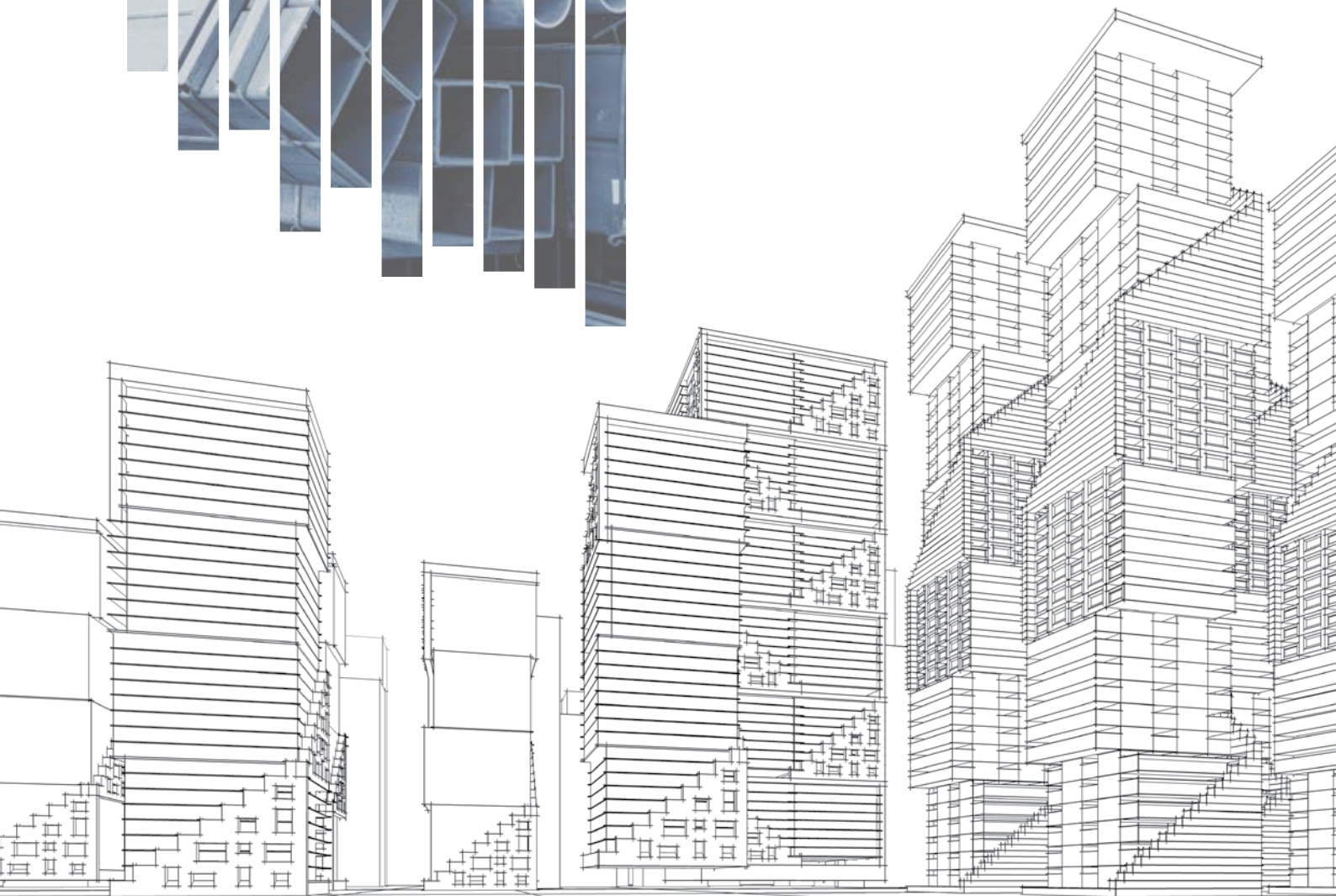
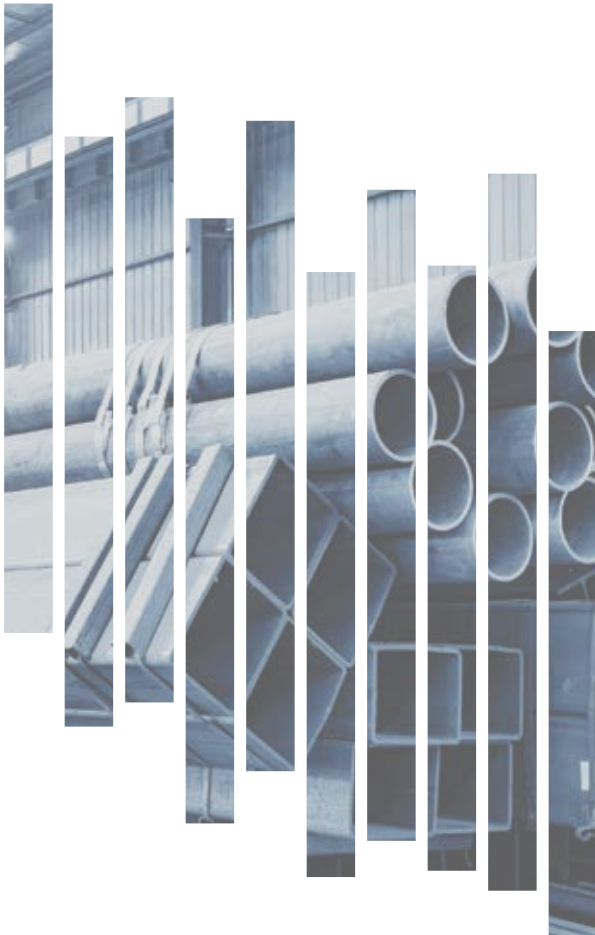


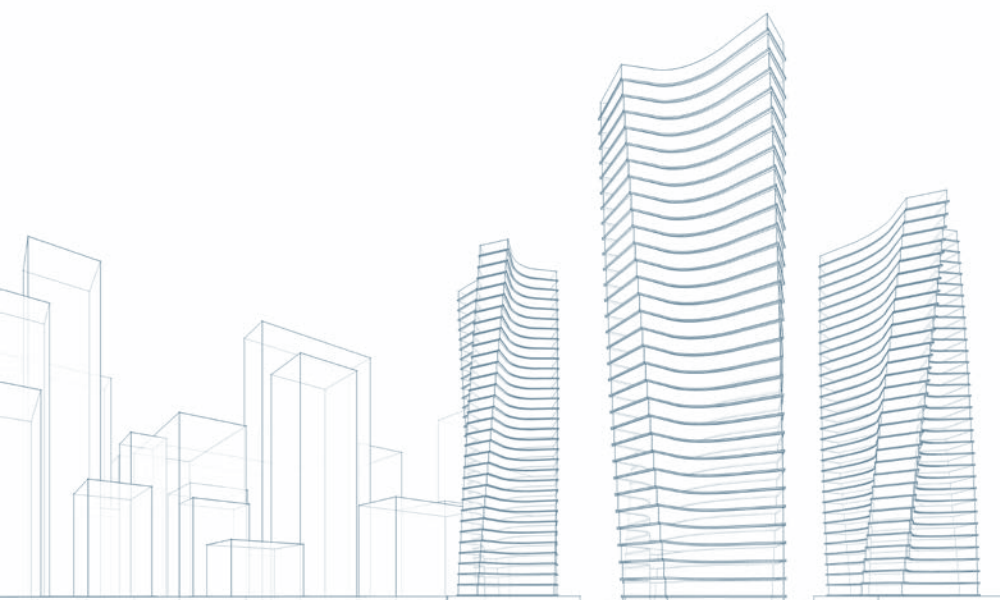


AMALGAMATED INDUSTRIAL STEEL BERHAD

COMPANY REGISTRATION NO. 9118-M



ANNUAL REPORT 2016



Contents

Corporate Information	2
List of Properties	3
Notice of Annual General Meeting	4
Statement Accompanying Notice of Annual General Meeting	7
Board of Directors	8
Profile of Directors	9
Key Senior Management Profile	12
Management Discussion and Analysis	13
Group Financial Highlights	15
Analysis of Shareholdings	16
Statement on Corporate Governance	18
Statement on Risk Management and Internal Control	30
Audit Committee Report	32
Financial Statements	36
Form of Proxy	



Corporate Information

DIRECTORS

Dato' Ghazali Bin Mat Ariff
Chairman,
Independent Non-Executive Director

Datuk Sulaiman Bin Salleh
Senior Independent Non-Executive
Director

Tuan Haji Fauzi Bin Mustapha
Independent Non-Executive Director

Dato' Lim Yew Boon
Executive Director

Mr. Lim Chin Sean
Executive Director

Dr. Goh Swee Por
(Alternate Director to Mr. Lim Chin Sean)

KEY SENIOR MANAGEMENT

Mr. Soo Eng Choon
Acting Chief Operating Officer

Mr. Leong Hock Cheong
General Manager, Finance

AUDIT COMMITTEE

Chairman
Datuk Sulaiman Bin Salleh

Members
Dato' Ghazali Bin Mat Ariff
Tuan Haji Fauzi Bin Mustapha

NOMINATION COMMITTEE

Chairman
Datuk Sulaiman Bin Salleh

Members
Tuan Haji Fauzi Bin Mustapha
Dato' Ghazali Bin Mat Ariff

REMUNERATION COMMITTEE

Chairman
Dato' Ghazali Bin Mat Ariff

Members
Datuk Sulaiman Bin Salleh
Tuan Haji Fauzi Bin Mustapha

RISK MANAGEMENT COMMITTEE

Chairman
Tuan Haji Fauzi Bin Mustapha

Members
Dato' Lim Yew Boon
Mr. Soo Eng Choon

COMPANY SECRETARIES

Chen Bee Ling (MAICSA 7046517)
Tan Lai Hong (MAICSA 7057707)

AUDITORS

Crowe Horwath (AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 603-2788 9999
Fax : 603-2788 9998

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Lot 11A, Jalan Utas 15/7
40000 Shah Alam
Selangor Darul Ehsan
Tel : 603-5032 7007 (General) /
603-5032 7300 (Sales)
Fax : 603-5032 7320 (General) /
603-5032 7321 (Sales)
E-mail : general@aisberhad.com.my
Website: www.aisberhad.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7849 0777
Fax : 603-7841 8151 / 7841 8152

PRINCIPAL BANKERS

(In alphabetical order)
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Code : 2682

List Of Properties

Tenure	Leasehold
Size	10 acres
Fair Value (RM)	61,700,000
Address	Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam, Selangor Darul Ehsan.
Location	Q.T.(R) 5331 and Q.T.(R) 76 at Tapak Perusahaan Di Shah Alam Town of Shah Alam District of Kelang State of Selangor Darul Ehsan
Description / Existing Use	Manufacturing concern 99 years lease (expiring in 2069) Buildings approximately between 34 to 45 years

Tenure	Leasehold
Size	11.5 acres
Fair Value (RM)	66,000,000
Address	Lot 6, Jalan Pelaya 15/1, Section 15, 40000 Shah Alam, Selangor Darul Ehsan.
Location	H.S.(D) 1890 Lot P.T. Kawasan Perusahaan Shah Alam District of Petaling State of Selangor Darul Ehsan
Description / Existing Use	Investment Property 99 years lease (expiring in 2074) Buildings approximately between 26 to 39 years

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of the Company will be held at Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 15 June 2017 at 11.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

- | | | |
|-----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. | (Please refer to Explanatory Note to the Agenda) |
| 2. | To approve the payment of Directors' fees and benefits for the financial year ended 31 December 2016. | Ordinary Resolution 1 |
| 3. | To re-elect the following Directors who retire by rotation pursuant to Article 116 of the Company's Constitution: | |
| 3.1 | Dato' Ghazali bin Mat Ariff | Ordinary Resolution 2 |
| 3.2 | Dato' Lim Yew Boon | Ordinary Resolution 3 |
| 4. | To re-appoint Messrs Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4 |

SPECIAL BUSINESS:-

- | | | |
|-----|--|-----------------------|
| 5. | To consider and, if thought fit, pass with or without modifications, the following ordinary resolution: | |
| | Authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 | Ordinary Resolution 5 |
| | <p>"THAT subject always to the Companies Act, 2016, the Company's Constitution and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Companies Act, 2016 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being."</p> | |
| 6. | To consider and, if thought fit, to pass the following ordinary resolutions pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012: | |
| | Continuing in Office as Independent Non-Executive Directors | |
| 6.1 | " THAT approval be and is hereby given to Tuan Haji Fauzi bin Mustapha who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." | Ordinary Resolution 6 |
| 6.2 | " THAT approval be and is hereby given to Datuk Sulaiman bin Salleh who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." | Ordinary Resolution 7 |

Notice Of Annual General Meeting

(Cont'd)

7. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

CHEN BEE LING (MAICSA 7046517)

TAN LAI HONG (MAICSA 7057707)

Company Secretaries

Shah Alam, Selangor Darul Ehsan

28 April 2017

Notes: -

1. In regard of deposited securities, only members whose names appear in the Record of Depositors as at 9 June 2017 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote at the Meeting on his behalf. The proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and there shall be no restrictions 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.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he may appoint at least one proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member 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.
7. The instrument appointing a proxy must be deposited at the Company's registered office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

Explanatory Notes to the Agenda:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Notice Of Annual General Meeting

(Cont'd)

Item 5 of the Agenda - Ordinary Resolution 5

Authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016

This resolution is a renewal of the previous year mandate and if passed, will empower the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

Item 6.1 of the Agenda - Ordinary Resolution 6

Continuing in Office as Independent Non-Executive Director

The Nomination Committee has assessed the independence of Tuan Haji Fauzi bin Mustapha, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and arising therefrom, the Board recommended that he continues to act as an Independent Non-Executive Director of the Company based on the following justifications:-

- a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- b) He has vast experience in a diverse range of businesses which enable him to provide constructive and independent judgment in the best interest of the Company;
- c) He has ensured that there is effective check and balance in proceedings of the Board and Board Committees and have actively participated in Board's deliberations, provided objective and independent opinion to the Board; and
- d) He has developed sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company and exercised due care in the interest of the Company and shareholders.

