adopt the above pronouncements if they are issued by MASB during the financial year effective on 1 January 2016 and 2018. The Company does not expect any material impact to the financial statements of the above pronouncements other than the two standards described below, for which the effects of adoption are still being assessed.

## **2. Summary of significant accounting policies (continued)**

### **2.2 Statement of Compliance (continued)**

#### **Standards issued but not yet implemented (continued)**

#### **For financial periods beginning on or after 1 January 2018 (continued)**

##### **(a) MFRS 9 Financial Instruments**

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard makes changes to the requirements for classification and measurement, impairment and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the previous model.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory.

##### **(b) MFRS 15 Revenue from Contracts with Customers**

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and established a five-step model that will apply to recognition of revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this standard is to provide a more structured approach to measure and recognise revenue.

This standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Company expects to complete the assessment of the effect of these standards and plan to adopt these standards with effect from 1 January 2016.

## 2. Summary of significant accounting policies (continued)

### 2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

#### (i) Subsidiary Companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. 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.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

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

#### (ii) Consolidation

The acquisition method of accounting is used to account for business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity.



## **2. Summary of significant accounting policies (continued)**

### **2.3 Basis of consolidation (continued)**

#### **(ii) Consolidation (continued)**

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

#### **(iii) Non-controlling interest**

Non-controlling interest is the equity in a subsidiary company not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

### **2.4 Foreign currency**

#### **(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group and the Company's functional currency.

#### **(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

## **2. Summary of significant accounting policies (continued)**

### **2.4 Foreign currency (continued)**

#### **(b) Foreign currency transactions (continued)**

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

#### **(c) Foreign operations**

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 reporting date.

### **2.5 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

## 2. Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on the straight line basis to write off the cost of each asset to its residual value over their estimated useful lives, at the following annual rates:

Leasehold Land	remaining lease period
Buildings	2%
Plant and machinery	10% - 20%
Factory, tools and equipment	10% - 15%
Motor vehicles	20%
Computer and office equipment	10% - 33%
Furniture, fittings and renovation	5% - 50%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

## **2. Summary of significant accounting policies (continued)**

### **2.6 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are stated at cost less accumulated depreciation and any accumulated impairment losses. No depreciation is provided on the freehold land within investment properties as it has an indefinite useful life. Depreciation on the building is provided on the straight-line basis to write off the cost of investment properties to its residual value over its estimated useful life.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.5 up to the date of change in use.

### **2.7 Impairment of non-financial assets**

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

## **2. Summary of significant accounting policies (continued)**

### **2.8 Other non-current investments**

Non-current investments other than investment in subsidiaries and jointly controlled entity are stated at cost less impairment losses. On disposal of a non-current investments, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

### **2.9 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which it was acquired at initial recognition, into the following categories:

#### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading, including derivative or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

#### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### **(iii) Held-to-maturity investment**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and through the amortisation process.

## **2. Summary of significant accounting policies (continued)**

### **2.9 Financial assets (continued)**

#### **(iv) Available-for-sales financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

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

#### **(v) Regular way purchase or sale of financial assets**

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

#### **(vi) Derecognition of financial assets**

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

### **2.10 Impairment of financial assets**

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment on associate company, are assessed at each reporting date 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.

## **2. Summary of significant accounting policies (continued)**

### **2.10 Impairment of financial assets (continued)**

#### Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

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

#### Available-for-sale financial assets

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

If an available-for-sale financial asset is impaired, the amount of impairment loss 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. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

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

### **2.11 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and the Company's cash management.

## **2. Summary of significant accounting policies (continued)**

### **2.12 Construction contracts**

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

### **2.13 Inventories**

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

Cost of raw materials and finished goods is determined on a weighted average or first-in-first-out basis, as appropriate, according to the category of inventories concerned. The cost of raw materials comprises costs of purchase.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **2.14 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's and the Company's obligation.



## **2. Summary of significant accounting policies (continued)**

### **2.15 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities of the Group and the Company are classified as other financial liabilities.

#### **Other financial liabilities**

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability 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. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, 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.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## **2. Summary of significant accounting policies (continued)**

### **2.16 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### **2.17 Employee benefits**

#### **(a) Defined contribution plans**

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. Once the contributions have been paid, the Group has no further payment obligations.

#### **(b) Short term benefits**

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### **(c) Share-based payments**

##### Equity-settled Share-based Payment Transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

## **2. Summary of significant accounting policies (continued)**

### **2.17 Employee benefits (continued)**

#### **(d) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to present value.

### **2.18 Leases**

#### **(a) As lessee**

Finance leases, which transfer to the Group and to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### **(b) As lessor**

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(f).

### **2.19 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. The useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

## **2. Summary of significant accounting policies (continued)**

### **2.19 Intangible assets (continued)**

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, are not amortised but tested for impairment annually. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

### **2.20 Revenue**

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

#### **(a) Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### **(b) Rendering of services**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

#### **(c) Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.12.

#### **(d) Interest income**

Interest income is recognised using the effective interest method.

#### **(e) Dividend income**

Dividend income is recognised when the Group's and the Company's rights to receive payment is established.

#### **(f) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

#### **(g) Management fee**

Management fee is recognised when services are rendered.

## **2. Summary of significant accounting policies (continued)**

### **2.21 Income taxes**

#### **(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes 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.

#### **(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

## **2. Summary of significant accounting policies (continued)**

### **2.21 Income taxes (continued)**

#### **(b) Deferred tax (continued)**

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **(c) Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

### **2.22 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

### **2.23 Share capital and share issuance expenses**

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### **2.24 Treasury shares**

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and 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. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

## **2. Summary of significant accounting policies (continued)**

### **2.25 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

## **3. Significant accounting judgements and estimates**

The preparation of the Group's and the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### **3.1 Judgements made in applying accounting policies**

There are no critical judgements made by management in the process of applying the Group's accounting policies that may have significant effect on the amounts recognised in the financial statements except for the following:

#### **Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

### **3.2 Key sources of estimation uncertainty**

The key assumptions 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 are discussed below.

#### **(a) Write-down of inventories**

Significant judgement is exercised by management when determining items of inventories considered slow-moving and the amount of write-down required to net realisable value. Management takes into consideration the useful life of these inventories, their alternative uses, the possible technological obsolescence, the number of customers who still rely on the Group and the Company to provide maintenance service and other numerous factors before determining the amount of write-down required.

### **3. Significant accounting judgements and estimates (continued)**

#### **3.2 Key sources of estimation uncertainty (continued)**

##### **(b) Useful lives of property, plant and equipment**

Management estimates the useful lives of the property, plant and equipment to be within 2 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2015 management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

##### **(c) Income taxes**

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

##### **(d) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The total carrying value of unrecognised tax losses, unabsorbed capital allowances and other unrecognised deductible differences of the Group and of the Company are disclosed in Note 18.

##### **(e) Contracts accounting**

The Group and the Company recognise contracts revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that costs incurred for work performed to date bear to the estimated total costs.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred, the estimated total revenue and costs, as well as the recoverability of the projects. In making the judgement, the Group and the Company evaluate based on past experience.

##### **(f) Maintenance warranties**

The Group and the Company give an average one (1) year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily due to manufacturing defect. A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs. Assumptions used to calculate the provision for warranties were based on current sales levels and current data on repairs and replacement costs on past one year warranty period for all products sold.

##### **(g) Material litigations**

The Group and the Company determine whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence,



### 3. Significant accounting judgements and estimates (continued)

#### 3.2 Key sources of estimation uncertainty (continued)

##### (g) Material litigations (continued)

including the opinion of its solicitors and subsequent events after the statements of financial position date. On the basis of such evidence, the Group and the Company evaluate if a provision needs to be recognised in the financial statements.

##### (h) Allowance for bad and doubtful debts

The Group and the Company make allowance for doubtful debts based on objective evidence and the circumstances that affect the recoverability of receivables and counterparties.

Allowances are applied to receivables and counterparties where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically reviewed historical bad debts, customer creditworthiness and current economic trends when making a judgement to evaluate the allowance for doubtful debts on receivables and counterparties where the expectation is different from the original estimate, such difference will impact the carrying amounts.

##### (i) Amortisation of intangible assets

Management estimates the useful lives of the intangible assets to be within 5 years and reviews the useful lives of the assets at the end of each reporting period. At 31 December 2015, the management assesses that the useful lives represent the expected utilisation of the assets to the Company. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the Company's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of intangible assets.

##### (j) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

### 4. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Construction contracts	1,711,419	2,617,020	667,823	1,783,450
Sale of goods	20,557,716	13,249,813	10,451,961	12,646,294
Rendering of services	1,362,279	403,931	-	-
	23,631,414	16,270,764	11,119,784	14,429,744

## 5. COST OF SALES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Construction contract costs	1,277,852	4,513,825	432,976	1,345,480
Cost of goods sold	16,822,551	7,951,143	7,809,848	8,084,876
Cost of services rendered	1,325,557	327,217	-	-
	19,425,960	12,792,185	8,242,824	9,430,356

## 6. OTHER INCOME

The other income are included the followings:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade and other payables written off	-	26,447	-	-
Gain on disposal of property, plant and equipment	30,000	19,903	-	19,000
Gain on foreign exchange				
- Realised	138,093	17,538	130,208	26,767
- Unrealised	656,800	30,739	643,300	4,384
Interest income				
- Fixed deposits and short term deposits	1,384	131,516	533	121,105
- Subsidiary	-	-	-	25,798
- Third party	112,927	-	112,927	-
Rental income				
- Third parties	10,000	91,400	-	-
- Subsidiaries	-	-	120,000	48,000
Dividend income				
- Third parties	2,592	9,592	2,592	9,592
Gain on disposal of quoted investments (net)	564,397	-	564,397	-
Gain on disposal on transferable membership in golf clubs	-	5,000	-	5,000
Gain on disposal of a subsidiary	31,051	-	-	-
Management fee received	-	-	168,000	36,000
Other income	115,285	199,019	61,362	-
Reversal of write-down of inventories	22,022	-	-	-
Reversal of share of collaboration profit	-	1,096,495	-	-

## 7. FINANCE COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest expense:				
- Bank overdrafts	91,657	107,781	8,598	6,750
- Term loans	-	10,449	-	-
- Hire purchase/finance lease	27,092	12,817	2,861	6,913
	118,749	131,047	11,459	13,663
Other finance costs	34,519	55,401	25,832	35,425
	153,268	186,448	37,291	49,088

## 8. LOSS BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Employee benefits expenses				
- Included in expenses (Note 9)	11,865,308	11,813,193	6,468,705	7,024,927
Directors' remuneration (Note 10)	1,960,745	1,549,934	417,488	194,839
Allowance for doubtful debts				
- Third parties (Note 20)	509,221	213,885	106,670	-
- Related companies (Note 22)	-	-	6,538,776	20,140,598
Auditors' remuneration				
- Statutory auditors	110,000	110,000	65,000	65,000
- Other auditors	93,040	67,723	8,000	16,000
- Overprovision in prior years	(2,000)	(42,000)	-	(42,000)
	201,040	135,723	73,000	39,000
Bad debts written off	-	35,944	-	-
Amortisation of intangible assets (Note 16)	-	349,520	-	-

## 8. LOSS BEFORE TAX (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Depreciation of property, plant and equipment				
- Included in cost of sales	11,495	18,558	-	-
- Included in administrative expenses	572,492	447,904	-	-
- Included in other operating expenses	161,176	339,914	161,176	339,914
	745,163	806,376	161,176	339,914
(Reversal)/provision for maintenance warranties				
- Included in the cost of sales	(28,117)	16,036	(22,030)	16,036
Depreciation of investment properties	39,763	39,763	4,694	4,695
Loss on foreign exchange				
- Realised	-	-	-	8,454
- Unrealised	129,467	51,873	-	-
Rent of premises	865,642	242,728	866,799	669,663
Property, plant and equipment written off	-	241,212	-	-
(Reversal of write-down)/write-down of inventories				
- Included in cost of sales	359,924	(1,397,435)	319,021	(1,397,435)
- Included in other expenses	(22,022)	1,404,995	-	-
Loss on disposal of property, plant and equipment	-	1,454,811	-	1,354,432
Loss on disposal of quoted investments	-	963,445	-	963,445
Impairment on investment in subsidiaries	-	-	721,350	-
Impairment loss on Intangible assets	-	1,145,787	-	-

## 9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Wages and salaries	10,940,570	10,778,457	5,987,618	6,412,559
Social security contributions	40,659	45,994	30,579	35,487
Contributions to defined contribution plan	770,938	824,986	371,585	466,295
Termination benefits	17,600	44,000	17,600	44,000
Other benefits	95,541	119,756	61,323	66,586
	<u>11,865,308</u>	<u>11,813,193</u>	<u>6,468,705</u>	<u>7,024,927</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,637,010 (2014: RM1,391,095) and RM93,753 (2014: RM36,000) respectively as further disclosed in Note 10.