Item 6.2 of the Agenda - Ordinary Resolution 7

Continuing in Office as Independent Non-Executive Director

The Nomination Committee has assessed the independence of Datuk Sulaiman bin Salleh, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and arising therefrom, the Board recommended that he continues to act as an Independent Non-Executive Director of the Company based on the following justifications:-

- a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- b) He has vast experience in a diverse range of businesses which enable him to provide constructive and independent judgment in the best interest of the Company;
- c) He has ensured that there is effective check and balance in proceedings of the Board and Board Committees and have actively participated in Board's deliberations, provided objective and independent opinion to the Board; and
- d) He has developed sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company and exercised due care in the interest of the Company and shareholders.

Statement Accompanying Notice Of Annual General Meeting

Authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016

This Ordinary Resolution proposed is in line with the Company's plans for expansion/diversification. The Company is actively looking into prospective areas to broaden the operating base and earnings potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued share capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is considered appropriate that the Directors be empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purpose.

This authority is a renewal of the existing general mandate which will expire at the forthcoming Forty-Sixth Annual General Meeting. The Company did not utilise the general mandate obtained at the last Annual General Meeting and thus no proceeds were raised from the previous mandate.

Board Of Directors



Front sitting:

Dato' Ghazali Bin Mat Ariff

Chairman, Independent Non-Executive Director

Back from left to right:

Mr. Lim Chin Sean, Executive Director

Dato' Lim Yew Boon, Executive Director

Datuk Sulaiman Bin Salleh, Senior Independent Non-Executive Director

Tuan Haji Fauzi Bin Mustapha, Independent Non-Executive Director

Dr. Goh Swee Por (Not in the picture),
(Alternate Director to Mr. Lim Chin Sean)

Profile Of Directors

DATO' GHAZALI BIN MAT ARIFF

Chairman, Independent Non-Executive Director

Dato' Ghazali Bin Mat Ariff, a Malaysian, male, aged 75, is an Independent Non-Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003 and assumed the position as Chairman of the Company on 26 September 2007. He also serves as Chairman to the Remuneration Committee and is a member of the Audit Committee and Nomination Committee.

Dato' Ghazali is an Advocate and Solicitor. He qualified as a Barrister-at Law from Lincoln's Inn, London and was called to the English Bar on 21 November 1978. He was admitted as an Advocate & Solicitor of the High Court of Malaya on 27 September 1979. He set up a legal firm under the name of Messrs. Ghazali Ariff & Partners in March 1980 and is currently the Senior Partner of the firm.

From 1979 to 1980 he worked as a legal assistant at Messrs. Nik Hussain, Ibrahim & Abdullah, Kuala Lumpur. Prior to that, he was a college trained teacher at Chung Hwa Confucian High School Penang from 1962 to 1968 and a lecturer at Sultan Hassanah Bolkiah Teachers' Training College Brunei Darussalam from 1968 to 1974.

Apart from Amalgamated Industrial Steel Berhad, Dato' Ghazali sits on the Board of Advanced Packaging Technology (M) Berhad. He also sits on the Board of several private limited companies.

Dato' Ghazali was the vice president of Jemaah Dato'-Dato' Perlis. He was appointed as a Commissioner for Oaths from 1995 till 2005. From September 1995 to December 1999, he was the Honorary Vice Consul of the Republic of Finland in Kuala Lumpur. Dato' Ghazali was also the Honorary Legal Advisor of Malaysia Thai Association from 1999 to 2002. He is currently the Honorary Life President of The Malay College Old Boys Association.

Dato' Ghazali attended all five (5) Board meetings held during the financial year ended 31 December 2016.

DATUK SULAIMAN BIN SALLEH

Senior Independent Non-Executive Director

Datuk Sulaiman Bin Salleh, a Malaysian, male, aged 72, is the Senior Independent Non-Executive Director of the Company. He was appointed to the Board in November 1993 and has served as Chairman of the Audit Committee since March 1996. He also serves as Chairman of the Nomination Committee and is a member of the Remuneration Committee.

He qualified as an Accountant with the Association of Chartered Certified Accountants (United Kingdom) and is a member of the Malaysian Institute of Accountants. Datuk Sulaiman has over 50 years of working experience, which include an early career with Inland Revenue Department and later with KL Glass Manufacturer Berhad and lastly, he joined the financial services sector. His careers include that in life and general insurance, family and general takaful, offshore insurances, asset management and unit trust management. In 1996, Datuk Sulaiman was appointed as Chief Executive Officer of Malaysian National Insurance Berhad and Managing Director of MNI Holdings Berhad.

Datuk Sulaiman currently acts as Chairman of Etiqa Offshore Insurance Ltd and Etiqa Life International Ltd. He is also a Director of PTB Unit Trust Berhad.

Datuk Sulaiman attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Profile Of Directors

(Cont'd)

TUAN HAJI FAUZI BIN MUSTAPHA

Independent Non-Executive Director

Tuan Haji Fauzi Bin Mustapha, a Malaysian, male, aged 72 years, joined the Board of Amalgamated Industrial Steel Berhad in November 1993 as a Non-Independent Non-Executive Director representing Permodalan Nasional Berhad ("PNB"). Following his retirement from the PNB Group and upon his declaration as such, he was re-designated as an Independent Non-Executive Director of the Company. He serves as a member of the Audit Committee since January 2000 and also serves as a member in the Nomination Committee and the Remuneration Committee. He serves as Chairman to the Risk Management Committee since November 2007.

In the PNB Group, Tuan Haji Fauzi, who holds a Diploma in Marketing, the Chartered Institute of Marketing, UK, and a Bachelor of Arts (Honours) Degree from University Malaya, served for almost 19 years with Amanah Saham Nasional Berhad ("ASNB"), and the last position he held was as Head of Department of the Services and Quality Assurance Management Department. From January 2000 until March 2002, he held the position of Director of Human Resources in HeiTech Padu Berhad ("HPB"). He was, thereafter, designated as a Consultant to initiate HPB's quality improvements until December 2002.

Tuan Haji Fauzi attended all five (5) Board meetings held during the financial year ended 31 December 2016.

DATO' LIM YEW BOON

Executive Director

Dato' Lim Yew Boon, a Malaysian, male, aged 58, is an Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003. He had served as a member of the Audit Committee from 16 December 2003 till 22 November 2007. He is currently a member of the Risk Management Committee.

Apart from Amalgamated Industrial Steel Berhad, Dato' Lim Yew Boon also sits on the Board of Taliworks Corporation Berhad and several private limited companies, namely Grand Saga Sdn Bhd, SWM Environment Sdn Bhd and a few others.

Prior to his appointment to the Board of Amalgamated Industrial Steel Berhad, Dato' Lim Yew Boon served as the Group Chief Operating Officer in LGB Group of Companies. He holds a Diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over thirty years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Dato' Lim Yew Boon is a cousin of Mr. Lim Chin Sean, who is an Executive Director and a substantial shareholder of the Company.

Dato' Lim Yew Boon attended all five (5) Board meetings held during the financial year ended 31 December 2016.

Profile Of Directors

(Cont'd)

MR. LIM CHIN SEAN

Executive Director

Mr. Lim Chin Sean, a Malaysian, male, aged 35, is an Executive Director of Amalgamated Industrial Steel Berhad. Prior to his appointment to the Board as a Non-Independent Non-Executive Director on 26 September 2007, he was an alternate director to Dato' Ghazali Bin Mat Ariff since 23 November 2005. He was then re-designated from Non-Independent Non-Executive Director to Executive Director on 23 November 2016.

Mr. Lim Chin Sean holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services. He also sits on the board of Taliworks Corporation Berhad and several private limited companies.

Mr. Lim Chin Sean is a cousin of Dato' Lim Yew Boon, who is an Executive Director of the Company.

Mr. Lim Chin Sean is a substantial shareholder of the Company by virtue of his substantial shareholdings in Telaxis Sdn Bhd, which is a substantial shareholder of the Company.

Mr. Lim Chin Sean attended all five (5) Board meetings held during the financial year ended 31 December 2016.

DR. GOH SWEE POR

(Alternate Director to Mr. Lim Chin Sean)

Dr. Goh Swee Por, a Malaysian, male, aged 42, was appointed as Alternate Director to Mr. Lim Chin Sean on 26 August 2015.

Dr. Goh holds a First Class Honours Degree in Mechatronic Engineering and a PhD in Advance Control Engineering from the University of Leeds, U.K.

Dr. Goh started his career in 1996 as an Equipment Engineer at Knowles Electronics, Senior Engineer at Agilent Technologies (Semiconductor Product Group) and was eventually promoted to Senior Engineering Manager at Vista Point Technologies (an ODM subsidiary of Flextronics). Specialising in new technology and product Research & Development ("R&D"), system design, product testing, process automation, lean manufacturing, yield improvement, cost reduction, operations management, project management and business support, he was awarded Young Engineer Award in 2006 besides authoring several technical publications and providing consulting services.

He had also worked with Smartrac Technology Ltd. as a Senior Engineering Manager and was eventually promoted to Deputy Head of Operations, managing operations of radio-frequency identification product manufacturing. Prior to joining LGB Group, he was a Personal Assistant to Chairman cum Head of Operations for 3 subsidiaries within Tan Chong Motor Holdings with full accountability in Profits & Loss, business development, purchasing, R&D, manufacturing, assembly, finance, human resource, administration, audit control and customer service. He has experiences working in Malaysia, China and Thailand besides managing staff of various nationalities.

Save as disclosed, none of the Directors has family relationship with any director and/or major shareholder of the Company.

None of the Directors of the Company has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. All Directors have no convictions for offences within the past five (5) years other than traffic offences, if any.

Key Senior Management Profile

SOO ENG CHOON

(Acting Chief Operating Officer)

Mr. Soo Eng Choon, a Malaysian age 60, was re-employed in 2014 to hold the position of Acting Chief Operating Officer. He is a Fellow of Chartered Certified Accountants (UK) and holds a Master Degree of Business Administration (in general management) from Massey University, New Zealand. He opted for early retirement in 2011 to travel overseas and resided with his family. He started employment with the Company as a Financial Controller in 1994 and was later promoted to General Manager in December 2004. He became Chief Operating Officer in July 2009.

Prior to joining AISB, he spent seven years in Auckland, New Zealand, first working as a Chartered Accountant in private practice and later as Finance / Operations Manager of Total Peripherals (NZ) Pty. Ltd., a subsidiary of TPG, an Australian Group that assembles personal computers, provides system networking and telecommunication services. Before going to New Zealand in 1987, he was the Cost Accountant for General Electric (USA) Television Sdn. Bhd., a United States subsidiary in Malaysia that assembles audio video electronic consumable products for export market. For several years, he did his professional accountancy training in London where he obtained his experience working with several firms of Chartered Accountants.

LEONG HOCK CHEONG

(General Manager - Finance)

Mr. Leong Hock Cheong, a Malaysian age 59, was appointed as General Manager (Finance) of Amalgamated Industrial Steel Berhad in January 2015. Prior to his appointment with AISB, Mr. Leong was the Group Financial Controller and Executive Director of NWP Holdings Berhad, a company in the logging industry and listed on the Main Board of Bursa Malaysia.

Mr. Leong holds a Master Degree in Business Administration from the University of Strathclyde, Scotland. Besides, he is also a Fellow of the Association of Chartered Certified Accountants (UK).

With over 30 years of working experience, he has garnered a cornucopia diversity of knowledge and experience from various industries predominantly in the manufacturing sector, such as toiletries and pharmaceuticals, fiber optics, steel, furniture, bedding, wearing apparels, printing, packaging, plastic injection and molding. He has also worked in the logging, agricultural, construction, property development, and high technology and precision engineering (Micro-tunneling) sector.

As a full fledge financial and management accountant with experience in a myriads of listed companies on the main board, second board and ACE market, he is well versed with all aspects of Bursa Listing Requirements, mergers and acquisitions, corporate planning and corporate restructuring. Having left Pacific Dunlop Limited Australia as its Accountant and National Credit Controller in 1995, he has since then held the position of Group Financial Controller in his later careers and has also sat on the board of various local multi-national companies as executive director and managing director.

He is currently the Divisional Head of Finance, Purchasing, and MIS Department of Amalgamated Industrial Steel Berhad Group of Companies.

Save as disclosed, none of the Key Senior Management has family relationship with any director and/or major shareholder of the Company.

None of the Key Senior Management of the Company has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. All Key Senior Management have no convictions for offences within the past five (5) years.

Management Discussion And Analysis

GROUP'S BUSINESS & OPERATIONS OVERVIEW

Financial Year 2016 was another difficult year whereby prices of raw materials have been erratic due to global shortages and high demand. On the local front, the production disruption and eventual cessation of hot rolled coil manufacturing operations at both Megasteel Sdn. Bhd. and Southern HRC Sdn. Bhd. had caused critical shortages locally. However, it is also a blessing, as import from overseas is no longer restricted and removing for once a local monopoly in supply and prices.

With the erratic prices of raw materials, further exacerbated by imposition of GST, stockists decided to buy only on a need basis, resulting in sales being stifled. Most of the big stockists also offered high discounts to reduce their stock levels which further depressed prices.

2016 was a year in which the company ventured into property development on its land in Jalan Pelaya, Shah Alam, after having received shareholders' approval in 2015. Development Order was granted for its maiden project, Avant Industrial Park, in April 2016. However, due to the softening of the markets, the Management decided to relook at the concept so that it is better accepted by the market when launched.

FINANCIAL RESULTS

Despite the backdrop of uncertainty, Financial Year 2016 was certainly a turning point and a year of significant accomplishment for AISB, as after seven years of pre-tax operational losses totalling RM43.70 million, the Group managed to achieve a pre-tax profit from its ordinary activities.

The Group achieved a turnover of RM57.84 million in the financial year ending 31 December 2016. Despite the drop in turnover by RM11.92 million or 17.09% over the preceding financial year, the Group managed to achieve a pre-tax profit from ordinary activities of RM0.28 million against a pre-tax loss of RM4.58 million in the preceding financial year.

The revaluation of its investment property in Jalan Pelaya resulted in fair value gain of RM5.0 million. As a result, the after tax profit for the year is RM4.63 million against an after tax loss of RM6.50 million for the preceding year.

Similarly, the Group also see other comprehensive income net of tax of RM11.43 million resulting from a revaluation gain on its other property in Jalan Utas, Shah Alam.

CORPORATE SOCIAL RESPONSIBILITY

The Group is totally committed to ensure the practice of Corporate Social Responsibility, and is pleased to state some of the processes which continue to be conducted during the year under review:-

- a) Continuous application of operating processes approved under the Quality Management System to provide good quality products and services to valued customers at affordable prices. The Group was accredited with MS ISO9001:2008 since 5 June 1998 to achieve its key objective of maintaining its production processes to the best standards.
- b) Continuous practice of a quality work environment through awareness campaigns. The Group is committed to maintain high safety and health standards at the work place at all times.
- c) Continuous allocation of financial and training resources to enhance the long-term value of its human capital. Good training and development will equip the employees with skills and the capabilities to improve operational efficiency and productivity.
- d) Proper disposal of scraps and sludge waste. The Group is committed to proper policies on waste disposal through approved agents. These initiatives enable us to prevent solid-waste disposal leaking to the environment, thus preserving a cleaner environment.

FUTURE OUTLOOK AND PROSPECTS

The government's proposal of implementing safeguard duty is creating anxiety among industry players as the majority of them are against the proposal. In April 2017, the government had implemented safeguard measures against importation of deformed steel bars, given that the industry has been suffering for a long period as a result of a playing field which is not level between the local and Chinese players. Due to the production stoppage of local hot rolled steel material source, it is unlikely the government will institute similar safeguard measures to clamp down on the importation of hot rolled steel coils.

Management Discussion And Analysis

(Cont'd)

Taking into consideration the slower economic outlook, business prospects for the Group are expected to remain challenging. The Group plans to slow-down its manufacturing operation and instead concentrate on trading activities in its steel operation by out-sourcing manufacturing to other subcontractors, and purchasing finished products instead, to reduce its exposure to spiralling and erratic prices of raw materials, high labor costs and forex exchange. Once quality products and reliable suppliers are successfully sourced, sales revenue should begin to grow with its established customer network and enriched products range.

The Group planned to expand into the property development sector, by targeting and acquiring land strategically located for residential and commercial projects. This shall includes mid to high-end residential, retail, lifestyle commercial mix development.

It has entered into discussion with various parties. However, in view of the weak market demands, and in light of tightening credit and stricter home purchase regulations, the Group shall tread cautiously and ensure that any projects launched can overcome such problems beyond the next two years. Apart from this, it also planned to generate more rental income from its investment properties. In particular it has entered into a tenancy agreement for 9 years for part of its property in Jalan Pelaya, Shah Alam. Rental income of RM161,745 per month is expected from September 2017 onwards and shall be adjusted after every three years. The total refurbishment cost of the lettable area is about RM6.4 million.

Going forward, the Group will continue to focus on enhancing its core competencies and strive towards greater improvements.

DIVIDENDS

Though the Group has performed better in this financial year, the Board of Directors does not recommend the payment of any dividend in order to conserve fund for its strategic diversification into the property development sector.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, we wish to express our sincere appreciation to shareholders, financial institutions, customers, suppliers and business associates for their support and confidence in the Group.

We also wish to take this opportunity to thank our fellow Board members, and most of all, members of the management team and their staff for their unwavering commitment and resilience, amidst the year's challenges, to steer the Group through each crisis. We asked for your continuing and unremitting patience to enable the Group in pursuing sustainable future growth.

Dato' Ghazali Bin Mat Ariff
Chairman

Dato' Lim Yew Boon
Executive Director

Mr. Lim Chin Sean
Executive Director

Group Financial Highlights

	2012 RM' 000	2013 RM' 000	2014 RM' 000	2015 RM' 000	2016 RM' 000
1 RESULT OF OPERATIONS					
Gross Revenue	153,595	92,738	80,326	69,758	57,836
Profit/(Loss) Before Interest, Tax and Depreciation	(3,708)	2,153	880	(1,577)	7,191
Profit/(Loss) Before Tax	(9,660)	(1,322)	(2,649)	(4,580)	5,281
Profit/(Loss) After Tax	(8,054)	(458)	401	(6,503)	4,634
2 FINANCIAL POSITION					
<u>Equity And Long Term Liabilities</u>					
Authorised Share Capital	100,000	100,000	100,000	100,000	100,000
Paid-Up Share Capital	60,261	60,260	12,052	13,187	13,187
Treasury Stock	(3,725)	(3,725)	(3,725)	(3,725)	(3,725)
Share Premium	29	29	29	2,655	2,655
Asset Revaluation Reserve	43,315	43,929	49,596	50,204	60,926
Capital Reserve	-	-	48,209	48,209	48,209
Unappropriated Profit	484	7,576	8,436	2,825	8,166
Shareholders' Fund	100,364	108,070	114,597	113,356	129,419
Retirement Gratuities	479	305	286	212	228
Deferred Tax Liabilities	11,100	3,198	2,010	4,433	8,689
<u>Long Term Assets</u>					
Property, Plant & Equipment	96,037	41,735	48,615	49,146	1,259
Investment Property	-	58,600	61,000	61,000	66,000
Other Investment	14	14	13	13	13
Other Assets	-	-	-	158	32
Deferred Tax Assets	41	180	-	-	-
<u>Other Assets And Liabilities</u>					
Current Assets	82,369	60,150	48,066	40,582	50,605
Current Liabilities	66,518	49,107	40,801	32,897	41,982
Net Current Assets	15,851	11,043	7,265	7,685	8,623
Non-Current Assets Held for Sale	-	-	-	-	62,410
Total Assets	178,461	160,679	157,694	150,899	180,318
3 FINANCIAL RATIO					
Return on Equity (%)	(8.02)	(0.42)	0.35	(5.74)	3.58
Profit/(Loss) Before Interest, Tax and Depreciation on Revenue (%)	(2.41)	2.32	1.10	(2.26)	12.43
Profit/(Loss) Before Tax on Revenue (%)	(6.29)	(1.43)	(3.30)	(6.57)	9.13
Debt Equity Ratio (times)	0.62	0.41	0.31	0.26	0.21
Current Ratio (times)	1.24	1.22	1.18	1.23	1.21
Liquidity Ratio (times)	0.67	0.61	0.62	0.75	0.91
4 PER SHARE					
Earning Per Share (Sen)	(7.08)	(0.40)	0.35	(5.32)	3.71
Share Price (Sen)	31	30	31	32	44
Net Asset Per Share (Sen)	88.25	95.03	100.77	90.63	103.47

Analysis Of Shareholdings

As At 31 March 2017

Share Classification and Voting Rights

Class of Shares	:	Ordinary Shares
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held
Issued and Paid-up Capital	:	131,874,975 Ordinary Shares (including 6,797,300 ordinary shares retained as Treasury Shares)

1. Distribution of Shareholdings and Number of Shareholders as at 31 March 2017

Size of Shareholdings	No. of Shareholders	Percentage (%) of Shareholdings	No. of Shares Held	Percentage (%) of Issued Shares
Less than 100	444	12.75	16,126	0.01
100 - 1,000	250	7.18	116,759	0.09
1,001 - 10,000	2,188	62.84	7,534,526	6.02
10,001 - 100,000	511	14.68	15,352,150	12.27
100,001 - 6,253,882 *	87	2.50	62,286,139	49.80
6,253,883 and above **	2	0.06	39,771,975	31.80
Total	3,482	100.00	125,077,675	100.00

* - Less than 5% of issued shares

** - 5% and above of issued shares

2. List of Thirty (30) Largest Shareholders as per Records of Depositors as at 31 March 2017

No.	Name of Shareholders	No. of Shares of RM0.10 each	Percentage (%)
1	Telaxis Sdn Bhd	31,475,175	25.16
2	Chuan Huat Hardware Holdings Sdn Bhd	8,296,800	6.63
3	S H H Holdings Sdn Bhd	5,031,100	4.02
4	Excel Impression Sdn Bhd	4,950,788	3.96
5	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Ng Aik Kee (001)</i>	4,882,400	3.90
6	Mass Ocean Sdn Bhd	3,916,125	3.13
7	Siew Min Chung	3,664,500	2.93
8	Mohamad Nadziff Bin Bustari	2,941,200	2.35
9	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Boon Kheong</i>	2,855,200	2.28
10	Tan Chee Fatt	2,744,600	2.19
11	Lim Seng Chee	2,194,950	1.75
12	Ng Boon Kheong	1,960,000	1.57
13	UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)</i>	1,934,320	1.55
14	Yap Kiew @ Yap Yoke Ho	1,509,000	1.21
15	Era Erat Sdn Bhd	1,316,800	1.05
16	Teoh Hunt Thuim	1,220,000	0.98
17	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Liew Yoon Peck</i>	1,013,400	0.81
18	Wong Seng Poh	947,100	0.76

Analysis Of Shareholdings

As At 31 March 2017 (Cont'd)

No.	Name of Shareholders	No. of Shares of RM0.10 each	Percentage (%)
19	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kim Meng (M10)</i>	887,500	0.71
20	Ho Chin Kong	717,300	0.57
21	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Joseph Salang Anak Gandum (M05)</i>	700,050	0.56
22	Lim Kian Wat	690,182	0.55
23	Chia Kah Ying	680,700	0.54
24	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Chew Huat (E-SPG)</i>	680,325	0.54
25	Lim Seng Qwee	660,000	0.53
26	Cimsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lai Chin Yang (T Mutiara-CL)</i>	622,000	0.50
27	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An for OCBC Securities Private Limited (Client A/C - NR)</i>	585,350	0.47
28	MH Steel Sdn Bhd	572,500	0.46
29	Lim Boo Chong	545,000	0.44
30	Soong Chee Keong	518,400	0.41
Total		90,712,765	72.51

3. List of Substantial Shareholders as per Register of Substantial Shareholders as at 31 March 2017

Name	No. of Shares			
	Direct	%	Indirect	%
Telaxis Sdn Bhd	31,475,175	25.16	-	-
Chuan Huat Hardware Holdings Sdn Bhd	8,296,800	6.63	-	-
S H H Holdings Sdn Bhd	5,031,100	4.02	-	-
Dato' Lim Chee Meng	15,750	0.01	*31,475,175	25.16
Mr Lim Chin Sean	-	-	*31,475,175	25.16
LGB Holdings Sdn Bhd	-	-	#31,475,175	25.16
Adil Cita Sdn Bhd	-	-	#31,475,175	25.16

Notes:-

* Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Deemed interest by virtue of its interest in Telaxis Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

4. List of Directors' Shareholdings as per Register of Directors' Shareholdings as at 31 March 2017

Name	No. of Shares			
	Direct	%	Indirect	%
a) Dato' Ghazali Bin Mat Ariff	317,125	0.25	-	-
b) Datuk Sulaiman Bin Salleh	20,000	0.02	-	-
c) Tuan Haji Fauzi Bin Mustapha	20,000	0.02	-	-
d) Dato' Lim Yew Boon	10,000	0.01	-	-
e) Mr. Lim Chin Sean	-	-	*31,475,175	25.16
f) Dr. Goh Swee Por (Alternate Director to Lim Chin Sean)	-	-	-	-

Notes:-

* Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

Statement On Corporate Governance

Throughout the years, Amalgamated Industrial Steel Berhad ("AISB" or "the Company") and its Board of Directors ("the Board") have been resolute in ensuring that the Company and its subsidiaries' ("the Group") business and affairs strictly adhere to the doctrine and principles of good corporate governance such as integrity, transparency, accountability and responsible business conduct.