## 10. DIRECTORS' REMUNERATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Directors of the Group:</b>				
Executive directors' remuneration:				
- Salaries and other emoluments				
- Current year	1,599,171	1,340,577	66,132	36,000
- Underprovision in prior year	-	-	27,621	-
- Defined contribution Plan	37,839	50,518	-	-
Total remuneration including benefits-in-kind (Note 9)	<u>1,637,010</u>	<u>1,391,095</u>	<u>93,753</u>	<u>36,000</u>
Non-executive directors' remuneration :				
- Fees				
- Current year	156,000	158,839	156,000	158,839
- Other emoluments				
- Current year	102,449	-	102,449	-
- Overprovision in prior year	65,286	-	65,286	-
	<u>323,735</u>	<u>158,839</u>	<u>323,735</u>	<u>158,839</u>
Total directors' remuneration (Note 8 and Note 32(c))	<u>1,960,745</u>	<u>1,549,934</u>	<u>417,488</u>	<u>194,839</u>

## 10. DIRECTORS' REMUNERATION (CONTINUED)

### Directors of the Company:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Executive directors' remuneration				
- Salaries and other emoluments	93,753	36,000	93,753	36,000
- Defined contribution plan	-	-	-	-
	93,753	36,000	93,753	36,000
Non-executive directors' remuneration :				
- Fees				
- Current year	156,000	158,839	156,000	158,839
- Other emoluments	167,735	-	167,735	-
	323,735	158,839	323,735	158,839
Total directors' remuneration	417,488	194,839	417,488	194,839

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of directors	
	2015	2014
<b>Executive director:</b>		
RM50,001 and below	-	1
RM50,001 - RM100,000	1	-
<b>Non-executive directors:</b>		
RM50,001 and below	2	7
RM50,001 – RM100,000	2	-

## 11. INCOME TAX CREDIT

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Statements of profit or loss and other comprehensive income:</b>				
Current income tax:				
Malaysian income tax	-	-	-	-
Foreign tax	-	-	-	-

# 11. INCOME TAX CREDIT (CONTINUED)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax credit	-	-	-	-
Deferred income tax (Note 18):				
Reversal of temporary differences	-	-	-	-
Overprovision in prior year	-	875,573	-	-
	-	875,573	-	-
	-	875,573	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The reconciliation between tax (credit)/expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	2015 RM	2014 RM
<b>Group</b>		
Loss before tax	(12,936,882)	(18,500,280)
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	(3,234,221)	(4,625,070)
Different tax rate in other countries	499,717	552,245
Effect of Income not subject to tax	(385,556)	(337,823)
Effect of Non-deductible expenses	220,764	1,605,167
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and other temporary differences	-	(3,246)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	2,899,296	2,808,727
Overprovision of deferred tax in prior year	-	875,573
Income tax credit/(expense) recognised in profit or loss	-	875,573
<b>Company</b>		
Loss before tax	(11,364,400)	(27,016,781)
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	(2,841,100)	(6,754,195)
Effect of Income not subject to tax	(328,307)	(2,346)
Effect of Non-deductible expenses	1,837,336	3,494,269
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,332,071	3,262,272
Income tax expense recognised in profit or loss	-	-

## 11. INCOME TAX CREDIT (CONTINUED)

The Group and the Company has unutilised tax losses and unabsorbed capital allowances available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unutilised tax losses	48,513,220	28,934,663	15,439,862	8,016,000
Unabsorbed capital allowances	3,165,601	764,430	115,671	517,000

Tax savings during the financial year arising from:

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Utilisation of current year tax losses	281,500	182,903

## 12. LOSS PER SHARE

### (a) Basic

Basic loss per share are calculated by dividing the loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>
Loss, net of tax attributable to owners of the parent (RM)	(12,304,276)	(17,729,096)
Weighted average number of ordinary shares in issue	102,762,800	102,551,775
Basic loss per share (sen)	(11.97)	(17.29)



## 12. LOSS PER SHARE (CONTINUED)

### (b) Diluted

Diluted loss per share are calculated by dividing the loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	<b>Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Loss, net of tax attributable to owners of the parent (RM)	(12,304,276)	(17,729,096)
Weighted average number of ordinary shares in issue	102,762,800	102,551,775
Adjusted for:		
Shares issuance scheme	6,620,000	6,620,000
	<u>109,382,800</u>	<u>109,171,775</u>
Diluted loss per share (sen)	<u>(11.25)</u>	<u>(16.24)</u>

### 13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold buildings RM	Plant and machinery RM	Factory tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
<b>At 31 December 2015</b>								
<b>Cost or valuation</b>								
At 1 January 2015								
At cost	-	-	3,291,802	575,139	2,457,533	2,153,665	1,806,495	10,284,634
At valuation	7,699,412	3,900,588	-	-	-	-	-	11,600,000
	7,699,412	3,900,588	3,291,802	575,139	2,457,533	2,153,665	1,806,495	21,884,634
Additions	-	-	-	-	65,000	53,025	1,233,732	1,351,757
Disposals	-	-	(2,515,380)	-	-	-	-	(2,515,380)
Written off	-	-	-	-	(37,644)	-	-	(37,644)
Exchange differences	-	-	-	-	132,442	58,679	18,528	209,649
At 31 December 2015	7,699,412	3,900,588	776,422	575,139	2,617,331	2,265,369	3,058,755	20,893,016
<b>Representing:</b>								
At cost	-	-	776,422	575,139	2,617,331	2,265,369	3,058,755	9,293,016
At valuation	7,699,412	3,900,588	-	-	-	-	-	11,600,000
At 31 December 2015	7,699,412	3,900,588	776,422	575,139	2,617,331	2,265,369	3,058,755	20,893,016
<b>Accumulated depreciation</b>								
At 1 January 2015	-	86,600	3,051,004	490,729	1,637,231	1,882,563	1,568,394	8,716,521
Depreciation for the year	-	80,012	97,973	7,578	297,978	91,805	169,817	745,163
Disposals	-	-	(2,515,380)	-	-	-	-	(2,515,380)
Written off	-	-	-	-	(37,644)	-	-	(37,644)
Exchange differences	-	-	-	-	33,271	29,064	21,370	83,705
At 31 December 2015	-	166,612	633,597	498,307	1,930,836	2,003,432	1,759,581	6,992,365
<b>Net carrying amount</b>								
At cost	-	-	142,825	76,832	686,495	261,937	1,299,174	2,467,263
At valuation	7,699,412	3,733,976	-	-	-	-	-	11,433,388
At 31 December 2015	7,699,412	3,733,976	142,825	76,832	686,495	261,937	1,299,174	13,900,651

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM	Freehold buildings RM	Plant and machinery RM	Factory tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
<b>At 31 December 2014</b>								
<b>Cost or valuation</b>								
At 1 January 2014								
At cost	-	-	3,359,823	953,536	2,575,038	2,468,646	2,369,313	11,726,356
At valuation	15,160,000	8,040,000	-	-	-	-	-	23,200,000
	15,160,000	8,040,000	3,359,823	953,536	2,575,038	2,468,646	2,369,313	34,926,356
Additions	-	-	-	-	654,638	6,550	44,779	705,967
Disposals	(7,090,000)	(3,810,000)	(40,234)	(27,739)	(711,416)	(2,752)	(410)	(11,682,551)
Written off	-	-	(27,787)	(350,658)	(60,727)	(332,479)	(623,627)	(1,395,278)
Revaluation surplus	(370,588)	(329,412)	-	-	-	-	-	(700,000)
Exchange differences	-	-	-	-	-	13,700	16,440	30,140
At 31 December 2014	7,699,412	3,900,588	3,291,802	575,139	2,457,533	2,153,665	1,806,495	21,884,634
Representing:								
At cost	-	-	3,291,802	575,139	2,457,533	2,153,665	1,806,495	10,284,634
At valuation	7,699,412	3,900,588	-	-	-	-	-	11,600,000
At 31 December 2014	7,699,412	3,900,588	3,291,802	575,139	2,457,533	2,153,665	1,806,495	21,884,634
<b>Accumulated depreciation</b>								
At 1 January 2014	-	-	2,997,336	848,876	1,865,534	2,103,639	1,758,179	9,573,564
Depreciation for the year	-	154,471	106,606	12,521	216,547	106,941	209,290	806,376
Disposals	-	(67,871)	(40,234)	(25,157)	(384,944)	(504)	(164)	(518,874)
Written off	-	-	(12,704)	(345,511)	(60,727)	(330,710)	(404,414)	(1,154,066)
Exchange differences	-	-	-	-	821	3,197	5,503	9,521
At 31 December 2014	-	86,600	3,051,004	490,729	1,637,231	1,882,563	1,568,394	8,716,521
<b>Net carrying amount</b>								
At cost	-	-	240,798	84,410	820,302	271,102	238,101	1,654,713
At valuation	7,699,412	3,813,988	-	-	-	-	-	11,513,400
At 31 December 2014	7,699,412	3,813,988	240,798	84,410	820,302	271,102	238,101	13,168,113

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Freehold buildings RM	Plant and machinery RM	Factory tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
<b>Company</b>								
<b>At 31 December 2015</b>								
<b>Cost or valuation</b>								
At 1 January 2015								
At cost	-	-	42,890	115,890	1,487,148	1,258,445	1,277,750	4,182,123
At valuation	2,329,412	2,070,588	-	-	-	-	-	4,400,000
	2,329,412	2,070,588	42,890	115,890	1,487,148	1,258,445	1,277,750	8,582,123
Additions	-	-	-	-	65,000	51,425	30,587	147,012
Disposals	-	-	-	-	-	-	-	-
At 31 December 2015	2,329,412	2,070,588	42,890	115,890	1,552,148	1,309,870	1,308,337	8,729,135
<b>Representing:</b>								
At cost	-	-	42,890	115,890	1,552,148	1,309,870	1,308,337	4,329,135
At valuation	2,329,412	2,070,588	-	-	-	-	-	4,400,000
At 31 December 2015	2,329,412	2,070,588	42,890	115,890	1,552,148	1,309,870	1,308,337	8,729,135
<b>Accumulated depreciation</b>								
At 1 January 2015	-	48,000	42,889	107,418	1,374,932	1,197,540	1,116,674	3,887,453
Depreciation for the year	-	41,412	-	3,221	61,495	27,626	27,422	161,176
Disposals	-	-	-	-	-	-	-	-
At 31 December 2015	-	89,412	42,889	110,639	1,436,427	1,225,166	1,144,096	4,048,629
<b>Net carrying amount</b>								
At cost	-	-	1	5,251	115,721	84,704	164,241	369,918
At valuation	2,329,412	1,981,176	-	-	-	-	-	4,310,588
At 31 December 2015	2,329,412	1,981,176	1	5,251	115,721	84,704	164,241	4,680,506