The Board of Amalgamated Industrial Steel Berhad is committed in ensuring a high standard of corporate governance is practised whilst pursuing its corporate objectives in enhancing the shareholders' value and competitiveness. The Board is mindful of the importance of governance and acknowledges to continue delivering sustainable performance and instilling best corporate governance practices in building a sustainable business.

The Group will continue its efforts in evaluating its governance practices in response to evolving best practices and the changing requirements of the Group. The Board is pleased to present the Statement on Corporate Governance for the year ended 31 December 2016 outlining the application of the principles and recommendations as set out in the following guides:

1. Companies Act, 1965 ("CA 1965");
2. Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
3. Malaysian Code on Corporate Governance 2012 ("the Code"); and
4. Second Edition of Corporate Governance Guide issued by Bursa Securities.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The responsibilities of the Board, which was set out in a Board Charter, include Management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings. AISB is led by an experienced Board comprising members who are specialist in various business sectors supported by a wide range of other professionals in the accounting, economics, IT, engineering and legal sectors. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives and enable the Company to rest in the firm control of an accountable and competent Board of Directors.

Board Charter

The Board Charter established clearly the functions reserved for the Board, Directors roles and responsibilities and those delegated to the Management. It acts as a reference in providing the Board members and Management insight into the functions of the Board of Directors. The core areas of the Board Charter are as follows:

1. Company Goals, Mission and Vision
2. Board Governance Process
3. Board and Management Relationship
4. Board and Shareholders Relationship
5. Stakeholders Relationship
6. Schedule of Board Matters

The Board Charter will be reviewed from time to time to ensure its consistency with the Board's objectives and current laws and practices.

The Board Charter is accessible through the Company's website at www.aisberhad.com.my.

Statement On Corporate Governance

(Cont'd)

Duties and Responsibilities of the Board

The Board is dedicated to practice clear demarcation of duties, responsibilities and authority within the Company. Its key responsibilities pursuant to the recommendations of the Code include:

- reviewing of the strategic direction of the Group, establishing goals for management and monitoring achievement of these goals;
- overseeing the conduct of the Group's business operations and performance;
- identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- reviewing the adequacy and integrity of the Group's internal controls system of the Company;
- implement succession planning for business and functional continuity; and
- overseeing the development and implementation of a policy to enable effective communication with its shareholders and other stakeholders.

There is a schedule of matters reserved specifically for the Board's decision, which includes approval of corporate plans and annual budgets, announcement of quarterly results, major capital expenditure, significant financial matters and the adequacy and integrity of internal controls, including risk assessment.

The Board delegated certain responsibilities to the Management or Board Committees namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. These Committees have the authority to examine specific issues and forward their recommendations to the Board. The final decisions on all matters, however, rest with the Board.

Sustainability

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

In transition to implement the Code, the Company will consider formalising a Sustainability Policy which aims to endeavor to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and Senior Management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Company, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

The Non-Executive Directors are to deliberate and discuss policies and strategies formulated and proposed by Management with the view of the long-term interests of all stakeholders. They contributed to the formulation of policies, and decision-making using their expertise and experience. They also provide guidance and promote professionalism to the Management. The Independent Non-Executive Directors fulfilled a pivotal role in corporate accountability, providing independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process to ensure that the long term interests of all stakeholders and the community are well protected.

Succession Planning

The Board is responsible for reviewing candidates for key positions namely, the Non-Executive Chairman, Executive and Non-Executive Directors and all head of divisions; the succession planning to ensure all candidates appointed to Senior Management positions are of sufficient expertise. The Board had adopted a Succession Planning Policy to ensure that there are avenues in place to provide for the orderly succession of Senior Management.

Statement On Corporate Governance

(Cont'd)

Ethical Standards, the Codes and Policy

Directors are expected to conduct themselves, as per the Directors' Code of Ethics ("the Directors' Code"), with the highest ethical standards, to behave ethically and professionally at all times to promote and protect reputation and performance of the Company.

The Directors' Code covers the principles of conflict of interest, insider dealings, integrity, compliance to law and etc. The Directors' Code, adopted by the Board in 2013, is accessible through the Company's website at www.aisberhad.com.my.

The Board believed that having a Whistle-Blowing Policy and Procedure in place will strengthen, supports good management and at the same time demonstrates accountability, good risk management and sound corporate governance practices. A Whistle-Blowing Policy, recommended by the Audit Committee ("AC"), was adopted by the Board in year 2013. The Whistle-Blowing Policy is accessible through the Company's website at www.aisberhad.com.my.

The Board aimed to provide an avenue and to act as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rules or procedures by the employee or Management of the Company. The policy outlines when, how and to who a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle-blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle-blower is kept confidential and protection is accorded to the whistle-blower against any form of reprisal or retribution.

Diversity Policy on Gender Diversity

The Company takes diversity not only in Boardroom but also workplace as it is an essential measure of good governance, critically attributing to a well-functioning organisation and sustainable development of the Company. Diversity encapsulates not only gender but also age and ethnicity, if well-managed, can drive performance and strengthen governance.

As at the date of this statement, no gender diversity policies, targets and measures have been set by the Company. The Board through the Nomination Committee will take the necessary steps to ensure that women candidates are sought as part of its recruitment exercise.

Despite the importance of Boardroom diversity, the Board is of the view that the selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority, not to compromise on qualification, experience and capabilities.

PRINCIPLE 2: STRENGTHEN COMPOSITION

Board Balance

The Board consists of five (5) principal directors and one (1) alternate director. Out of the five (5) principal directors, two (2) are Executive Directors (following re-designation of Mr. Lim Chin Sean from Non-Independent Non-Executive Director to Executive Director on 23 November 2016) and three (3) are Non-Executive Directors. Three (3) of the Directors are independent, which is in compliance with the Main LR of Bursa Securities in respect of the board composition.

The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors with a wide range of professional skills, which are relevant and necessary for the business direction of the Group. A brief profile of each Director is presented on pages 9 to 11 of this Annual Report.

Statement On Corporate Governance

(Cont'd)

PRINCIPLE 3: REINFORCE INDEPENDENCE

Separation of positions of Independent Non-Executive Chairman and Executive Directors

The Group practices and faithfully observed division of responsibilities between the Chairman and Executive Directors. The roles of the Chairman and Executive Directors are separate with clear distinctions of responsibilities between them to ensure balance of power and authority. The Chairman, Dato' Ghazali Bin Mat Ariff is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board and the Executive Directors, Dato' Lim Yew Boon and Mr. Lim Chin Sean are responsible for the day-to-day operations of the Group whereby operational issues and problems are discussed, major transactions and matters relating to the Group are reviewed and also to formulate operational strategies.

The Independent Non-Executive Directors are independent of Management and free of any relationship which could materially interfere with the exercise of their independent judgement. They provide a check and balance on the performance of Management. Datuk Sulaiman Bin Salleh has been identified as the Senior Independent Non-Executive Director for which all concerns regarding the Group may be conveyed.

Annual Assessment of Independent Directors

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberation and decision making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group.

The Nomination Committee has developed the criteria to assess independence of the Independent Directors. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The Board with assistance from the Nomination Committee will undertake to carry out annual assessment of the effectiveness of the Board as a whole, including Independent Non-Executive Directors and consider whether the Independent Directors can continue to bring independent and objective judgment to the Board deliberations.

Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning to the Company is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

For the financial year ended 31 December 2016, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria developed by the Nomination Committee of the Company. The Board is satisfied with the level of Independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

In line with the recommendations of the Code, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine (9) years. The Board must justify and seek shareholders' approval in the event it retains an Independent Director, who has served in that capacity for more than nine (9) years.

Both Tuan Haji Fauzi Bin Mustapha and Datuk Sulaiman Bin Salleh have served the Board for more than nine (9) years as Independent Directors. Thus, shareholders' approval will be sought to retain them as Independent Directors of the Company. The Nomination Committee and the Board have performed an assessment on the independence of the Independent Directors. Upon the Nomination Committee's recommendation, the Board recommended for shareholders' approval the retention of Tuan Haji Fauzi Bin Mustapha and Datuk Sulaiman Bin Salleh as Independent Non-Executive Directors, based on the following justifications:

- they fulfilled the criteria under the definition of Independent Directors as stated in the Main LR of Bursa Securities;
- they have vast experience in a diverse range of businesses which enable them to provide constructive and independent judgment in the best interest of the Company;
- they have ensured that there is effective check and balance in proceedings of the Board and Board Committees and have actively participated in Board's deliberations, provided objective and independent opinion to the Board; and
- they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company and exercised due care in the interest of the Company and shareholders.

Statement On Corporate Governance

(Cont'd)

PRINCIPLE 4: FOSTER COMMITMENT

Board Meetings

The Board of Directors meets on a quarterly basis with additional meetings convened as and when necessary, to inter-alia approve quarterly financial results, business plans, budgets, governance matters and other business development activities. Special Board meetings may be convened to consider urgent proposal or matters which require the expeditious review or consideration by the Board. Senior Management are invited to attend and speak at the Board meetings on matters relating to their sphere of responsibility and to advise on relevant agenda items to enable the Board to arrive at a deliberated decision. Strategic issues such as acquisition and disposal of the group's investments or assets; announcements to regulators; corporate and restructuring exercises are presented to the Board for its decision to ensure that the direction and control of the Group is firmly in the Board's control. Besides Board Meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' resolutions.

Board meetings for the ensuing financial year are scheduled in advance to facilitate the Directors to plan ahead. All meetings are furnished with proper agendas with due notice issued. Board papers and reports are prepared by the Management, which provide updates on financial, operational, legal matters. These are circulated prior to the meetings to all Directors to allow sufficient time for review so as to ensure effective discussions and decision making during the meetings.

During the financial year ended 31 December 2016, five (5) board meetings were held. All Directors in office have attended all the board meetings held and therefore, have complied with paragraph 15.05(3) of the Main LR of Bursa Securities. Details of the board meetings and their attendances at these meetings are set out below.

Name of Directors	Total Meetings Attended by Directors	Percentage
Dato' Ghazali Bin Mat Ariff	5/5	100%
Tuan Haji Fauzi Bin Mustapha	5/5	100%
Datuk Sulaiman Bin Salleh	5/5	100%
Dato' Lim Yew Boon	5/5	100%
Mr. Lim Chin Sean	5/5	100%

Level of Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings as set out in the table above.

Number of Directorship

Pursuant to Paragraph 15.06 of the Main LR of Bursa Securities, Directors of the Company must not hold more than five (5) directorship in public listed companies.

The Directors of the Company are required to first notify the Chairman, prior to acceptance of new directorship in other public listed companies, including the estimated time commitment required, to ensure that such appointment would not affect their commitments and focus for an effective input to the Board.

As at the date of this statement, none of the Directors of the Company hold more than five (5) directorship in public listed companies. The directorships of each Director are set out in the Profile of Directors on pages 9 to 11 of this Annual Report.

Statement On Corporate Governance

(Cont'd)

Appointment to the Board

The Board recognises its responsibility to carefully appraise and consider the appointment of new and existing Directors so as to continue functioning effectively. Thus, whilst the initial appraisal of new candidates is delegated to the Nomination Committee, the Board will ensure that the appointment or reappointment of each Director will maintain the good balance of skills and experience in its composition. In assessing suitability of candidates, considerations will be given to the competencies, commitment, contribution and performance. The Nomination Committee will facilitate board induction and training programs.

Retirement and Re-Election

The Company's Constitution require a Director to retire at the Annual General Meeting ("AGM") following his appointment but he shall be eligible for re-election. The Company's Constitution also provide that one third (1/3) or the number nearest one third (1/3) of the Directors in office are to retire by rotation at each AGM and the Directors may offer themselves for re-election.

In February 2017, the Board approved the recommendation of the Nomination Committee that Dato' Ghazali Bin Mat Ariff and Dato' Lim Yew Boon, who are due for retirement by rotation at the Forty-Sixth AGM pursuant to Article 116 of the Company's Constitution, are eligible to stand for re-election at the Forty-Sixth AGM. Dato' Ghazali Bin Mat Ariff and Dato' Lim Yew Boon had expressed their intention to seek re-election at the Forty-Sixth AGM.

Qualified and Competent Company Secretaries

The Board is supported by two (2) qualified Company Secretaries who are Associate members of The Malaysian Institute of Chartered and Administrators ("MAICSA").

The Company Secretaries are responsible to the Board for ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests and disclosure of any conflicts of interest in transactions with the Group. The Company Secretaries also highlights all compliance and governance issues which they feel ought to be brought to the Board's attention. The Companies Secretaries had and will constantly keep themselves abreast, through continuous training on the regulatory changes and development in corporate governance.

The Company Secretaries provides support to the Chairman of the Company to ensure the effective functioning of the Board. The Company Secretaries and/or representative organise and attend all Board Meetings and Board Committees' Meetings ensuring that the accurate and proper record of deliberation of issues discussed, decisions made and conclusions taken. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Senior Management.

In ensuring the uniformity of Board conduct and effective boardroom practices throughout the Group, the Company Secretaries have oversight on overall corporate secretarial functions of the Group and maintains all secretarial and statutory records of the Group.

The Board is satisfied with the performances and support rendered by the Company Secretaries to the Board in the discharge of its functions.

Supply and Access to Information

The Directors are supplied with and have unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. The information provided includes both verbal and written details.

All scheduled meetings held during the year were preceded by a formal agenda issued by the Company Secretaries in consultation with the Management. Prior to meetings, appropriate documents which include the agenda and reports relevant to the issues of the meetings are circulated to all members. All Directors have full and timely access to information with board papers distributed in advance of meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at meetings which in turn enhances the decision making process.

Statement On Corporate Governance

(Cont'd)

All Directors have access to further information which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. They also have access to the advice and services of the Company Secretaries who are experienced, competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities.

Directors' Training

The Directors have participated and continue to undergo the relevant training programmes to further enhance their skill and knowledge as well as the latest statutory and/or regulatory requirements in discharging their fiduciary duties to the Company.

During the financial year ended 31 December 2016, the Directors attended the following training programmes:-

Directors	Training / Seminar Attended	Date
Tuan Haji Fauzi Bin Mustapha	- Bursa Malaysia Corporate Governance Breakfast Series – Future of Auditor Reporting – The Game Changer for Boardroom	27.06.2016
	- Risk Management Programme: I am Ready to Manage Risks	20.10.2016
Dato' Lim Yew Boon	- Corporate Disclosure Policy under The Listing Requirements and Brief Introduction on Business Sustainability	19.01.2016
	- Sustainability Engagement Series for Directors/Chief Executive Officer	01.06.2016
	- Bursa Malaysia Corporate Governance Breakfast Series – Future of Auditor Reporting – The Game Changer for Boardroom	27.06.2016
	- Proposed and Amendments to Malaysian Code on Corporate Governance 2016	09.08.2016
	- Advocacy Sessions on Management Discussion & Analysis ("MD&A") for Chief Executive Officers and Chief Financial Officers	16.08.2016
Mr. Lim Chin Sean	- Amendments to Listing Requirement 2016 & Proposed Amendments to Malaysian Code of Corporate Governance 2016	09.08.2016
Dr. Goh Swee Por (Alternate Director to Lim Chin Sean)	- Finance for Non Finance Leaders	30.03.2016 to 31.03.2016
	- Basic First Aid & CPR (Passed Theory & Practical Exams)	07.09.2016 to 08.09.2016
	- Fire Insurance and Consequential Loss	26.09.2016
	- Tax Budget 2017 Briefing	16.11.2016
Dato' Ghazali Bin Mat Ariff	Risk Management Programme: I am Ready to Manage Risks	20.10.2016
Datuk Sulaiman Bin Salleh	Capital Market Director's Trainings Programme (CMDP): Module 1: Directors as gatekeepers of market participants Module 3: Risk oversight and compliance – Action plan for Board of Directors	24.10.2016 to 25.10.2016

Statement On Corporate Governance

(Cont'd)

Board Committees

The following Board Committees have acted within the framework specified by the Board. These committees have sporadically made proposals to improve and enhance the role of the Board in governance processes. The Chairman of each of these Board Committees will report to the Board on the outcome of the Committee Meetings.

The Company has four (4) principal Board Committees. Below is a general description of some of the basic functions of the respective Board Committees.

a. Audit Committee

The Audit Committee, which comprises exclusively of Independent Non-Executive Directors following the resignation Mr. Lim Chin Sean on 23 November 2016, is responsible for reviewing and monitoring the Group's internal audit processes, its external auditors, and of the integrity of the Group's financial statements. It is also responsible for reviewing the effectiveness of internal controls system. Further details of the Audit Committee are contained in the Audit Committee's Report on pages 32 to 35 of this Annual Report.

b. Nomination Committee

The Board established a Nomination Committee in May 2002, which consists exclusively of Independent Non-Executive Directors. The Chair of the Nomination Committee is the Senior Independent Non-Executive Director identified by the Board.

Chairman : **Datuk Sulaiman Bin Salleh**
(Senior Independent Non-Executive Director)

Members : **Tuan Haji Fauzi Bin Mustapha**
(Independent Non-Executive Director)

Dato' Ghazali Bin Mat Ariff (appointed on 23 November 2016)
(Independent Non-Executive Director)

Mr. Lim Chin Sean (resigned on 23 November 2016)
(Non-Independent Non-Executive Director)

The functions of the Nomination Committee are to assist the Board in discharging its responsibilities, particularly in:-

- assessing the effectiveness of the Board, respective Committees and contribution of each Director;
- identifying, appointing and orientating new directors;
- identifying the required mix of skills, experience and other core competencies the Board needs for it to function effectively and efficiently;
- developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of Directors;
- developing the criteria for annual assessment of independence of the Independent Directors of the Company by the Board and recommending to the Board for continuation in service of Independent Director(s) who have served the Board for a cumulative term of more than nine (9) years; and
- establishing measures to approach the boardroom diversity

Statement On Corporate Governance

(Cont'd)

The Nomination Committee held two (2) meetings during the financial year ended 31 December 2016. The summary of activities of the Nomination Committee during the financial year ended 31 December 2016 is as follows:-

- Assessed the effectiveness of the Board as a whole, the Board Committees and contribution of individual Directors for the financial year ended 31 December 2015;
- Reviewed and recommended to the Board, re-election of Director who is retiring by rotation;
- Reviewed and recommended to the Board, re-appointment of Directors who are over the age of 70 years;
- Assessed the independence of Independent Directors, who have served the Board for a cumulative term of more than nine (9) years; and
- Reviewed and recommended to the Board, re-designation of Mr. Lim Chin Sean from Non-Executive Director to Executive Director and the change in composition of Audit and Nomination Committees.

c. Remuneration Committee

The Board established a Remuneration Committee in May 2002, which consists exclusively of Independent Non-Executive Directors:-

Chairman : **Dato' Ghazali Bin Mat Ariff**
(Independent Non-Executive Director)

Members : **Datuk Sulaiman Bin Salleh**
(Independent Non-Executive Director)

Tuan Haji Fauzi Bin Mustapha
(Independent Non-Executive Director)

The Remuneration Committee is responsible to review the remuneration and benefits package to the Executive Directors, the Directors' fees and benefits to the Non-Executive Directors of the Company and also the meetings allowances to all Directors.

The Remuneration Committee held two (2) meetings during the financial year ended 31 December 2016. The summary of activities during the financial year ended 31 December 2016 is as follows:-

- Reviewed and recommended to the Board, payment of Directors' fees and benefits to the Non-Executive Directors for the financial year ended 31 December 2015; and
- Reviewed and recommended to the Board, remuneration package of the Executive Directors of the Company.

d. Risk Management Committee ("RM Committee")

The Board established the RM Committee in November 2007 consisting of the following members:

Chairman : **Tuan Haji Fauzi Bin Mustapha**
(Independent Non-Executive Director)

Members : **Dato' Lim Yew Boon**
(Executive Director)

Mr. Soo Eng Choon
(Acting Chief Operating Officer)

Statement On Corporate Governance

(Cont'd)

The function of the Risk Management Committee is to assist the Board in discharging its responsibilities, particularly in: -

- reviewing the Group's overall objectives by assessing the adequacy and effectiveness of risk portfolio composition and risk mitigation controls to determine the desired exposures of each major area of risk on a periodic basis.
- promoting and ensuring risk management process and culture are embedded throughout the Group.
- reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- ensuring adequate infrastructure, resources and systems are established to make risk management effective.
- identifying other corporate risks areas such as regulatory compliances, new business development and financial issues.
- establishing a task force as the main risk management unit to oversee the proper operating, reviewing and controlling of risk pertaining to functional activities.

Directors' Remuneration

All Directors receive directors' fees determined by the Board based on the level of responsibilities. Meeting allowances are also paid to Directors at each Board and Committee meetings.

The Executive Director's remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind or emoluments, such as gratuity, and a variable component which includes performance-based bonus.

Set out below are directors' remuneration paid or payable by the Company for financial year ended 31 December 2016, in aggregation and analysed into bands of RM50,000 :-

Category of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries	309,425	-
Defined Contribution Benefits	32,520	-
Fees	2,000	94,000
Meeting Allowances	8,000	64,400
Benefits-In-Kind	19,824	26,931
TOTAL	371,769	185,331

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	1	2
From RM50,001 to RM100,000	-	1
From RM300,001 to RM350,000	1	-

Investors and Shareholders Relationship

The Group recognises the importance of timely and thorough dissemination of information to shareholders and investors on all business matters. The Company is committed to keeping shareholders duly informed about the Group's performance, corporate governance and other matters affecting shareholders' interests, while always mindful of the laws and regulations governing the release of specific information.

Statement On Corporate Governance

(Cont'd)

The primary tool of communication with the shareholders of the Company is currently done through published annual reports and timely statutory periodic announcements to Bursa Securities. In order to enhance the Company's communication with the stakeholders, the Company has established a website at www.aisberhad.com.my as a channel of communication and information dissemination. Various announcements made by the Company during the year and annual reports are available on the Company's website. The Company also disseminates information through press releases on corporate events and business as well as any significant developments of the Group.

In addition to the above, the Board has identified Datuk Sulaiman Bin Salleh as the Senior Independent Non-Executive Director to whom all concerns from the shareholders or investors may be conveyed.

Shareholders are also welcomed at AGM or Extraordinary General Meetings ("General Meetings") where every effort is made to respond to all questions, issues, suggestions and observations raised.

Notice of General Meetings and the annual reports of the Company are sent out to the shareholders within the period prescribed by the Company's Constitution. The Notice of General Meetings will also be advertised in the newspaper.

The Company allows a member to appoint any person, who may but need not be a member of the Company, to be his proxy without limitation and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the General Meetings shall have the same rights as the member to speak at the General Meetings.

Shareholders are given opportunity to demand for poll voting, ask questions and seek clarification on the performance of the Company and the Group at the General Meetings. Shareholders' suggestions received during the General Meetings are reviewed and considered for implementation, wherever possible.

Other Directors and representatives of the Management are also present at the General Meetings to assist the Chairman, where required, to respond to shareholders' queries during the meetings. The external auditors and advisers of corporate exercises, where applicable, attend General Meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board is firmly resolved to present a proper and meaningful assessment of the Group's financial performance and prospects in every interim and annual report. In this connection, it is supported by the Audit Committee, which diligently ensures the accuracy, adequacy and reasonableness of information prior to reporting.

b) Internal Control

The Board has taken the responsibility of identifying and reviewing the adequacy of the Group's internal control systems in compliance with the applicable laws, regulations, rules, directives and guidelines. The Statement on Risk Management and Internal Control is presented on pages 30 to 31 of this Annual Report. The Board will ensure the continuous process of identifying, evaluating and managing the internal control systems within the Group for review by the Audit Committee.

Statement On Corporate Governance

(Cont'd)

c) Relationship with External Auditors

The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report set out on pages 32 to 35 of this Annual Report. The Company has always maintained a transparent and appropriate relationship with its auditors in seeking professional advice and ensuring compliance with relevant accounting standards in Malaysia.

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. Upon satisfactory assessment of their performance, the Audit Committee will recommend their re-appointment to the Board, upon which shareholders' approval will be sought at the Annual General Meeting of the Company.

It is a policy of the Audit Committee that it meets with the external auditors at least twice (2) a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues without the presence of the Executive Directors and Management.

d) Directors' Responsibility Statement

The Board duly upholds its responsibility in ensuring that the Group financial statements give a true and fair view of its state of affairs as at the end of the accounting period to which they refer. This true and fair view relates also to the Group's profit/loss and cash-flow positions over the same period.

In preparing the financial statements for financial year ended 31 December 2016, as has been its unwavering practice, the Board has ensured full compliance with all applicable accounting standards and provisions of the CA 1965. It has also consistently selected and applied appropriate accounting policies and made reasonable and prudent judgment and estimates based on proper accounting records.

ADDITIONAL COMPLIANCE INFORMATION

a) Audit and Non-Audit Fees

During the financial year ended 31 December 2016, the amount of audit fees paid or payable to the External Auditors, Messrs Crowe Horwath by AISB and its subsidiaries were as follows:

Fees paid by AISB: RM40,000

Fees paid by AISB subsidiaries: RM55,000

For the financial year ended 31 December 2016, the non-audit fee of RM5,000 was paid by the Company to the External Auditors.

b) Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

There was no RRPT of a revenue or trading nature entered into by the Company and/or the Group with its related parties which required the shareholders' mandate during the financial year under review.

c) Material contracts

There were no material contracts entered into by the Company and/or the Group, which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

d) Utilisation of Proceeds

The Company did not carry out any fund raising exercise during the financial year under review.

Statement On Risk Management And Internal Control

1. INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities, the Board of Directors ("the Board") is pleased to issue this statement on internal control of the Group for the financial year ended 31 December 2016.