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Freehold buildings RM	Plant and machinery RM	Factory tools and equipment RM	Motor vehicles RM	Computer and office equipment RM	Furniture, fittings and renovation RM	Total RM
<b>Company</b>								
<b>At 31 December 2014</b>								
<b>Cost or valuation</b>								
At 1 January 2014								
At cost	-	-	42,890	115,890	2,069,578	1,259,997	1,277,750	4,766,105
At valuation	8,450,000	5,850,000	-	-	-	-	-	14,300,000
	8,450,000	5,850,000	42,890	115,890	2,069,578	1,259,997	1,277,750	19,066,105
Additions	-	-	-	-	84,320	1,200	-	85,520
Disposal	(5,750,000)	(3,450,000)	-	-	(666,750)	(2,752)	-	(9,869,502)
Revaluation surplus	(370,588)	(329,412)	-	-	-	-	-	(700,000)
At 31 December 2014	2,329,412	2,070,588	42,890	115,890	1,487,148	1,258,445	1,277,750	8,582,123
Representing:								
At cost	-	-	42,890	115,890	1,487,148	1,258,445	1,277,750	4,182,123
At valuation	2,329,412	2,070,588	-	-	-	-	-	4,400,000
At 31 December 2014	2,329,412	2,070,588	42,890	115,890	1,487,148	1,258,445	1,277,750	8,582,123
<b>Accumulated depreciation</b>								
At 1 January 2014	-	-	42,802	104,250	1,588,601	1,162,766	1,053,152	3,951,571
Depreciation for the year	-	111,250	87	3,168	126,609	35,278	63,522	339,914
Disposals	-	(63,250)	-	-	(340,278)	(504)	-	(404,032)
At 31 December 2014	-	48,000	42,889	107,418	1,374,932	1,197,540	1,116,674	3,887,453
<b>Net carrying amount</b>								
At cost	-	-	1	8,472	112,216	60,905	161,076	342,670
At valuation	2,329,412	2,022,588	-	-	-	-	-	4,352,000
At 31 December 2014	2,329,412	2,022,588	1	8,472	112,216	60,905	161,076	4,694,670

### 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Freehold land and buildings were revalued on 31 December 2013 by the directors based on a valuation performed by a chartered surveyor and registered valuer, namely Messrs Stocker Roberts and Gupta Sdn. Bhd. who is a member of the Institution of Surveyors, Malaysia. Valuation were made using comparison method on the basis of open market value.

If the freehold land and buildings and leasehold buildings were measured using the cost model, the carrying amounts would be as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Freehold land and buildings	2,938,995	3,058,076	1,415,011	1,458,352

- (b) During the financial year, the Group and the Company acquired motor vehicle under hire purchase and finance lease arrangements with the balance paid in cash.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Financed by hire purchase and finance lease	-	543,778	-	40,000

- (c) Net carrying amounts of property, plant and equipment held under hire purchase arrangements are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Motor vehicles	443,217	721,194	43,067	69,667

- (d) Freehold land and building of the Group with a net carrying amount of RM11,433,388 (2014: RM11,513,400) are pledged as securities for borrowings as disclosed in Note 27.

### 14. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Unquoted shares at cost	4,463,696	4,667,292
Less: Accumulated impairment losses	(821,350)	(309,227)
	<u>3,642,346</u>	<u>4,358,065</u>

Details of the subsidiaries are disclosed in Note 36.

#### 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests (NCI). Set out below are the Group's subsidiaries that have material non-controlling interest:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2015	2014	2015	2014	2015	2014
	%	%	RM	RM	RM	RM
Ademco (M) Sdn. Bhd	5	5	(5,496)	(80,493)	66,254	71,750
Sukitronics Sdn Bhd and its subsidiaries	49	49	(400,934)	(1,242,270)	2,701,892	3,102,826
Primeworth (M) Sdn Bhd and its subsidiaries	30.8	30.8	(155,148)	(245,072)	104,433	259,581
Industrial Electronics (S) Pte Ltd.	30	30	88,173	179,502	765,666	677,493
Total non-controlling interest			(473,405)	(1,388,333)	3,638,245	4,111,650

Summarised financial information for each subsidiary that has non-controlling interest that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	Ademco (M) Sdn. Bhd		Sukitronics Sdn Bhd and its subsidiaries		Primeworth (M) Sdn Bhd and its subsidiaries		Industrial Electronics (S) Pte Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM	RM	RM	RM	RM	RM	RM	RM
Total assets	1,710,461	1,908,477	9,450,780	9,587,236	790,640	2,007,991	4,304,104	3,423,567
Total liabilities	(385,374)	(473,473)	(3,936,714)	(3,254,938)	(451,571)	(1,165,194)	(1,751,884)	(1,165,258)
Net assets	1,325,087	1,435,004	5,514,066	6,332,298	339,069	842,797	2,552,220	2,258,309
Equity attributable to owners of the Company	1,258,833	1,363,254	2,812,174	3,229,472	234,636	583,216	1,786,554	1,580,816
Non-controlling interests (NCI)	66,254	71,750	2,701,892	3,102,826	104,433	259,581	765,666	677,493
	1,325,087	1,435,004	5,514,066	6,332,298	339,069	842,797	2,552,220	2,258,309

#### 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Summarised financial information on subsidiaries with material non-controlling interest (NCI). Set out below are the Group's subsidiaries that have material non-controlling interests (continue):

	Ademco (M) Sdn. Bhd		Sukitronics Sdn Bhd and its subsidiaries		Primeworth (M) Sdn Bhd and its subsidiaries		Industrial Electronics (S) Pte Ltd.	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM	RM	RM	RM	RM	RM	RM	RM
Revenue	1,403,828	1,568,604	1,043,596	1,161,744	-	222,295	2,187,152	1,532,174
Profit before taxation	(109,917)	(1,609,873)	(818,232)	(2,535,245)	(503,730)	(952,408)	(236,758)	(102,176)
Taxation	-	-	-	-	-	-	-	-
Net profit for the financial year	(109,917)	(1,609,873)	(818,232)	(2,535,245)	(503,730)	(952,408)	(236,758)	(102,176)
Other comprehensive income	-	-	-	-	-	156,718	530,669	-
Total comprehensive income	(109,917)	(1,609,873)	(818,232)	(2,535,245)	(503,730)	(795,690)	293,911	(102,176)
Net cash (used in) / generated from operating activities	(52,326)	(2,138,104)	(153,291)	877,852	(254,348)	151,002	375,807	(1,850,256)
Net cash generated from/ (used in) investing activities	(1,600)	15,031	1	(5,350)	-	628,098	124	(66,540)
Net cash (used in)/ from financing activities	-	-	(76,449)	(1,055,782)	-	(182,495)	(225,615)	1,376,186
Net increase / (decrease) in cash and cash equivalents	(53,926)	(2,123,073)	(229,739)	(183,280)	(254,348)	596,605	150,316	(540,610)

#### (b) Movement in accumulated impairment losses

	Company	
	2015	2014
At 1 January	309,227	309,227
Disposal of subsidiary	(209,227)	-
Impairment of subsidiary	721,350	-
At 31 December	821,350	309,227



## 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (c) Incorporation/acquisition of new subsidiary

- (i) On 17 March 2015, the Company has incorporated a wholly-owned subsidiary in Hong Kong with the name "Itronic Management Limited" with paid up capital of HKD10,000. The intended principal activities of Itronic Management Limited is to carry on hospitality management.
- (ii) On 11 November 2015, the Company has acquired the entire share capital of a company incorporated in Hong Kong, Metro Energy Limited comprising 1 ordinary share of HKD1 at a purchase consideration of HKD1. Metro Energy Limited is currently dormant and its intended principal activity is general trading.

### (d) Disposal of a subsidiary

On 9 July 2015, the Company entered into an Equity Transfer Agreement ("ETA") with Acute Horizon Limited for the disposal of all the equity interest in Industronics Corporation Limited ("ICL"), a wholly-owned subsidiary of the Company for a total cash consideration of RM1. Net liabilities of ICL as at 30 June 2015 is approximately RM31,050 and estimated gain on disposal is RM31,051 for the Group. There is no gain on disposal for the Company.

The assets and liabilities of Industronics Corporation Limited ("ICL") in Vietnam, disposed off in this financial year are as follows:

	<b>Group 2015 RM</b>
Trade payables	28,962
Other payables	<u>2,088</u>
Net liabilities disposed off	31,050
Proceeds from disposal	<u>1</u>
Gain on disposal	<u>31,051</u>

The results of Industronics Corporation Limited ("ICL") in Vietnam, disposed in this financial year are as follows:

	<b>Group 2015 RM</b>
Revenue	-
Expenses	<u>(104,449)</u>
Loss before tax	<u>(104,449)</u>

## 15. INVESTMENT PROPERTIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Buildings</b>				
<b>Costs</b>				
At 1 January / 31 December	2,534,394	2,534,394	234,745	234,745
<b>Accumulated depreciation</b>				
At 1 January	353,566	313,803	37,951	33,256
Depreciation for the year	39,763	39,763	4,694	4,695
At 31 December	393,329	353,566	42,645	37,951
<b>Accumulated Impairment loss</b>				
At 1 January	1,719,101	1,719,101	-	-
Impairment loss for the year	-	-	-	-
At 31 December	1,719,101	1,719,101	-	-
Carrying amount at 31 December	421,964	461,727	192,100	196,794
Estimated fair value	530,000	530,000	230,000	230,000

The impairment loss recorded in previous financial years was derived after considering the estimated fair value of those properties.

The fair value is derived based on valuation performed using the comparison method by Messrs D B Das Gupta, a chartered surveyor and registered valuer of Stocker Roberts & Gupta Sdn. Bhd.

## 16. INTANGIBLE ASSETS

	Group	
	2015 RM	2014 RM
<b>Costs</b>		
At 1 January	-	1,692,800
Additions	4,084,368	-
Written off	-	(1,692,800)
At 31 December	4,084,368	-
<b>Amortisation</b>		
At 1 January	-	-
Additions	-	349,520

## 16. INTANGIBLE ASSETS (CONTINUED)

	Group	
	2015 RM	2014 RM
Written off	-	(349,520)
At 31 December	-	-
<b>Carrying amount</b>		
At 31 December	4,084,368	-

Intangible assets of the Group is related to investment in software development from a subsidiary of the Group, Industronics Technology Limited. The software development consists of openstack cloud computing software platform, file hosting platform and game server platform, where it is reasonably anticipated that the costs will be recovered through future commercial activity.