2. BOARD'S RESPONSIBILITY

The Board acknowledges the importance of systems of internal control and recognizes that it is their responsibility to maintain a sound system of internal control to safeguard shareholders' investment. In this connection, the Board confirms that there is on-going effort to identify risks and to introduce or improve controls in the functional areas.

The Board has established the Risk Management Committee ("RMC") to oversee the effective implementation of the risk management process.

The Audit Committee ("AC") complements the role of the RMC by providing an independent assessment of the effectiveness, adequacy and reliability of the risk management process, compliance with risk policies, applicable laws, regulations, rules, directives and guidelines. These assessments are assisted by an independent internal audit function.

As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed and positioned to mitigate risks but not eliminating the present and future risks. In this connection, it shall also be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

3. RISK MANAGEMENT FRAMEWORK

The RMC which was established on 14 November 2007, formally adopted the Risk Management Framework designed for the Group. This framework provides guidance and facilitates a structured approach for identifying, evaluating and managing significant risks that could inadvertently prevent the achievement of business objectives.

The Board has approved the following Terms of Reference for the RMC:

- a. To review the Group's overall objectives by assessing the adequacy and effectiveness of the risk portfolio composition and risk mitigation controls in determining the desired exposures of each major area on a periodic basis.
- b. To promote and ensure that the risk management process and culture are embedded.
- c. To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks and their effectiveness.
- d. To ensure adequate infrastructure, resources and systems are in place for managing risks.
- e. To identify other corporate risk areas such as regulatory compliances, new business development and financial issues.
- f. To establish a task force to oversee the proper conduct of regular review and control of risk in the functional activities.

The RMC had approved the Risk Handbook, which was developed by the Risk Management Taskforce. The aim of the Handbook is to introduce a standardized approach for departments to adopt and assist in identification, analysis and management of risks.

To complement the current risk management processes, the Management with the assistance and facilitation of the Internal Auditors conducted a risk assessment exercise in 2010. In this exercise, a structured risk management framework was introduced and possible key risks that could affect the achievement of the Group's objectives, the control and mitigating action plans were identified and documented. A risk report was presented to the Board and the AC for discussion and formalization of actions plan and updated by the Risk Management Taskforce every year.

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

4. INTERNAL CONTROL

The Group's internal control system during the financial period ended 31 December 2016 and up to the date of approval of this statement for inclusion into the annual report encompasses inter alia, the key elements as follows:

- A functional organizational structure that defines the level of authority and responsibilities of management.
- Policies and procedures, updated as necessary, are documented and communicated to personnel for compliance.
- ISO 9001:2008 international quality management system standard providing a foundation for improving key processes, quality, customer service and customer satisfaction.
- A RMC with defined responsibilities as set out on Page 30.
- An AC with defined responsibilities as set out on Pages 33 to 34.
- An internal audit function, which is accountable to the AC, objectively reviews and reports on the effectiveness of control processes.
- An annual operating budget and strategic business plan approved by the Board.
- Appropriate human resource guidelines for hiring and terminating staff, formal training programmes, annual performance appraisals and other relevant procedures are in place to ensure employees' competency.
- The Executive Director and Management monitoring of the Group's performance using key performance indicators, monthly management reports and periodic management meetings. These performance reports are benchmarked against budgets. Any exceptions noted will be investigated and reported.
- Quarterly monitoring of financial results by the Board.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the annual report for the year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be in the annual report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

In making this statement, the Board had considered the Bursa's Guidance on Statement on Internal Control for all subsidiaries. The Board is of the view that there has been no significant breakdown or weaknesses in the systems of internal control of the Group that may result in material losses incurred for the financial year ended 31 December 2016. Nevertheless, remedial actions and corrective measures have been or are being taken to address the weaknesses noted.

5. MANAGEMENT RESPONSIBILITIES

The Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the board that the processes have been carried out. In this regard, the Management has given assurance to the Board that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Company.

Audit Committee Report

MEMBERSHIP

Members of the Audit Committee, their respective designation and directorate are as follows:

Name	Designation	Directorship
Datuk Sulaiman Bin Salleh	Chairman	Senior Independent Non-Executive Director
Tuan Haji Fauzi Bin Mustapha	Member	Independent Non-Executive Director
Dato' Ghazali Bin Mat Ariff	Member	Independent Non-Executive Director
Mr. Lim Chin Sean*	Member	Non-Independent Non-Executive Director

* Resigned as Audit Committee member following his re-designation as Executive Director on 23 November 2016

Following the resignation of Mr. Lim Chin Sean as Audit Committee member on 23 November 2016, all Audit Committee members of the Company are Independent Non-Executive Directors.

SUMMARY OF TERMS OF REFERENCE

1. COMPOSITION, MEETINGS, MINUTES AND ACTIVITIES

The Audit Committee shall be appointed by the Board amongst the Directors and shall consist of not less than three (3) members. All Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman shall be an Independent Non-Executive Director appointed by the Audit Committee.

If a member of the Audit Committee resigns or for any reason ceases to be a member resulting in the number of members to be reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint a replacement to make up the minimum of three (3). The vacancy of the Independent Chairman of the Audit Committee must also be filled within three (3) months.

The Board shall review the terms of reference and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

The Audit Committee shall meet at least four (4) times annually or at more frequent intervals as required. The Audit Committee shall meet with the external auditors at least twice (2) a year and with internal auditors at least once (1) a year, without the Executive Directors and Management present. The Acting Chief Operating Officer and General Manager - Finance are normally invited to attend the Audit Committee meetings. The presence of the external auditors shall be requested, if required. Other Board members and employees may attend Audit Committee meetings upon the invitation of the Audit Committee.

The Company Secretaries shall be the Secretary to the Audit Committee. Minutes of each meeting shall be distributed to each member prior to the meeting. The Chairman shall report to the Board, a summary of significant matters arising at each meeting.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Audit Committee is also authorised by the Board to seek and accept independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, whenever deemed necessary.

Audit Committee Report

(Cont'd)

During the financial year ended 31 December 2016, the Audit Committee held a total of five (5) meetings. The members of the Audit Committee together with their attendance are set out below:-

Name	Attendance at Meetings
Datuk Sulaiman Bin Salleh	5/5 (100%)
Tuan Haji Fauzi Bin Mustapha	5/5 (100%)
Dato' Ghazali Bin Mat Ariff	5/5 (100%)
Mr. Lim Chin Sean*	5/5 (100%)

* Resigned as Audit Committee Member following his re-designation as Executive Director on 23 November 2016

2. KEY FUNCTIONS, ROLE AND RESPONSIBILITIES

The Audit Committee's duties and responsibilities are as follow:-

- To consider the appointment and re-appointment of the external auditors and the audit fee.
- To recommend the nomination of a person or persons as external auditors.
- To discuss on the resignation or removal of external auditors and the reasons thereof.
- To discuss with the external auditors the nature and scope of any audit exercise prior to its commencement and to ensure coordination of such exercise where more than one audit firm is involved.
- To review the quarterly and annual financial statements of the Company and the Group, before submission to the Board whilst ensuring that they are prepared in an accurate manner focusing particularly on:
 - (i) Changes in or implementation of major accounting policies and principles changes.
 - (ii) Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed.
 - (iii) Significant adjustments arising from the audit.
 - (iv) The going concern assumption.
 - (v) Compliance with accounting standards and relevant statutory and regulatory requirements.
- To discuss issues, concerns and reservations arising from interim and final external audits, and such other matters the external auditors may wish to raise.
- To review the external auditors' management letter and management's response to specific matters raise therein.
- To assess the suitability and independence of external auditors.
- To do the following in connection with the internal audit function:
 - (i) Review the adequacy of its scope, functions, competency and resources and that it has the necessary authority to carry out its work.
 - (ii) Review and discuss the nature and scope of the audit programme with internal auditors and the follow-up thereto, ensuring that appropriate actions are taken as recommended.

Audit Committee Report

(Cont'd)

- (iii) Review any performance appraisals or assessment of its staff.
 - (iv) Approve the appointment, resignation or termination of its senior members.
 - (v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.
- To monitor any related-party transaction and conflict of interests situation which may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
 - To review the adequacy and efficacy of the Group's system of internal control.

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

In line with its terms of reference, the Audit Committee discharged its duties and responsibilities in the financial year ended 31 December 2016 through the following activities:-

a. External Audit

- Reviewed the Audit Planning Memorandum, which includes reporting responsibilities and deliverables, audit approach and scope for the statutory audits of the Group accounts for the financial year ended 31 December 2016 with the external auditors prior to the commencement of audit;
- Reviewed and discussed the results of their audit report and management letter together with Management's response to their findings;
- Reviewed the annual audited financial statements of the Group to ensure compliance with the Companies Act 1965, Main LR of Bursa Securities, applicable accounting standards and other legal and regulatory requirements prior to submission to the Board for consideration and approval;
- Carried out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations, and then recommended to the Board for re-appointment as External Auditors for 2016 and remuneration of the External Auditors; and
- Conducted independent meetings with the External Auditors during the year without the presence of the Executive Director and Management.

b. Internal Audit

- Reviewed and approved the Internal Audit Plan of the Group with the selected auditable areas for each reporting quarter of 2016;
- Reviewed and deliberated on the Internal Audit reports, recommendations and management responses;
- Reviewed the corrective actions taken on the audit findings, outstanding audit issues from previous audits to ensure that actions have been taken timely and effectively; and
- Conducted independent meeting with the Internal Auditors during the year without the presence of the Executive Director and Management.

c. Risk Management

- Reviewed the risk profiles of the Group, including action plans and strategies to address these risks identified; and
- Reviewed the risk policy and risk appetite of the Group and recommended to the Board for approval and inclusion in the Statement on Risk Management and Internal Control.

Audit Committee Report

(Cont'd)

d. Financial Reporting

- Reviewed the unaudited quarterly reports before recommending for Board's approval for submission to Bursa Securities and Securities Commission Malaysia.

e. Related Party Transactions

- Reviewed the related party transactions to ensure they are transacted within the approved limits of the shareholders' mandate on recurrent related party transactions and also conflict of interest situations which arose within the Group during the year.

f. Annual Report

- Reviewed the Statement on Risk Management and Internal Control and recommended to the Board for approval and inclusion in the 2016 Annual Report; and
- Presented the Audit Committee Report to the Board for approval and inclusion in the 2016 Annual Report.

INTERNAL AUDIT FUNCTION

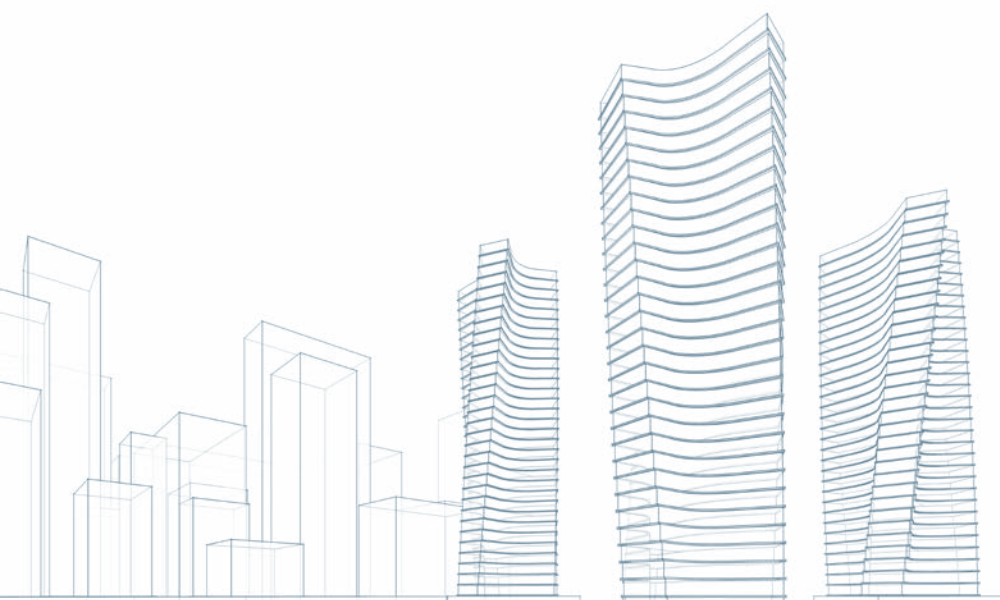
The Internal Audit Function of the Group is outsourced to a professional internal audit service provider firm which undertakes independent, objective and systematic reviews of the risk management, internal controls system and corporate governance. The outsourced internal auditors reports directly to the Audit Committee and assists the Board in reviewing the adequacy and integrity of the internal control systems to manage risks exposures over key processes within the Group. The functions and responsibilities of the Internal Audit Function are embodied in the Internal Audit Charter.

The Internal Auditors conducted audits on the Group in accordance with risk-based approach and certain general principles of the IIA practice framework. The results of the audits provided in the Internal Audit Reports together with the findings and recommendation for improvements were presented to the Audit Committee for deliberations. The resulting reports from the audits were also forwarded to the Management for attention and necessary corrective actions.

The internal audit authorities carried out by Internal Auditors for the financial year ended 31 December 2016 included, inter alia, the following:

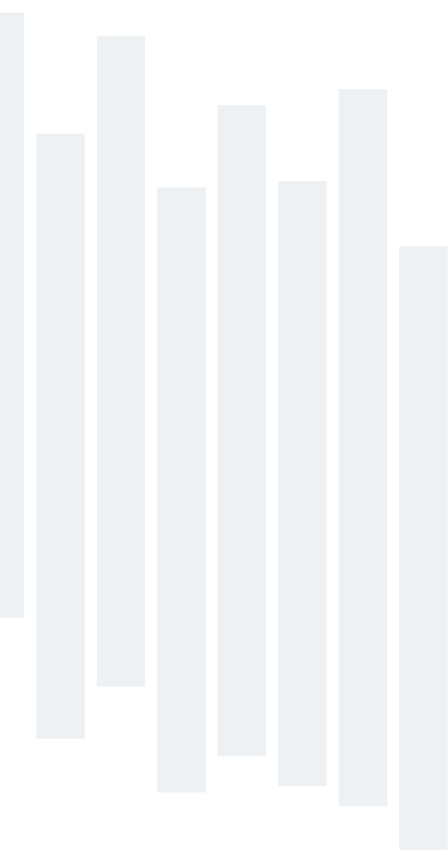
- reviewed and assessed the adequacy and integrity of internal control systems of the Group in the following area:
 - (i) Inventory Management
- reported on findings of assessment on internal control system, highlighted the risks and implications, and recommended improvements to the weaknesses found;
- reviewed and reported on the follow-up status of previous audit findings on the following areas:
 - (i) Information Technology ("IT") General Control
 - (ii) Credit Control and Collection
 - (iii) Sales and Marketing
 - (iv) Credit Control
 - (v) Purchasing and Payment
 - (vi) Inventory Management
 - (vii) Goods and Service Tax ("GST")
- performed independent risk assessment on risks identified, evaluated and managed by the respective heads of departments; and
- presented the Internal Audit Plan of the Group to the Audit Committee for review and approval.

The costs incurred by the Group in relation to the Internal Audit function for the financial year ended 31 December 2016 amounted to approximately RM40,000.



Financial Statements

Directors' Report	37
Statement by Directors	41
Statutory Declaration	41
Independent Auditors' Report	42
Statements of Financial Position	46
Statements of Profit or Loss and Other Comprehensive Income	48
Statements of Changes in Equity	50
Statements of Cash Flows	53
Notes to the Financial Statements	55
Supplementary Information	103



Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of manufacturing and selling steel-related products, mainly black welded steel galvanised industrial pipes, square and rectangular hollow tubes and conduits.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Profit after taxation	4,634,398	16,659,156
Attributable to:-		
Owners of the Company	4,634,398	16,659,156
Non-controlling interests	-	-
	4,634,398	16,659,156

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the statements of changes in equity and Note 15 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

Directors' Report

(Cont'd)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Directors' Report

(Cont'd)

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

Dato' Ghazali Bin Mat Ariff
Dato' Lim Yew Boon
Datuk Sulaiman Bin Salleh
Tuan Haji Fauzi Bin Mustapha
Lim Chin Sean
Dr. Goh Swee Por (*Alternate director to Lim Chin Sean*)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.10 Each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<i>Direct Interests in the Company</i>				
Dato' Ghazali Bin Mat Ariff	657,125	-	(340,000)	317,125
Dato' Lim Yew Boon	10,000	-	-	10,000
Datuk Sulaiman Bin Salleh	20,000	-	-	20,000
Tuan Haji Fauzi Bin Mustapha	20,000	-	-	20,000
<i>Indirect Interest in the Company</i>				
Lim Chin Sean #	31,475,175	-	-	31,475,175

Deemed interest by virtue of his direct substantial shareholding in Telaxis Sdn. Bhd., a substantial shareholder of the Company.

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



Directors' Report

(Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 27 to the financial statements.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 33 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors dated 18 April 2017

Dato' Ghazali Bin Mat Ariff

Dato' Lim Yew Boon

Statement By Directors

Pursuant To Section 169(15) Of The Companies Act 1965

We, Dato' Ghazali Bin Mat Ariff and Dato' Lim Yew Boon, being two of the directors of Amalgamated Industrial Steel Berhad, state that, in the opinion of the directors, the financial statements set out on pages 46 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out on page 103, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 18 April 2017

Dato' Ghazali Bin Mat Ariff

Dato' Lim Yew Boon

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act 1965

I, Leong Hock Cheong, I/C No. 580319-10-5933, being the officer primarily responsible for the financial management of Amalgamated Industrial Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 102 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Leong Hock Cheong, I/C No. 580319-10-5933,
at Kuala Lumpur in the Federal Territory
on this 18 April 2017

Before me

Leong Hock Cheong

Lai Din
Commissioner for Oaths
No. W668

Independent Auditors' Report

To The Members Of Amalgamated Industrial Steel Berhad (Incorporated In Malaysia) (Company No: 9118 – M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Amalgamated Industrial Steel Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 102.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
<u>Valuation of Investment Property</u>	We performed the following audit procedures:-
As disclosed in Note 6 to the financial statements, the Group's investment property is stated at fair value. The fair value of the investment property was determined based on valuation performed by an independent firm of professional valuers.	a. We evaluated the objectivity, independence and capabilities of the professional valuers;
The carrying value of investment property as at 31 December 2016 amounted to RM66 million.	b. We assessed the appropriateness of the valuation model, property related data, including estimates used by the professional valuers; and
We focused on the abovementioned area in our audit due to the size of the carrying amount of this asset which constituted approximately 37% of the Group's total assets as at 31 December 2016. In addition, the valuation of this asset involved significant judgements and estimates which are based on current and future market or economic conditions.	c. We assessed the reasonableness of the assumptions used in the valuation and judgements made.

Independent Auditors' Report

To The Members Of Amalgamated Industrial Steel Berhad (Incorporated In Malaysia) (Company No: 9118 – M) (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<u>Recoverability of Trade Receivables</u> As disclosed in Note 10 to the financial statements, the carrying value of trade receivables as at 31 December 2016 amounted to RM18,023,345 and Note 31.1(b)(iii) which stated that the net amount past due amounted to RM8,292,109 at the end of the reporting period. We focused on this area due to the sluggish steel industry in recent years, the risk of customer insolvency remains high, resulting in significant judgement being applied in the Group's assessment of the recoverability of its trade receivables.	We performed the following audit procedures:- a. We considered the history of cash receipts and post year end cash receipts from the customers; b. We tested the adequacy of the Group's allowance for impairment losses against trade receivables by assessing the relevant ageing report, debts past due taking into account our own knowledge of recent collection experience and also historical data from the Group's previous collections experience; and c. We also considered sales trends during the financial year for trade receivables, on a test basis.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Independent Auditors' Report

To The Members Of Amalgamated Industrial Steel Berhad
(Incorporated In Malaysia) (Company No: 9118 – M) (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report

To The Members Of Amalgamated Industrial Steel Berhad (Incorporated In Malaysia) (Company No: 9118 – M) (Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Other Reporting Responsibilities

The supplementary information set out on page 103 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.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 02901/10/2018 J
Chartered Accountant

Kuala Lumpur

18 April 2017

Statements Of Financial Position

At 31 December 2016

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	1,258,533	49,145,791	123,922	195,132
Investment properties	6	66,000,000	61,000,000	66,000,000	109,000,000
Investments in subsidiaries	7	-	-	2	-
Other investment	8	12,545	12,909	12,545	12,909
Other assets		32,060	157,641	19,060	144,641
		67,303,138	110,316,341	66,155,529	109,352,682
CURRENT ASSETS					
Inventories	9	14,239,425	15,792,354	-	-
Trade and other receivables	10	22,265,033	20,805,426	1,801,248	278,257
Amount owing by subsidiaries	11	-	-	9,491,105	13,554,417
Current tax asset		30,974	62,415	12,994	45,350
Cash and bank balances	12	14,069,654	3,922,141	9,447,692	384,568
		50,605,086	40,582,336	20,753,039	14,262,592
Non-current assets classified as held for sale	13	62,409,679	-	61,700,000	-
TOTAL ASSETS					
		180,317,903	150,898,677	148,608,568	123,615,274

The annexed notes form an integral part of these financial statements.

Statements Of Financial Position

At 31 December 2016 (Cont'd)

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	13,187,497	13,187,497	13,187,497	13,187,497
Reserves	15	119,955,778	103,892,988	125,757,365	109,098,209
Treasury shares	16	(3,724,544)	(3,724,544)	(3,724,544)	(3,724,544)
TOTAL EQUITY		129,418,731	113,355,941	135,220,318	118,561,162
NON-CURRENT LIABILITIES					
Retirement benefit obligations	17	227,864	212,352	-	196,752
Deferred tax liabilities	18	8,689,094	4,433,251	5,765,128	4,433,251
		8,916,958	4,645,603	5,765,128	4,630,003
CURRENT LIABILITIES					
Trade and other payables	19	15,442,214	3,177,133	6,223,122	424,109
Bank borrowings	20	26,540,000	29,720,000	1,400,000	-
		41,982,214	32,897,133	7,623,122	424,109
TOTAL LIABILITIES		50,899,172	37,542,736	13,388,250	5,054,112
TOTAL EQUITY AND LIABILITIES		180,317,903	150,898,677	148,608,568	123,615,274

The annexed notes form an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 31 December 2016

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
REVENUE	21	57,835,783	69,758,080	-	-
COST OF SALES		(48,952,804)	(66,223,550)	-	-
GROSS PROFIT		8,882,979	3,534,530	-	-
OTHER INCOME		248,870	1,781,763	1,595,957	3,166,282
		9,131,849	5,316,293	1,595,957	3,166,282
SELLING AND DISTRIBUTION EXPENSES		(1,078,461)	(1,416,531)	-	(13,109)
ADMINISTRATIVE EXPENSES		(6,374,938)	(6,739,915)	(2,304,924)	(4,170,313)
PROFIT/(LOSS) FROM OPERATIONS	22	1,678,450	(2,840,153)	(708,967)	(1,017,140)
FAIR VALUE GAIN ON INVESTMENT PROPERTIES		5,000,000	-	18,700,000	2,000,000
FINANCE COSTS	23	(1,397,415)	(1,740,195)	-	-
PROFIT/(LOSS) BEFORE TAXATION		5,281,035	(4,580,348)	17,991,033	982,860
INCOME TAX EXPENSE	24	(646,637)	(1,922,847)	(1,331,877)	(339,538)
PROFIT/(LOSS) AFTER TAXATION		4,634,398	(6,503,195)	16,659,156	643,322
OTHER COMPREHENSIVE INCOME, NET OF TAX					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
- Revaluation of property		11,428,392	1,500,000	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		16,062,790	(5,003,195)	16,659,156	643,322

The annexed notes form an integral part of these financial statements.

Statements Of Profit Or Loss And Other Comprehensive Income

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

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
PROFIT/(LOSS) AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		4,634,398	(6,503,195)	16,659,156	643,322
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		16,062,790	(5,003,195)	16,659,156	643,322
EARNINGS/(LOSS) PER SHARE (SEN)					
- Basic	25	3.71	(5.32)		
- Diluted		3.71	(5.32)		

The annexed notes form an integral part of these financial statements.

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2016

	The Group	Note	<----- Non-distributable -----> Distributable					Total Equity RM
			Share Capital RM	Treasury Shares RM	Share Premium RM	Revaluation Reserves RM	Capital Reserves RM	
Balance at 1.1.2015			12,052,188	(3,724,544)	28,751	49,596,015	48,208,750	114,597,361
Transaction with owners of the Company:								
- Issuance of ordinary shares pursuant to private placement		14	1,135,309	-	2,626,466	-	-	3,761,775
Realisation of reserve on amortisation of revalued property			-	-	-	(892,405)	-	-
Loss after taxation for the financial year			-	-	-	-	(6,503,195)	(6,503,195)
Other comprehensive income for the financial year:								
- Revaluation of property			-	-	-	1,500,000	-	1,500,000
Total comprehensive expenses for the financial year			-	-	-	1,500,000	-	(5,003,195)
Balance at 31.12.2015/Balance carried forward			13,187,497	(3,724,544)	2,655,217	50,203,610	48,208,750	113,355,941

The annexed notes form an integral part of these financial statements.

Statements Of Changes In Equity

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

The Group	Note	<----- Non-distributable -----> Distributable					Total Equity RM
		Share Capital RM	Treasury Shares RM	Share Premium RM	Asset Revaluation Reserves RM	Capital Reserves RM	
Balance at 1.1.2016/Balance brought forward		13,187,497	(3,724,544)	2,655,217	50,203,610	48,208,750	113,355,941
Realisation of reserve on amortisation of revalued property		-	-	-	(706,462)	-	-
Profit after taxation for the financial year		-	-	-	-	-	4,634,398
Other comprehensive income for the financial year:							
- Revaluation of property		-	-	-	11,428,392	-	11,428,392
Total comprehensive income for the financial year		-	-	-	11,428,392	-	16,062,790
Balance at 31.12.2016		13,187,497	(3,724,544)	2,655,217	60,925,540	48,208,750	129,418,731

The annexed notes form an integral part of these financial statements.