The recoverable amounts of the intangible assets are determined based on value-in-use calculations using cash flow projections approved by the management covering a five years period. The key assumptions used for value-in-use calculations are:

	Group 2015
Budgeted gross margin	100%
Growth rate	60.1%
Discount rate	2.4%

- (i) Budgeted gross margin  
The basis used to determine the value assigned to the budgeted gross margins is determined based on management's estimation.
- (ii) Growth rate  
The growth rates are determined based on management's estimate of market demand.
- (iii) Discount rate  
The discount rate used is pre-tax and reflects specific risks relating to the company.

## 17. OTHER INVESTMENTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Available -for-sales</b>				
Quoted shares in Malaysia	54,432	945,231	54,432	945,231
Transferable memberships in golf clubs, at cost	236,000	236,000	236,000	236,000
Less: Impairment losses	(147,000)	(147,000)	(147,000)	(147,000)
	89,000	89,000	89,000	89,000
	143,432	1,034,231	143,432	1,034,231

## 18. DEFERRED TAX ASSETS/LIABILITIES

### (a) Deferred tax assets

	Group	
	2015 RM	2014 RM
At 1 January	-	848,117
Recognised in profit or loss (Note 11)	-	(875,573)
Exchange differences	-	27,456
At 31 December	-	-

The components and movements of the deferred tax assets and liabilities are as follows:

### Deferred tax assets of the Group:

	Unabsorbed tax losses		Accelerated capital allowance	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	-	1,100,522	-	252,405
Recognised in profit or loss	-	(1,136,149)	-	(260,576)
Exchange differences	-	35,627	-	8,171
At 31 December	-	-	-	-

### (b) Deferred tax liabilities

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	1,152,984	1,914,289	459,900	1,064,488
Recognised in profit or loss (Note 11)	-	-	-	-
Recognised in other comprehensive income	-	(761,305)	-	(604,588)
At 31 December	1,152,984	1,152,984	459,900	459,900

## 18. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

### (b) Deferred tax liabilities (continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax assets	(393,821)	(393,821)	-	-
Deferred tax liability	1,546,805	1,546,805	459,900	459,900
	<u>1,152,984</u>	<u>1,152,984</u>	<u>459,900</u>	<u>459,900</u>

### Deferred tax liabilities of the Group:

	<b>Accelerated capital allowances</b>	<b>Revaluation Surplus of Land and buildings</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January 2015	514,053	1,032,752	1,546,805
Recognised in profit or loss	-	-	-
Recognised in other comprehensive income	-	-	-
At 31 December 2015	<u>514,053</u>	<u>1,032,752</u>	<u>1,546,805</u>
At 1 January 2014	514,053	1,794,057	2,308,110
Recognised in profit or loss	-	-	-
Recognised in other comprehensive income	-	(761,305)	(761,305)
At 31 December 2014	<u>514,053</u>	<u>1,032,752</u>	<u>1,546,805</u>

### Deferred tax assets of the Group:

	<b>Unused tax losses and unabsorbed capital allowances</b>	<b>Provisions</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January/31 December 2015	(49,835)	(343,986)	(393,821)
At 1 January/31 December 2014	<u>(49,835)</u>	<u>(343,986)</u>	<u>(393,821)</u>

## 18. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

### (b) Deferred tax liabilities (continued)

#### Deferred tax liabilities of the Company:

	Revaluation surplus of land and building RM
At 1 January 2015	459,900
Recognised in profit or loss	-
Recognised in other comprehensive income	-
At 31 December 2015	459,900
At 1 January 2014	1,064,488
Recognised in profit or loss	-
Recognised in other comprehensive income	(604,588)
At 31 December 2014	459,900

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unutilised tax losses	48,513,220	28,934,663	15,439,862	8,016,136
Unabsorbed capital allowance	3,165,601	764,430	115,671	517,117
Other deductible differences	-	3,632,285	-	23,082,913
	51,678,821	33,331,378	15,555,533	31,616,166

The availability of the unused tax losses for offsetting against future taxable profits of the respective subsidiaries is subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 19. INVENTORIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Cost</b>				
Finished goods	4,743,950	3,706,819	-	4,474
Raw materials	24,817	316,350	-	-
Work-in-progress	285,441	466,247	263,876	219,727
	5,054,208	4,489,416	263,876	224,201

## 19. INVENTORIES (CONTINUED)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Net realisable value</b>				
Finished goods	823,328	821,656	-	-
Raw materials	957,345	960,251	746,898	955,984
	1,780,673	1,781,907	746,898	955,984
	6,834,881	6,271,323	1,010,774	1,180,185

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM16,822,551 (2014 : RM7,951,143) and RM7,809,848 (2014 : RM8,084,876) respectively.

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade receivables</b>				
Third parties	9,317,500	6,094,140	3,817,090	4,214,830
Retention sum (Note 21)	2,525,517	2,943,556	1,246,306	1,296,822
	11,843,017	9,037,696	5,063,396	5,511,652
Less: Allowance for doubtful debts	(3,515,898)	(3,007,917)	(2,262,835)	(2,156,165)
Trade receivables, net	8,327,119	6,029,779	2,800,561	3,355,487
<b>Other receivables</b>				
Other receivables	1,418,122	8,891,242	1,345,698	7,640,940
Less: Allowance for doubtful debts	(35,633)	(35,633)	(35,633)	(35,633)
Other receivables, net	1,382,489	8,855,609	1,310,065	7,605,307
Deposits	6,978,541	14,283,835	6,597,572	7,223,972
Prepayments	146,470	162,844	52,178	67,443
	8,507,500	23,302,288	7,959,815	14,896,722
<b>Total trade and other receivables</b>	16,834,619	29,332,067	10,760,376	18,252,209

Trade receivables are generally on 30 to 90 day (2014 : 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in deposits is an amount of RM6,430,871 paid to the Vashion Group Limited for entered into a Conditional Deposit agreement as stated in Note 32.

## 20. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Trade receivables

Ageing analysis of trade receivables for the financial year ended are as follow:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Neither past due nor impaired	1,882,087	1,983,425	1,347,886	1,282,815
1 to 3 months past due but not impaired	4,154,469	733,884	556,617	505,431
4 to 6 months past due but not impaired	89,716	388,937	56,254	351,193
7 to 12 months past due but not impaired	189,549	571,234	161,094	536,322
More than 12 months past due but not impaired	2,011,298	2,352,299	678,710	679,726
	6,445,032	4,046,354	1,452,675	2,072,672
	8,327,119	6,029,779	2,800,561	3,355,487
Impaired	3,515,898	3,007,917	2,262,835	2,156,165
	11,843,017	9,037,696	5,063,396	5,511,652

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment record with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

#### Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM6,445,032 (2014 : RM4,046,354) and RM1,452,675 (2014 : RM2,072,672) respectively that are past due at the reporting date but not impaired.

In assessing the recoverability of these debts, the directors have given due consideration to all pertinent information relating to the ability of these debtors to settle their debts. Aside from allowances for doubtful debts made above, the directors have assessed the remaining amounts that are past due but not impaired to be fully recoverable, notwithstanding that these debts have exceeded the terms granted. Accordingly, no further provision has been made in respect of these amounts.

#### Receivables that are impaired

The Group's trade and other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:



## 20. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (b) Trade receivables (continued)

Movements in impairment on trade receivables' are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	3,007,917	2,802,292	2,156,165	2,164,425
Charge for the year	509,221	213,885	106,670	-
Written off	(1,240)	(8,260)	-	(8,260)
At 31 December	3,515,898	3,007,917	2,262,835	2,156,165

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

#### Credit risk

The Group's and the Company's primary exposure to credit risk arises through their trade receivables. The Group and the Company seek to maintain strict control over its outstanding receivables and have a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

In determining the recoverability of a contract and trade receivables, the Group and the Company consider any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The project directors also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users.

Other information on financial risks of other receivables are disclosed in Note 34 (a).

### (b) Other receivables

Movement in impairment of other receivables are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	35,633	35,633	35,633	35,633
Charge for the year	-	-	-	-
Written off	-	-	-	-
At 31 December	35,633	35,633	35,633	35,633

## 21. AMOUNT DUE FROM /(TO) CUSTOMERS ON CONTRACTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Contract costs incurred to date	17,755,541	27,233,035	17,418,914	23,233,628
Attributable profits	4,060,899	5,250,291	3,914,777	7,438,944
	21,816,440	32,483,326	21,333,691	30,672,572
Less: Progress billings	(20,692,708)	(31,874,847)	(20,299,535)	(29,676,659)
	1,123,732	608,479	1,034,156	995,913
Presented as:				
Amount due from customers on contract	1,123,937	1,541,064	1,034,156	1,541,064
Amount due to customers on contract	(205)	(932,585)	-	(545,151)
	1,123,732	608,479	1,034,156	995,913
Retention sum on contract, included within trade receivables (Note 20)	2,525,517	2,943,556	1,246,306	1,296,822

## 22. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Amount due from subsidiaries	35,719,046	29,058,706
Less: Accumulated impairments	(29,995,541)	(24,035,657)
	5,723,505	5,023,049
Amount due to subsidiaries	(7,084,548)	(6,055,890)

Movement in impairment on amount due from subsidiaries are as follows:

	Company	
	2015 RM	2014 RM
At 1 January	24,035,657	3,895,059
Impairment made during the financial year	6,538,776	20,140,598
Disposal of subsidiary	(578,892)	-
At 31 December	29,995,541	24,035,657

The normal trade credit term given to trade amount ranges from 60 to 90 days (2014: 60 to 90 days).

The non-trade amount is non-interest bearing, unsecured and repayable on demand.

Further details on related party transactions are disclosed in Note 32.

## 23. CASH AND BANK BALANCES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Cash on hand and at banks	5,336,321	6,429,417	2,034,171	3,811,643
Fixed deposit with licensed bank	65,132	14,383	48,500	-
Total cash and bank balances	5,401,453	6,443,800	2,082,671	3,811,643

The range of effective interest rates and maturities of deposits at the reporting date were as follows:

	Group		Company	
	2015	2014	2015	2014
Effective interest rates (%)	0.50 - 3.30	0.50	3.30	-
Maturities (months)	1 - 18	2	1 - 12	-

## 24. SHARE CAPITAL AND TREASURY SHARES

	Group/Company		Group/Company	
	Number of ordinary shares of RM0.50 each		Amount	
	2015	2014	2015	2014
			RM	RM
<b>Authorised share capital</b>				
At 1 January/31 December	200,000,000	200,000,000	100,000,000	100,000,000

	Group/Company		Group/Company	
	Number of ordinary share of RM0.50 each		Amount	
	Share capital (issued and fully paid) Units	Treasury shares Units	Share capital (issued and fully paid) RM	Treasury shares RM
At 1 January 2015	102,762,800	-	51,381,400	-
Exercise of SIS (Note 25)	-	-	-	-
At 31 December 2015	102,762,800	-	51,381,400	-
At 1 January 2014	100,672,900	-	50,336,450	-
Exercise of SIS (Note 25)	2,089,900	-	1,044,950	-
At 31 December 2014	102,762,800	-	51,381,400	-

## 24. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

### (a) Share capital

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

### (b) Treasury shares

There was no acquisition or disposal of treasury shares during the financial year.

## 25. INDUSTRONICS BERHAD SHARE ISSUANCE SCHEME

The Company SIS was approved by the shareholders at the Extraordinary General Meeting held on 26 June 2013 and become effective on 12 November 2013. The scheme shall be in force for a period of three years from 12 November 2013.

The principal features of the SIS are as follows:

- (i) The total number of shares offered under the scheme shall not exceed 15% of the total issued and paid up share capital of the Company excluding treasury shares at any one time during the duration of the scheme.
- (ii) The aggregate number of SIS options that may be offered to the eligible persons shall be determined at the sole and absolute discretion of the option committee.
- (iii) The eligible persons are directors or employee of any company in the Group excluding dormant subsidiaries. For employee, he/she must attain 18 years old, employed full time and has been confirmed. For director, the director must attain 18 years old, his/her name is in the register of directors and the allocation of new shares must have been approved by the shareholders in a general meeting. Subject to the By-laws, there are no performance target to be achieved by the grantee before the SIS options can be exercised.
- (iv) All the new ordinary shares issued arising from the SIS shall rank pari-passu in all respect with the existing ordinary shares of the Company.

The fair value of services received in return for share options granted during the financial year is based on the fair value of share options granted, estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	First grant	Second grant	Third grant
Fair value at grant date (RM)	0.82	0.62	0.18
Weighted average share price (RM)	0.65	0.64	0.20
Weighted average exercises price (RM)	0.565	0.572	0.500
Weighted average volatility	16.69%	16.15%	16.20%
Expected weighted average option life	3 years	3 years	3 years
Expected dividends	-	-	-
Risk-free interest rate	3.55%	3.46%	3.30%

## 25. INDUSTRONICS BERHAD SHARE ISSUANCE SCHEME (CONTINUED)

On 17 March 2015, the Company SIS committee has cancelled the unexercised SIS share options as at that date, number of unexercised share options were same as those unexercised as at 31 December 2014.

After the cancellation, the Company SIS committee has granted another share options to the eligible employees.

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	At 1 January	Granted/ (Cancelled)	Exercised (Note 24)	At 31 December	Exercisable at 31 December
<b>2015</b>					
First grant	2,500,200	(2,500,200)	-	-	-
Second grant	4,119,800	(4,119,800)	-	-	-
Third grant	-	6,620,000	-	6,620,000	6,620,000
	6,620,000	-	-	6,620,000	6,620,000
WAEP	0.57	(0.57)/0.50	-	0.50	0.50
<b>2014</b>					
First grant	4,590,100	-	2,089,900	2,500,200	2,500,200
Second grant	4,119,800	-	-	4,119,800	4,119,800
	8,709,900	-	2,089,900	6,620,000	6,620,000
WAEP	0.57	-	0.57	0.57	0.57

## 26. RESERVES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-distributable</b>				
Share premium (Note a)	1,253,054	1,253,054	1,253,054	1,253,054
Foreign currency translation reserve (Note b)	3,442,239	952,281	-	-
Revaluation reserves (Note c)	4,398,276	4,398,276	2,834,754	2,834,754
Share issuance scheme reserve (note d)	458,620	458,620	458,620	458,620
Fair value adjustment reserve (Note e)	4,308	74,806	4,308	74,806
	9,556,497	7,137,037	4,550,736	4,621,234
Accumulated losses	(27,201,721)	(14,897,445)	(38,788,419)	(27,424,019)
	(17,645,224)	(7,760,408)	(34,237,683)	(22,802,785)

### (a) Share Premium

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	1,253,054	946,674	1,253,054	946,674
Exercise of SIS options	-	306,380	-	306,380
At 31 December	1,253,054	1,253,054	1,253,054	1,253,054

## 26. RESERVES (CONTINUED)

### (b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

### (c) Revaluation reserves

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	4,398,276	11,220,043	2,834,754	8,540,690
(Reversal)/Additions	-	(700,000)	-	(700,000)
Realisation of revaluation	-	(6,121,767)	-	(5,005,936)
At 31 December	4,398,276	4,398,276	2,834,754	2,834,754

Revaluation reserves comprise the cumulative changes, net of tax effects, arising from the revaluation of freehold buildings which are not distributable.

### (d) Share issuance scheme reserve

	Group/Company	
	2015 RM	2014 RM
At 1 January	458,620	629,156
Exercise of SIS options	-	(170,536)
At 31 December	458,620	458,620

Share issuance scheme reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

### (e) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes in the fair value of available-for-sale financial assets until they are disposed or impaired.

## 27. BORROWINGS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Current</b>				
Secured:				
Hire purchase liabilities (Note 28)	225,814	265,343	7,860	42,266
	225,814	265,343	7,860	42,266
Unsecured:				
Bank overdrafts	1,384,848	1,070,431	393,940	-
Bankers acceptances	-	-	-	-
	1,384,848	1,070,431	393,940	-
	1,610,662	1,335,774	401,800	42,266
<b>Non-current</b>				
Secured:				
Hire purchase liabilities (Note 28)	125,320	300,728	19,728	27,589
<b>Total borrowings</b>				
Bank overdrafts	1,384,848	1,070,431	393,940	-
Hire purchase liabilities (Note 28)	351,134	566,071	27,588	69,855
	1,735,982	1,636,502	421,528	69,855

The borrowings of the Group and of the Company are denominated in RM.

The maturity periods for these borrowings were as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Bank overdrafts	On demand	On demand	On demand	On demand
Bankers acceptances	Within 1 year	Within 1 year	Within 1 year	Within 1 year
Hire purchase liabilities	2016 - 2019	2015 - 2019	2019	2019

The range of effective interest rates during the financial year for these borrowings, excluding hire purchase payables, were as follows:

		Group		Company	
	Type of rate	2015 %	2014 %	2015 %	2014 %
Bank overdrafts	Floating	8.10 - 8.60	8.10 - 8.60	8.10 - 8.35	8.10 - 8.35

### Borrowings

The secured borrowings of the Group are pledged against a freehold land and building of the Group at a carrying amount of RM 11,433,388 (2014: RM11,513,400) as disclosed in Note 13(d).

## 28. HIRE PURCHASE/FINANCE LEASE LIABILITIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Future minimum lease payments:</b>				
Not later than 1 year	239,117	290,752	9,420	45,127
Later than 1 year and not later than 2 years	116,377	201,343	9,420	9,420
Later than 2 years and not later than 5 years	11,775	112,753	11,775	21,195
Total minimum future lease payments	367,269	604,848	30,615	75,742
Less: Future finance charges	(16,135)	(38,777)	(3,027)	(5,887)
Present value of finance lease liabilities	351,134	566,071	27,588	69,855
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	225,814	265,343	7,860	42,266
Later than 1 year and not later than 2 years	114,011	190,507	8,419	7,860
Later than 2 years and not later than 5 years	11,309	110,221	11,309	19,729
Present value of finance lease liabilities	351,134	566,071	27,588	69,855
Less: Amount due within 12 months (Note 27)	(225,814)	(265,343)	(7,860)	(42,266)
Amount due after 12 months (Note 27)	125,320	300,728	19,728	27,589

These obligations are secured by a charge over the lease assets. The average discount rate implicit in the leases is 3.19% per annum (2014: 3.19% per annum).



## 29. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Trade payables</b>				
Third parties	2,497,238	1,337,931	585,034	601,937
<b>Other payables</b>				
Deposits	31,561	-	-	-
Accruals	4,392,583	4,345,246	3,181,279	3,379,064
Sundry payables	1,452,906	934,252	119,176	98,124
Real property gain tax payables	361,797	361,797	361,797	361,797
	6,238,847	5,641,295	3,662,252	3,838,985
<b>Total trade and other payables</b>	<b>8,736,085</b>	<b>6,979,226</b>	<b>4,247,286</b>	<b>4,440,922</b>

The normal trade credit terms granted to the Group ranges from 60 to 90 days (2014: 60 to 90 days).

## 30. OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Group and the Company for use of office buildings and warehouse.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Future minimum rental payments:				
Not later than 1 year	1,688,328	1,262,434	45,000	13,800
Later than 1 year and not later than 5 years	1,118,109	1,832,642	15,000	-
	2,806,437	3,095,076	60,000	13,800

### 31. CONTINGENT LIABILITIES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Unsecured</b>				
Potential liquidated ascertained damages chargeable by customers	260,212	260,212	-	-
Corporate guarantees given to the license banks for credit facility granted to subsidiary company - unsecured	-	-	5,000,000	5,000,000

### 32. RELATED PARTY DISCLOSURES

In addition to the related party information disclosed in Note 20 and 22, the significant related party transactions of the Group and the Company are as follows:

#### (a) Group

	2015 RM	2014 RM
Sales to an entity connected with a director of a subsidiary of the Group	-	2,376,466
Deposit paid to Vashion Group Limited *, in relation to Conditional Deposit Agreement entered into on 9 July 2014	-	6,430,871

Outstanding balance arising from the above transactions with related party as at 31 December 2015 is as follows:

	2015 RM	2014 RM
Sales to an entity connected with a director of a subsidiary of the Group	1,248,532	1,291,711
Deposit paid to Vashion Group Limited *, in relation to Conditional Deposit Agreement entered into on 9 July 2014	6,430,871	6,430,871

\* A company in which the existing director of the Company, Mr. Jacob Leung Kwok Kuen is appointed as a Non-executive and Non-independent Director and a member of Nominating Committee with effect from 23 November 2015.

## 32. RELATED PARTY DISCLOSURES (CONTINUED)

### (a) Group (continued)

\* A company in which the existing director of the subsidiary company, Mr. Christian Kwok-Leun Yau Heilesen is appointed as Executive Director of the Company with effect from 23 November 2015.

Mr. Christian Kwok-Leun Yau Heilesen is also deemed to be a substantial shareholder of Vashion Group Limited.

On 9 July 2014, the Company entered into a conditional agreement with Vashion Group Limited (the "Vashion"), a company incorporated in Singapore, whereby the Company agreed to enter into a placement agreement to issue ordinary shares of the Vashion Group Limited to the Company, subject to the aggregate subscription amount in the placement agreement not being less than the deposits amounting to S\$2.5 million (approximately RM6,430,871) by 30 September 2014. On 16 July 2014, the Company has paid a deposit amounted to S\$2.5 million (approximately RM6,430,871) to Vashion Group Limited, which was received by Vashion Group (H.K) Holdings Limited on behalf of Vashion Group Limited.

On 30 September 2014, 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 31 December 2015 and 31 March 2016 the Company entered into supplemental agreements to extend the placement agreement to 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 31 December 2015, 31 March 2016 and 30 June 2016, respectively.

Subsequently, in February 2016, Vashion Group Limited has made partial repayment of USD780,000 (approximately RM3,291,210) and HKD2,000,000 (approximately RM1,086,234) respectively to the Company.

### (b) Company

	2015 RM	2014 RM
Sales to subsidiaries	3,440,052	2,804,455
Purchases from subsidiaries	(1,167,948)	(1,513,251)
Management fee receivable from subsidiaries	168,000	36,000
Loan to subsidiaries	(4,127,248)	(18,207,524)
Interest income from a subsidiary	-	25,798
Recharge of costs from a subsidiary	(3,117,653)	(3,296,740)
Rental income from subsidiaries	120,000	48,000

### 32. RELATED PARTY DISCLOSURES (CONTINUED)

#### (c) Remuneration package of key management personnel

The remuneration package of the directors and other member of key management personnel during the year is as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	7,044,495	5,391,429	1,061,102	841,980
Defined contribution plan	190,390	238,898	75,312	76,560
	7,234,885	5,630,327	1,136,414	918,540

Included in the total key management personnel are:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors' remuneration (Note 10)	1,960,745	1,549,934	417,488	194,839

### 33. FINANCIAL INSTRUMENTS

The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair values, except for the following:

#### (a) Fair Values

In addition to information disclosed elsewhere in the financial statements, the carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximated their fair values except for the following:

		Group		Company	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>At 31 December 2015</b>					
<b>Financial liabilities:</b>					
Hire purchase liabilities	28	367,269	351,134	30,615	27,588
<b>At 31 December 2014</b>					
<b>Financial liabilities:</b>					
Hire purchase liabilities	28	604,848	566,071	75,742	69,855

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Fair Values (continued)

The following methods and assumptions used by management to determine fair values of the following classes of financial instruments:

##### (i) Cash and cash equivalents, receivables/payables and borrowings

The carrying amounts of these financial assets and liabilities are approximate fair values due to the relatively short term maturity of these financial instruments. The discounted amounts are not material.

##### (ii) Amount owing from/(to) subsidiaries

The carrying amounts of amount owing from/(to) subsidiaries approximate their fair values due to the short-term nature of the repayment terms.

#### (b) Categories of financial instruments

	Loan and receivables	Available-for- sales financial assets	Other financial liabilities	Total
	RM	RM	RM	RM
<b>Group</b>				
<b>Financial assets</b>				
<b>2015</b>				
Other investments	-	143,432	-	143,432
Trade and other receivables	16,834,619	-	-	16,834,619
Cash and bank balances	5,401,453	-	-	5,401,453
	<u>22,236,072</u>	<u>143,432</u>	<u>-</u>	<u>22,379,504</u>
<b>2014</b>				
Other investments	-	1,034,231	-	1,034,231
Trade and other receivables	29,332,067	-	-	29,332,067
Cash and bank balances	6,443,800	-	-	6,443,800
	<u>35,775,867</u>	<u>1,034,231</u>	<u>-</u>	<u>36,810,098</u>
<b>Financial Liabilities</b>				
<b>2015</b>				
Trade and other payables	-	-	8,736,085	8,736,085
Provisions for maintenance warranty	-	-	102,094	102,094
Borrowings	-	-	1,735,982	1,735,982
	<u>-</u>	<u>-</u>	<u>10,574,161</u>	<u>10,574,161</u>
<b>2014</b>				
Trade and other payables	-	-	6,979,226	6,979,226
Provisions for maintenance warranty	-	-	130,211	130,211
Borrowings	-	-	1,636,502	1,636,502
	<u>-</u>	<u>-</u>	<u>8,745,939</u>	<u>8,745,939</u>

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

	Loan and receivables	Available-for- sales financial assets	Other financial liabilities	Total
	RM	RM	RM	RM
<b>Company</b>				
<b>Financial assets</b>				
<b>2015</b>				
Other investments	-	143,432	-	143,432
Trade and other receivables	10,760,376	-	-	10,760,376
Amount due by subsidiaries	5,723,505	-	-	5,723,505
Cash and bank balances	2,082,671	-	-	2,082,671
	18,566,552	143,432	-	18,709,984
<b>2014</b>				
Other investments	-	1,034,231	-	1,034,231
Trade and other receivables	18,252,209	-	-	18,252,209
Amount due by subsidiaries	5,023,049	-	-	5,023,049
Cash and bank balances	3,811,643	-	-	3,811,643
	27,086,901	1,034,231	-	28,121,132
<b>Company</b>				
<b>Financial Liabilities</b>				
<b>2015</b>				
Trade and other payables	-	-	4,247,286	4,247,286
Provisions for maintenance warranty	-	-	72,093	72,093
Borrowings	-	-	421,528	421,528
Amount owing to subsidiaries company	-	-	7,084,548	7,084,548
	-	-	11,825,455	11,825,455
<b>2014</b>				
Trade and other payables	-	-	4,440,922	4,440,922
Provisions for maintenance warranty	-	-	94,123	94,123
Borrowings	-	-	69,855	69,855
Amount owing to subsidiaries company	-	-	6,055,890	6,055,890
	-	-	10,660,790	10,660,790

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 33. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Categories of financial instruments (Continued)

	Group / Company			Total RM
	Level 1 RM	Level 2 RM	Level 3 RM	
<b>Financial assets</b>				
<b>2015</b>				
Quoted shares	54,432	-	-	54,432
Transferable				
Memberships in golf club	-	-	89,000	89,000
	54,432	-	89,000	143,432
<b>2014</b>				
Quoted shares	945,231	-	-	945,231
Transferable				
Memberships in golf club	-	-	89,000	89,000
	945,231	-	89,000	1,034,231

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

#### (a) Credit risks

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objectives is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trade only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

#### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20(a).

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the business segment of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the end of the reporting period is as follows:

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (a) Credit risks (Continued)

	2015		2014	
	RM	% of total	RM	% of total
<b>By business segments:</b>				
Electronics and system integration	2,847,592	34%	3,425,399	58%
Security systems, mechanical and electrical engineering	1,835,544	22%	2,070,043	34%
Sheet metal fabrication	-	-	330,290	5%
Other operations	3,643,983	44%	204,047	3%
	8,327,119	100%	6,029,779	100%

	2015		2014	
	RM	% of total	RM	% of total
<b>By geographic regions:</b>				
Malaysia	4,641,853	56%	5,761,566	96%
Singapore	47,030	*	69,913	1%
Hong Kong	3,638,236	44%	198,300	3%
	8,327,119	100%	6,029,779	100%

\* Below 1%

#### Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

#### Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 20.

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instrument will fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits with financial institutions.

The information on effective interest rates of the financial assets and financial liabilities are disclosed in Note 23 and Note 27.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points (2014: 10 basis points) lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM132 (2014: RM1,217) lower/higher, arising mainly as a result of lower/higher interest income from deposit with financial institutions. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.



### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effect of fluctuating in cash flows.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to two years RM	Two to five years RM	After five years RM	Total Contracted Cash Flow RM	Carrying Amount RM
<b>At 31 December 2015</b>						
<b>Group</b>						
Trade and other payables	8,736,085	-	-	-	8,736,085	8,736,085
Provision for maintenance warranty	102,094	-	-	-	102,094	102,094
Borrowings	1,623,965	116,377	11,775	-	1,752,117	1,735,982
Total undiscounted financial liabilities	10,462,144	116,377	11,775	-	10,590,296	10,574,161
<b>Company</b>						
Trade and other payables	4,247,286	-	-	-	4,247,286	4,247,286
Provision for maintenance warranty	72,093	-	-	-	72,093	72,093
Borrowings	403,360	9,420	11,775	-	424,555	421,528
Amount owing to subsidiaries	7,084,548	-	-	-	7,084,548	7,084,548
Total undiscounted financial liabilities	11,807,287	9,420	11,775	-	11,828,482	11,825,455
<b>At 31 December 2014</b>						
<b>Group</b>						
Trade and other payables	6,979,226	-	-	-	6,979,226	6,979,226
Provision for maintenance warranty	130,211	-	-	-	130,211	130,211
Borrowings	1,361,183	201,343	112,753	-	1,675,279	1,636,502
Total undiscounted financial liabilities	8,470,620	201,343	112,753	-	8,784,716	8,745,939
<b>Company</b>						
Trade and other payables	4,440,922	-	-	-	4,440,922	4,440,922
Provision for maintenance warranty	94,123	-	-	-	94,123	94,123

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	On demand or within one year RM	One to two years RM	Two to five years RM	After five years RM	Total Contracted Cash Flow RM	Carrying Amount RM
Borrowings	45,127	9,420	21,195	-	75,742	69,855
Amount owing to subsidiaries	6,055,890	-	-	-	6,055,890	6,055,890
Total undiscounted financial liabilities	10,636,062	9,420	21,195	-	10,666,677	10,660,790

#### (d) Foreign currency risk

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

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional currency of Group companies	Singapore Dollar RM	United States Dollar RM	Hong Kong Dollar RM	Others RM	Total RM
<b>At 31 December 2015</b>					
<b>Ringgit Malaysia</b>					
Cash and bank balances	23,201	1,237,503	15,953	98,599	1,375,256
Trade receivables	1,742,267	352,497	-	-	2,094,764
Trade payables	(28,796)	(24,060)	-	(117,790)	(170,646)
<b>Singapore Dollar</b>					
Cash and bank balances	-	429,808	-	-	429,808
Trade receivables	-	27,876	-	-	27,876
	1,736,672	2,023,624	15,953	(19,191)	3,757,058

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Functional currency of Group companies	Singapore Dollar RM	United States Dollar RM	Hong Kong Dollar RM	Others RM	Total RM
<b>At 31 December 2014</b>					
<b>Ringgit Malaysia</b>					
Cash and bank balances	758,251	1,548,773	3,041	44,363	2,354,428
Trade receivables	437,834	448,193	-	103,190	989,217
Trade payables	(16,597)	(93,360)	-	(3,884)	(113,841)
<b>Singapore Dollar</b>					
Cash and bank balances	-	506,078	-	-	506,078
Trade receivables	-	9,548	-	-	9,548
	1,179,488	2,419,232	3,041	143,669	3,745,430

#### Sensitivity analysis for foreign currency risk

A 10% (2014: 10%) strengthening of RM against the following currencies at the reporting date would have increased/(decreased) the loss before tax by the amount shown below and increase would have an equal but opposite effect.

	<b>Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Singapore Dollar	173,667	117,949
United States Dollar	202,362	241,923
Hong Kong Dollar	1,595	304
Others	(1,919)	14,367
Decrease in loss before tax	375,705	374,543

### 35. SEGMENT INFORMATION

During the year, for management purposes, the Group was reorganised into business units based on their services and has four reportable business segments as follows:

Electronics and system integration	Design, manufacturing and installation of electronics and microprocessor controlled products. Trading, maintenance and supply of industrial electronic equipment. Intelligent transportation system and major system integration projects involving Information Communication Technology, supply and service of telecommunication equipment, audio visual multimedia systems.
Security systems, Mechanical & electrical engineering ("M&E")	Supply and installation of security systems. Specialist in fire protection system design and installation works and mechanical engineering services. Industrial maintenance and service works. Trading of transport equipment and provision of related services. Manufacturing of filter inclusive of import and marketing.
Sheet metal fabrication	Involving in precision sheet metal fabrication works and manufacturing of precision fabrication.
Other Operations	Involving in provision of mobile entertainment services, trading of watches, integrated internet marketing services, development of IT applications, general trading and provision of hospitality services.

#### Geographical segments

The Group operates in three principal geographical areas based on location of assets:

Malaysia	All main businesses disclosed in primary reporting format-business segments
Hong Kong	Provision of mobile entertainment services, trading of watches, integrated internet marketing services, development of IT applications, general trading and provision of hospitality services
Singapore	Provision of services for maintenance of industrial equipment, general contractors and commission agents

#### Allocation basis and transfer pricing

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

Inter-segment sales comprise revenue from projects and trading, office rental and secretarial and management fees. The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned.

### 35. SEGMENT INFORMATION (CONTINUED)

#### Business segments:

	Electronics and System Integration		Security Systems and M&E		Sheet Metal Fabrication		Other operations		Adjustments and eliminations		Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>												
External customers	8,896	12,796	2,435	2,730	-	222	12,300	523	-	-	23,631	16,271
Inter-segment	6,025	2,298	12	3,061	-	-	-	-	(6,037)	(5,359)	-	-
Total revenue	14,921	15,094	2,447	5,791	-	222	12,300	523	(6,037)	(5,359)	23,631	16,271
<b>Results</b>												
Interest income	1	121	-	10	-	-	-	-	-	-	1	131
Finance costs	51	76	81	80	1	50	20	5	-	(25)	153	186
Depreciation	190	357	150	163	89	103	355	183	-	-	784	806
Amortisation	-	-	-	-	-	-	-	350	-	-	-	350
Impairment loss on intangible assets	-	-	-	-	-	-	-	1,146	-	-	-	1,146
Impairment on amount due from subsidiaries company	6,538	20,140	-	-	-	-	-	-	-	-	6,538	20,140
Write-down of inventories	360	-	-	1,338	-	67	-	-	-	-	360	1,405
Allowance for doubtful debts	107	-	82	-	320	214	-	-	-	-	509	214
Segment (loss)/profit	(11,510)	(27,246)	(928)	(4,145)	(504)	(953)	(7,111)	(6,396)	7,116	20,240	(12,937)	(18,500)
<b>Assets</b>												
Segment assets	36,005	38,588	11,166	11,496	791	2,015	13,528	13,093	(12,388)	(6,621)	49,102	58,571
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	36,005	38,588	11,166	11,496	791	2,015	13,528	13,093	(12,388)	(6,621)	49,102	58,571
<b>Liabilities</b>												
Segment liabilities	(14,017)	(10,550)	(4,327)	(7,087)	(451)	(1,644)	(36,788)	(11,598)	43,856	20,040	(11,727)	(10,839)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	(14,017)	(10,550)	(4,327)	(7,087)	(451)	(1,644)	(36,788)	(11,598)	43,856	20,040	(11,727)	(10,839)
<b>Capital expenditure</b>	147	152	2	5	-	-	5,287	549	-	-	5,436	706

#### Geographical segments:

	Malaysia		Hong Kong		Singapore		Vietnam		Adjustments and eliminations		Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>												
Revenue from external customers	10,115	14,217	12,300	522	1,216	1,532	-	-	-	-	23,631	16,271
<b>Results</b>												
Interest income	1	131	-	-	-	-	-	-	-	-	1	131
Finance costs	130	202	20	6	3	3	-	-	-	(25)	153	186
Depreciation	420	614	348	180	16	12	-	-	-	-	784	806
Amortisation	-	-	-	350	-	-	-	-	-	-	-	350
Impairment loss on intangible assets	-	-	-	1,146	-	-	-	-	-	-	-	1,146
Impairment on amount due from subsidiaries company	6,538	20,140	-	-	-	-	-	-	-	-	6,538	20,140
Write-down of inventories	360	1,405	-	-	-	-	-	-	-	-	360	1,405
Allowance for doubtful debts	509	214	-	-	-	-	-	-	-	-	509	214
Segment (loss)/profit	(12,699)	(32,229)	(7,117)	(6,401)	(237)	(102)	-	(8)	7,116	20,240	(12,937)	(18,500)
<b>Total assets</b>	44,153	48,502	13,509	12,979	3,828	3,634	-	77	(12,388)	(6,621)	49,102	58,571
<b>Total liabilities</b>	(20,741)	(5,593)	(33,204)	(24,120)	(1,639)	(1,165)	-	(2)	43,857	20,041	(11,727)	(10,839)
<b>Capital expenditure</b>	149	90	5,287	549	-	67	-	-	-	-	5,436	706

#### Note

- Inter-segment sales are eliminated on consolidation.
- The inter-segment assets are added to segment assets to arrive at total assets reported in the consolidated financial statements.
- The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

## 36. SUBSIDIARIES

Details of subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Equity 2015 %	Interest 2014 %	Principal activities
<b>Held by the Company:</b>				
Industronics Manufacturing Sdn. Bhd.	Malaysia	100	100	Assembly, installation and maintenance of high-tech electronics appliances and communication
TTE Electronics Sdn.Bhd.	Malaysia	100	100	Assembly of electronics device and contract manufacturing
* Industronics (HK) Limited	Hong Kong	100	100	Provision of mobile entertainment services and trading of watches
* Industronics Technology Limited	Hong Kong	100	100	General trading
* Itronic Services Limited (formerly known as DSC IB Limited)	Hong Kong	100	100	Provision of integrated internet marketing services and hospitality services
Ademco (Malaysia) Sdn. Bhd.	Malaysia	95	95	Supply and installation of security systems
* Industrial Electronics (S) Pte. Ltd.	Singapore	70	70	Trading, maintenance and supply of industrial electronic equipment
Primeworth (M) Sdn. Bhd.	Malaysia	69.2	69.2	Involving in precision sheet metal fabrications works
Sukitronics Sdn. Bhd.	Malaysia	51	51	Specialist in fire protection system design and installation works and mechanical engineering services
* Industronics Corporation Ltd.	Vietnam	-	100	Supply, assembly and maintenance of electronic displays, mechanical and electrical equipment
* Itronic Management Limited	Hong Kong	100	-	Provision of hospitality services
* Metro Energy Limited	Hong Kong	100	-	Dormant
Olympex Sdn Bhd	Malaysia	100	100	Dormant
<b>Held through Sukitronics Sdn. Bhd.</b>				
Sukitronics PMC Sdn. Bhd.	Malaysia	100	100	Mechanical engineering and contracting in fire fighting system
<b>Held through Primeworth (M) Sdn. Bhd.</b>				
PW Precision Sdn. Bhd.	Malaysia	100	100	Manufacturing of precision fabrication

\* Subsidiaries audited by firms of auditors other than CHI-LLTC.

### **37. Significant events**

#### **(a) Disposal of ordinary shares in Solution Engineering Holding Berhad**

- (i) On 17 April 2015, the Company disposed in the open market an aggregate of 3,241,900 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM1,063,343.
- (ii) On 20 April 2015, the Company disposed in the open market an aggregate of 700,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM232,500.
- (iii) On 21 April 2015, the Company disposed in the open market an aggregate of 100,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM32,000.
- (iv) On 23 April 2015, the Company disposed in the open market an aggregate of 200,000 ordinary shares of RM0.10 each in Solution Engineering Holding Berhad at a proceed of RM64,500.

#### **(b) Disposal of properties**

- (i) On 19 November 2014, the Company had entered into a sale and purchase agreement with Uptownace (M) Sdn Bhd to dispose a two (2) storey factory with office and guardhouse bearing postal address of No. 6, Jalan Perusahaan Utama, Taman Industri Selesa Jaya, 43300 Kajang, Selangor Darul Ehsan to the Purchaser for a total consideration of RM8,100,000. On 17 April 2015, the Company has received final payment of balance purchase price in respect of the above disposal.

### **38. Subsequent events**

#### **(a) Extension of agreement**

On 1 April 2016, the Company and Vashion Group Limited ("Vashion") have agreed to extend the validity of the Conditional Deposit Agreement in relation to the proposed subscription of shares in Vashion by way of private placement for such number of new ordinary shares in Vashion and at such price and on such terms as shall be agreed and documented in a Placement Agreement to be entered into between Vashion and the Company, by another three (3) months i.e. until 30 June 2016.

#### **(b) Disposal of property**

On 18 February 2016, a subsidiary of the Company, Sukitronics Sdn Bhd has entered into a sale and purchase agreement with Triangle Worldwide Sdn Bhd to dispose its property for a total consideration of RM2,350,000. The carrying amount of the property is approximately RM2,183,243.

### **39. Material litigation**

Other than as disclosed below, the Group and the Company are not involved, either as plaintiff or defendant, in any other material litigations. In this aspect, the directors are not aware of any other proceedings pending and against the Group and the Company or any events likely to give rise to a litigation which might materially or adversely affect the financial position and business operations of the Group and of the Company.

#### **Claims by Sukitronics Sdn. Bhd. against First Kuwaiti and Contracting W.L.L.**

Sukitronics Sdn. Bhd. ("SSB"), a subsidiary has claimed loss and damage of approximately USD1,184,000 or RM3,706,000 against First Kuwaiti Trading and Contracting W.L.L. ("FKTC") for the breach of the contract while FKTC has counter claimed SSB for an amount of USD8,626,000 or approximately RM26,999,000. The Arbitration was relating to the appointment of SSB by FKTC to construct, complete, test, commission and maintain the building, mechanical and electrical works relating to the construction of US New Consulate Compound in Surabaya, Indonesia.

The Continued Arbitration Hearing was held on 22nd till 25th April 2013, 1st till 2nd August 2013, 18th till 22nd November 2013, 20th till 23rd January 2014, 19th till 23rd May 2014, 8th August 2014, 12th till 14th November 2014, 30th till 31st March 2015, 20th May 2015 and 24th till 26th June 2015. The Arbitrator had further fixed the Arbitration for Continued Hearing on 18th till 20th April 2016.

### **40. Capital commitments**

The subsidiary of the Company, Industronics Technology Limited has capital commitments related to software under development of HKD12,623,500, approximately equivalent to RM6,989,632 as at 31 December 2015.

### **41. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and acceptable capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies.

### **42. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 5 April 2016.



## SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2015 into realised and unrealised profits/(losses) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Accumulated losses of the Group and Company				
- Realised	(59,490,746)	(46,842,023)	(39,359,626)	(27,325,825)
- Unrealised	545,472	(31,113)	571,207	(98,194)
Less: Consolidation adjustments	31,743,553	31,975,691	-	-
Accumulated losses as per financial statements	(27,201,721)	(14,897,445)	(38,788,419)	(27,424,019)

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

## **ADDITIONAL COMPLIANCE INFORMATION**

(Disclosure pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

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**(i) Share Buy-backs**

During the financial year, there were no share buy-backs by the Company.

**(ii) Utilisation of Proceeds**

There were no fund raising exercises implemented during the financial year.

**(iii) Options, Warrants or Convertible Securities**

Save for the options granted, exercised and lapsed as disclosed in the Directors' Report of Financial Statements, the Company did not issue any options, warrants or convertible securities during the financial year.

**(iv) American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")**

During the financial year, the Company and its subsidiaries did not sponsor any ADR or GDR programme.

**(v) Sanctions and/ or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

**(vi) Non-Audit Fees**

There was no non-audit fee paid by the Company to external auditors or company affiliated to the external auditor's firm for the financial year.

**(vii) Variance in Results**

There was no significant variation between the audited results for the financial year and unaudited results previously announced.

**(viii) Profit Guarantee**

The Company and its subsidiaries did not give any profit guarantee during the financial year.

**(ix) Material Contracts**

There were no material contracts entered into by the Company and its subsidiary companies involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year ended 31 December 2015 or if not then subsisting, entered into since the end of the previous financial year.

**(x) Revaluation Policy on Landed Properties**

The Group does adopt a policy of regular revaluation of its landed properties.

**(xi) Recurrent Related Party Transactions ("RRPT") of Revenue Nature**

During the financial year, there was no RRPT of Revenue Nature.

**LIST OF PROPERTIES as at 31 December 2015**

Location	Tenure	Description of Property (approximate land area)	Existing use	Age of Building	Net Book Value RM	Date of Revaluation
<b>COMPANY</b>						
9 Jalan Taming 3 Taman Tanming Jaya 43300 Seri Kembangan Selangor Darul Ehsan	Freehold	Industrial land and building (14,876 sq ft)	Factory, office and warehouse	25 years	4,310,588	December 2013
HS (D) 159898 No. PT 1693, Pekan Panchor Daerah Seremban Negeri Sembilan	Leasehold (99 years) Expire in 2103	Industrial land (1,552 sq. m.)	Vacant land	N/A	192,100	December 2013
<b>SUBSIDIARIES</b>						
<b><u>Sukitronics Sdn Bhd</u></b>						
No. 22, Jalan Pendidik U1/31 Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam Selangor Darul Ehsan	Freehold	Industrial land and building (9,750 sq ft)	Factory and office	18 years	4,938,800	December 2013
No. 20, Jalan Pendidik U1/31 Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam Selangor Darul Ehsan	Freehold	Industrial land and building (3,900 sq ft)	Office and warehouse	18 years	2,184,000	December 2013
#GF53, Jalan Persiaran Tun Sri Lanang, Daerah Sentral 80000 Johor Bahru Johor Darul Takzim	Leasehold (99 years) Expire in 2095	Shoplot (475 sq ft)	Vacant	15 years	-	December 2013
#GF53A, Jalan Persiaran Tun Sri Lanang, Daerah Sentral 80000 Johor Bahru Johor Darul Takzim	Leasehold (99 years) Expire in 2095	Shoplot (475 sq ft)	Vacant	15 years	-	December 2013
No. 6A-13-2A, Kondominium BBK Persiaran Bukit Raja 41150 Klang Selangor Darul Ehsan	Leasehold (99 years) Expire in 2093	Condominium (1,605 sq ft)	Rented	14 years	229,863	December 2013

## ANALYSIS OF SHAREHOLDING AS AT 21 MARCH 2016

Authorised Capital	:	RM100,000,000
Issued and paid up capital	:	RM51,381,400
Class of shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One Vote per Share

## DISTRIBUTION OF SHAREHOLDERS

<i>Size of shareholdings (Number of Ordinary Shares)</i>	<i>No. of shareholders</i>	<i>% of Shareholders</i>	<i>No. of shares</i>	<i>% Of Issued Share Capital</i>
Less than 100	11	0.76	352	0.00
100 – 1,000	116	7.97	51,148	0.05
1,001 – 10,000	842	57.83	4,408,600	4.29
10,001 – 100,000	407	27.95	14,772,700	14.38
100,001 to less than 5% of issued shares	76	5.22	28,325,700	27.56
5% and above of issued shares	4	0.27	55,204,300	53.72
	1,456	100.00	102,762,800	100.00

## DIRECTORS' SHAREHOLDING

	←-----Direct interest-----→		←-----Indirect interest-----→	
<i>In the Company</i>	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Liu Wing Yee Amy	0	0	0	0
Tsui Kwok Ho	0	0	0	0
Leung Kwok Kuen Jacob	0	0	0	0
Lu Zhi Qin	0	0	0	0
Fung Ling Yip	0	0	0	0

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	←-----Direct interest-----→		←-----Indirect interest-----→	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Sunny Luck International Limited	17,521,900	17.05	0	0
Zhou Qi Lin	9,278,700	9.03	0	0
Lissington Limited	8,547,800	8.32	0	0
Bloom Billion Sdn Bhd	10,000,000	9.73	0	0
Zipco Industrial Finance Pvt Ltd*	0	0	10,000,000 <sup>(1)</sup>	9.73
Ruia Sons Private Ltd*	0	0	10,000,000 <sup>(1)</sup>	9.73
Indo Wagon Engineering Ltd*	0	0	10,000,000 <sup>(1)</sup>	9.73
Cranberry Star Asia Investment Limited (formerly known as CKLY Equity Holdings Ltd)	9,745,600	9.48	0	0

*Note: (1) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 via Bloom Billions Sdn Bhd*

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 21 MARCH 2016

	<u>Names</u>	<u>Investor ID</u>	<u>Shareholding</u>	<u>%</u>
1	AFFIN HWANG NOMINEES (ASING) SDN BHD Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	278474A	17,826,500	17.35
2	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Exempt AN For Maybank Kim Eng Securities Pte Ltd (A/C 648849)	284592K	17,632,200	17.16
3	BLOOM BILLIONS SDN BHD	759406A	10,000,000	9.73
4	CITIGROUP NOMINEES (ASING) SDN BHD Exempt AN For UBS AG Hong Kong (Foreign)	263875D	9,745,600	9.48
5	LIM JIT CHOW	400519-08-5673	1,449,900	1.41
6	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Maybank Kim Eng Securities Pte Ltd For Lim Jit Teng @ Lim Yit Teng	284592K	1,409,000	1.37
7	HSBC NOMINEES (ASING) SDN BHD Exempt AN For Bank Julius Baer & Co. Ltd. (Singapore BCH)	4381U	1,180,000	1.15
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tee Kim Hew (E-KLG/BTG)	6464T	1,137,900	1.11
9	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Siu Hiu Ki Jamie	278474A	1,040,600	1.01
10	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Henrick Kwok-Hang Yau Heilesen	278474A	1,000,000	0.97
11	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Champley Reill Edward	278474A	900,000	0.88
12	GAN LU TER	911216-14-5581	855,700	0.83
13	KINGSLEY LIM FUNG WANG	740531-14-5641	760,000	0.74
14	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Kwong Ming Kwei (08KWO32ZQ-008)	16778M	708,000	0.69
15	ZECON ENGINEERING BERHAD	134463X	689,500	0.67
16	M & A NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chew Fei Meng (M&A)	320471T	642,400	0.63
17	FRODINE LOW KWAI MING	760324-14-5508	600,000	0.58
18	CHU MOK KIEW	670405-01-5378	589,900	0.57
19	WEALTH OVERSEAS PTE. LTD.	200608392K	507,900	0.49
20	CHOOI KHIN SEONG	511101-08-6101	500,000	0.49
21	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tan Cheow Hian @ Tan Lek Keah	16778M	500,000	0.49
22	TA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Muhammad Asyraf Bin Rosli	268290H	500,000	0.49
23	LIM POH FONG	681113-07-5604	499,600	0.49
24	PIONG CHUI LING	780727-04-5040	488,500	0.48
25	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS Vickers Secs (S) Pte Ltd For Yau Chi Shing	278474A	447,600	0.44
26	CHU TOO KIEW	650527-01-5220	402,000	0.39
27	WARISAN SERANTAU SDN. BHD.	1000872W	400,000	0.39
28	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Amara Investment Management Sdn Bhd For Low Teck Yin	284597P	397,000	0.39
29	LIM KEN HONG	670213-07-5173	354,000	0.34
30	TAI YOK YEN	540415-04-5428	352,900	0.34
<b>Total</b>			<b>73,516,700</b>	<b>71.54</b>

\*Paid-up Capital as at 21 March 2016

102,762,800

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-First (41<sup>st</sup>) Annual General Meeting of the Company will be held at Function Room 5, Level 2, Hotel Seri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur at 10:30 a.m. on Wednesday, 29 June 2016 for purpose of transacting the following businesses:

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2015 and the reports of the directors and auditors thereon. To refer to Explanatory Note 1
2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. (Resolution 1)
3. To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association:-
  - (a) Mr. Leung Kwok Kuen Jacob (Resolution 2)
  - (b) Ms. Liu Wing Yee Amy (Resolution 3)
4. To re-appoint Messrs CHI-LLTC as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration. (Resolution 4)

### **Special Business:**

To consider and if thought fit, pass with or without modification, the following resolutions:

### **Ordinary Resolutions:**

5. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 5)

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

6. Proposed renewal of authority to buy back its own shares by the Company (Resolution 6)

"THAT, subject to the Companies Act, 1965, rules, regulations and orders made pursuant to the Act, provisions of the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any other relevant authority, the Directors of the Company be and are hereby unconditionally and generally authorised, to the extent permitted by

law, to purchase such number of ordinary shares of RM0.50 each in the Company as may be determined by the Directors from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that the maximum aggregate number of ordinary shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of its issued and paid-up share capital; and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the retained profits and/or share premium account of the Company for the time being.

THAT upon completion of the purchase(s) by the Company of its own shares, the Directors are authorised to decide at their discretion to cancel all the shares so purchased and/or to retain the shares so purchased as treasury shares of which may be distributed as dividends to shareholders and/or to resell on the market of Bursa Malaysia Securities Berhad and/or to retain part thereof as treasury shares and cancel the remainder.

THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary [including opening and maintaining of a central depositories account under the Securities Industry (Central Depository) Act, 1991]; and to enter into and execute all relevant documents with any party or parties to implement, finalise and give full effect to the aforesaid purchase(s) with full powers to assent to any conditions, modifications, variations and/or amendments (if any), as may be required or imposed by any relevant authority or authorities.

AND THAT the authority conferred by this resolution shall continue to be in force until the conclusion of the next annual general meeting of the Company, following the general meeting at which this resolution was passed at which time it will lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or the revocation or variation by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date.”

7. To transact any other matter for which due notices shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

Pang Lee Mei (MAICSA 7030934)  
Chok Kwee Wah (MACS 00550)  
Tan Kean Wai (MAICSA 7056310)  
Company Secretaries

Kuala Lumpur  
29 April 2016

**Notes:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 June 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1) (a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan, No.1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

**Explanatory Notes****Special Business****6. Item 1 of the Agenda**

This item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require shareholders' approval for the Audited Financial Statements. Henceforth, this item is not put forward for voting.

**7. Ordinary Resolution 5**

The Company had, during the 40<sup>th</sup> AGM held on 29 June 2015, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965. No share has been issued as at the date of this Notice.

The proposed resolution 5 is a renewal of the general mandate for issuance of shares by the Company under Section 132D. This mandate, if passed, will empower the directors of the Company to allot and issue shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares for fund raising activities, including but not limited to placing of shares for the purpose of funding current and/or future investment project(s), working capital and/or acquisition as well as any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis. This authority, unless revoked or varied at a general meeting will expire at the next AGM of the Company.

**8. Ordinary Resolution 6**

The Proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained profits and share premium account of the Company.

This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by the law to be held, whichever occurs first.



**INDUSTRONICS BERHAD**  
(Company No. 23699-X)  
(Incorporated in Malaysia)

**PROXY FORM**

I/ We, \_\_\_\_\_ NRIC/ Passport No. / Company No. \_\_\_\_\_

CDS Account No. \_\_\_\_\_ of \_\_\_\_\_

being \*a member/ members of **INDUSTRONICS BERHAD**, hereby appoint \_\_\_\_\_

NRIC/ Passport No. \_\_\_\_\_ of \_\_\_\_\_

\*and/ or failing him/ her, \_\_\_\_\_ NRIC/ Passport No. \_\_\_\_\_

of \_\_\_\_\_

or the Chairman of the Meeting as \*my/ our proxy to vote for \*me/ us on \*my/ our behalf at the 41st Annual General Meeting of the Company to be held at Function Room 5, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 29 June 2016 at 10.30 a.m. and any adjournment thereof and to vote as indicated below:-

No.	Resolutions	For	Against
1	To approve the payment of Directors' fees		
2	Re-election of Mr. Leung Kwok Kuen Jacob as Director		
3	Re-election of Ms. Liu Wing Yee Amy as Director		
4	Re-appointment of Messrs CHI-LLTC as auditors		
Special Business			
5	Authority to issue shares pursuant to Section 132D		
6	Proposed Renewal of authority to buy back its own shares by the Company		

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

First Proxy (1) \_\_\_\_\_ %

Second Proxy (2) \_\_\_\_\_ %

No. of shares held

\_\_\_\_\_  
Signature/ Common Seal of Shareholder

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016

**NOTES**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 June 2016 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
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- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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Postage

The Company Secretary  
**INDUSTRONICS BERHAD**  
Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan  
No.1, Jalan Tasik Permaisuri 2  
Bandar Tun Razak  
56000 Kuala Lumpur

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**INDUSTRONICS BERHAD** (company No.23699-X)

No.9, Jalan Taming 3, Taman Tanming Jaya

Off Jalan Balakong, 43300 Seri Kembangan

Selangor Darul Ehsan, Malaysia

Tel: 603-8961 3024 Fax: 603-8961 6409

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