Statements Of Changes In Equity

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

The Company	Note	<----- Non-distributable ----->					Distributable		
		Share Capital	Treasury Shares	Share Premium	Revaluation Reserves	Capital Reserves	Retained Profits	Total Equity	
		RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1.1.2015		12,052,188	(3,724,544)	28,751	49,150,867	48,208,750	8,440,053	114,156,065	
Transaction with owners of the Company:									
- Issuance of ordinary shares pursuant to private placement	14	1,135,309	-	2,626,466	-	-	-	3,761,775	
Realisation of reserve on amortisation of revalued properties		-	-	-	(864,543)	-	864,543	-	
Profit after taxation for the financial year/Total comprehensive income for the financial year		-	-	-	-	-	643,322	643,322	
Balance at 31.12.2015/1.1.2016		13,187,497	(3,724,544)	2,655,217	48,286,324	48,208,750	9,947,918	118,561,162	
Realisation of reserve on amortisation of revalued properties		-	-	-	(690,209)	-	690,209	-	
Profit after taxation for the financial year/Total comprehensive income for the financial year		-	-	-	-	-	16,659,156	16,659,156	
Balance at 31.12.2016		13,187,497	(3,724,544)	2,655,217	47,596,115	48,208,750	27,297,283	135,220,318	

The annexed notes form an integral part of these financial statements.

Statements Of Cash Flows

For The Financial Year Ended 31 December 2016

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	5,281,035	(4,580,348)	17,991,033	982,860
Adjustments for:-				
Amortisation of club membership	364	364	364	364
Depreciation of property, plant and equipment	512,054	1,263,515	71,210	134,788
Impairment loss:				
- amount owing by a subsidiary	-	-	-	838,899
- investment in a subsidiary	-	-	-	14,003
- trade receivables	395,199	-	-	-
Interest expense	1,397,415	1,740,195	-	-
Inventories written down	14,030	263,475	-	-
Inventories written off	11	7,961	-	-
Equipment written off	-	35,327	-	35,327
Retirement benefit obligations	41,619	25,872	(2,125)	10,272
(Loss)/Gain on disposal of plant and equipment	883	(278,829)	-	(2,996)
Fair value gain on investment properties	(5,000,000)	-	(18,700,000)	(2,000,000)
Interest income	(107,111)	(8,049)	(102,802)	(3,758)
Unrealised gain on foreign exchange	(105,972)	(93,168)	-	-
Operating profit/(loss) before working capital changes	2,429,527	(1,623,685)	(742,320)	9,759
Decrease in inventories	1,538,888	6,658,388	-	-
(Increase)/Decrease in trade and other receivables	(1,721,170)	439,335	(1,389,355)	20,206,805
Increase/(Decrease) in trade and other payables	12,371,053	(2,491,507)	5,799,013	(4,959,236)
CASH FROM OPERATIONS	14,618,298	2,982,531	3,667,338	15,257,328
Retirement benefit paid	(26,107)	(99,225)	-	(99,225)
Income tax refund	45,350	48,190	45,350	-
Income tax paid	(13,669)	-	(12,994)	-
Interest paid	(1,397,415)	(1,740,195)	-	-
NET CASH FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD	13,226,457	1,191,301	3,699,694	15,158,103

The annexed notes form an integral part of these financial statements.

Statements Of Cash Flows

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
BALANCE BROUGHT FORWARD	13,226,457	1,191,301	3,699,694	15,158,103
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	-	-	(2)	-
Repayment from subsidiaries	-	-	3,868,685	13,155,248
Interest received	107,111	8,049	102,802	3,758
Purchase of equipment	-	(59,000)	-	-
Purchase of other assets	(8,055)	(157,641)	(8,055)	(144,641)
Proceeds from disposal of plant and equipment	2,000	508,000	-	3,000
NET CASH FROM INVESTING ACTIVITIES	101,056	299,408	3,963,430	13,017,365
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES				
Drawdown of bank borrowings	58,780,000	43,143,000	3,760,000	-
Proceeds from issuance of shares pursuant to private placement, net of expenses	-	3,761,775	-	3,761,775
Repayment of bank borrowings	(61,960,000)	(48,555,000)	(2,360,000)	(35,132,000)
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(3,180,000)	(1,650,225)	1,400,000	(31,370,225)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	10,147,513	(159,516)	9,063,124	(3,194,757)
CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	3,922,141	4,081,657	384,568	3,579,325
CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	14,069,654	3,922,141	9,447,692	384,568

The annexed notes form an integral part of these financial statements.

Notes To The Financial Statements

For The Financial Year Ended 31 December 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is located at Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam, Selangor Darul Ehsan.

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

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing and selling steel-related products, mainly black welded steel galvanised industrial pipes, square and rectangular hollow tubes and conduits.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts

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

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

Amendments to MFRS 101: Disclosure Initiative

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

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

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

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

MFRSs and/or IC Interpretations (Including the Consequential Amendments)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 16 Leases

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

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

Effective Date

1 January 2018

1 January 2018

1 January 2019

1 January 2018

1 January 2018

1 January 2018*

Notes To The Financial Statements

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

3. BASIS OF PREPARATION (CONT'D)

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

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* *Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Classification between Investment Properties and Owner-occupied Properties

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

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

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.

(f) Impairment of Trade and Other Receivables

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(g) Classification of Leasehold Land

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

(h) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining factors used in the valuation process as disclosed in Note 5 and Note 6 to the financial statements.

4.2 BASIS OF CONSOLIDATION

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

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

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

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

(a) Business Combinations

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

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

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Non-Controlling Interests

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

(c) Changes In Ownership Interests In Subsidiaries Without Change Of Control

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

(d) Loss of Control

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

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

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

(b) Transactions and Balances

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS

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

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

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

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

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

(a) Financial Assets

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

(i) Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

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

(iii) Loans and Receivables Financial Assets

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

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

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

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

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

(ii) Other Financial Liabilities

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

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

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

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

(i) Ordinary Shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

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

(ii) Treasury Shares

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

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

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

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

(e) Financial Guarantee Contracts

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

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.5 INVESTMENTS IN SUBSIDIARIES

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

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

4.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

Leasehold land and buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of revaluation.

Leasehold land and buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

Leasehold land	Over the lease period
Buildings	2%
Plant and machinery	10%
Electrical installations	10%
Factory equipment, furniture and fittings	10%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	25%

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset. In addition, the Group also makes an annual transfer of the revaluation reserve to retained profits as the asset is used by the Group. In such a case, the amount of the revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Capital and construction work-in-progress represents assets under construction which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital and construction work-in-progress include direct cost, related expenditure and interest cost on borrowings taken to finance the construction of the assets to the date that the assets are completed and put into use.

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

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 or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for the property, plant and equipment up to date of change in use.

4.8 IMPAIRMENT

(a) Impairment of Financial Assets

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

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

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

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

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

An impairment loss is recognised in profit or loss unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

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

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis in the case of finished goods and work-in-progress, cost consists of direct materials, direct labour, other direct costs and an appropriate proportion of overheads.

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

4.10 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INCOME TAXES

(a) Current tax

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

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

(b) Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.

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

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 transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

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

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INCOME TAXES (CONT'D)

(c) Goods and Services Tax ("GST") (Cont'd)

Receivables and payables are stated with the amount of GST included (where applicable).

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

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three month or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

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

(c) Defined Benefit Plan

In addition to the statutory contribution to Employees' Provident Fund, the Group operates an unfunded benefit plan. Retirement gratuities are payable to eligible employees who have been in service for at least seven years upon their retirement or resignation.

(d) Termination Benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

4.14 EARNINGS PER ORDINARY SHARE

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

4.16 CONTINGENT LIABILITIES

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

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(b) Rental Income

Rental income is recognised on an accrual basis.

(c) Interest Income

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

4.18 BORROWING COSTS

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

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

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.19 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

Notes To The Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 OPERATING SEGMENTS

Segment reporting in the financial statements is presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to decide how to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenue, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Notes To The Financial Statements

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

5. PROPERTY, PLANT AND EQUIPMENT

The Group	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
2016								
Cost/Valuation								
At 1 January								
Cost	-	-	20,913,248	1,213,566	3,253,466	883,915	442,543	26,706,738
Valuation	39,283,338	11,024,356	-	-	-	-	-	50,307,694
Disposals	39,283,338	11,024,356	20,913,248	1,213,566	3,253,466	883,915	442,543	77,014,432
Surplus on revaluation during the year	-	-	-	-	(3,566)	-	-	(3,566)
Transfer to held for sale (Note 13)	11,791,220	3,246,138	-	-	-	-	-	15,037,358
	(51,074,558)	(14,270,494)	(4,848,781)	-	(1,163,856)	-	-	(71,357,689)
At 31 December	-	-	16,064,467	1,213,566	2,086,044	883,915	442,543	20,690,535
Cost	-	-	16,064,467	1,213,566	2,086,044	883,915	442,543	20,690,535

Notes To The Financial Statements

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

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

The Group	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
2016								
Accumulated depreciation								
At 1 January	2,332,175	867,091	20,209,656	946,068	2,476,696	564,416	442,538	27,838,640
Charge for the year	416,797	125,850	(215,336)	21,912	68,288	94,543	-	512,054
Disposals	-	-	-	-	(683)	-	-	(683)
Transfer to held for sale (Note 13)	(2,748,972)	(992,941)	(4,042,264)	-	(1,163,833)	-	-	(8,948,010)
At 31 December	-	-	15,952,056	967,980	1,380,468	658,959	442,538	19,402,001
Accumulated impairment loss								
At 1 January/31 December	-	-	-	-	-	30,001	-	30,001
Net book value								
At 31 December	-	-	112,411	245,586	705,576	194,955	5	1,258,533
Cost	-	-	-	-	-	-	-	-

Notes To The Financial Statements

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

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

The Group	Long-term leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2015									
Cost/Valuation									
At 1 January									
Cost	-	-	21,163,248	1,213,566	3,368,355	873,245	442,543	59,000	27,119,957
Valuation	37,715,338	10,592,356	-	-	-	-	-	-	48,307,694
	37,715,338	10,592,356	21,163,248	1,213,566	3,368,355	873,245	442,543	59,000	75,427,651
Additions	-	-	-	-	-	59,000	-	-	59,000
Disposals	-	-	(250,000)	-	-	(96,640)	-	-	(346,640)
Write-offs	-	-	-	-	(114,889)	(10,690)	-	-	(125,579)
Surplus on revaluation during the year	1,568,000	432,000	-	-	-	-	-	-	2,000,000
Reclassification	-	-	-	-	-	59,000	-	(59,000)	-
	39,283,338	11,024,356	20,913,248	1,213,566	3,253,466	883,915	442,543	-	77,014,432
At 31 December									
Cost	-	-	20,913,248	1,213,566	3,253,466	883,915	442,543	-	26,706,738
Valuation	39,283,338	11,024,356	-	-	-	-	-	-	50,307,694
	39,283,338	11,024,356	20,913,248	1,213,566	3,253,466	883,915	442,543	-	77,014,432

Notes To The Financial Statements

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

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

The Group	Long-term leasehold land	Buildings	Plant and machinery	Electrical installations	Factory equipment, furniture and fittings	Office equipment, furniture and fittings	Motor vehicles	Capital work-in-progress	Total
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2015									
Accumulated depreciation									
At 1 January	1,647,894	659,800	20,131,479	923,335	2,431,119	597,550	391,669	-	26,782,846
Charge for the year	684,281	207,291	99,010	22,733	103,877	95,454	50,869	-	1,263,515
Disposals	-	-	(20,833)	-	-	(96,636)	-	-	(117,469)
Write-offs	-	-	-	-	(58,300)	(31,952)	-	-	(90,252)
At 31 December	2,332,175	867,091	20,209,656	946,068	2,476,696	564,416	442,538	-	27,838,640
Accumulated impairment loss									
At 1 January/31 December	-	-	-	-	-	30,001	-	-	30,001
Net book value									
At 31 December	-	-	703,592	267,498	776,770	289,498	5	-	2,037,363
Cost	36,951,163	10,157,265	-	-	-	-	-	-	47,108,428
Valuation	36,951,163	10,157,265	703,592	267,498	776,770	289,498	5	-	49,145,791

Notes To The Financial Statements

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

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

The Company	Electrical installations RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
2016				
Cost				
At 1 January/31 December	299,721	713,715	442,543	1,455,979
Accumulated depreciation				
At 1 January	298,359	519,950	442,538	1,260,847
Charge for the year	267	70,943	-	71,210
At 31 December	298,626	590,893	442,538	1,332,057
Net carrying amount				
At 31 December				
Cost	1,095	122,822	5	123,922

The Company	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
2015						
Cost						
At 1 January	299,721	114,889	821,045	442,543	59,000	1,737,198
Disposal	-	-	(96,640)	-	-	(96,640)
Write-off	-	(114,889)	(10,690)	-	-	(125,579)
Transfer to a subsidiary	-	-	-	-	(59,000)	(59,000)
At 31 December	299,721	-	713,715	442,543	-	1,455,979
Accumulated depreciation						
At 1 January	298,092	47,835	575,351	391,669	-	1,312,947
Charge for the year	267	10,465	73,187	50,869	-	134,788
Disposal	-	-	(96,636)	-	-	(96,636)
Write-off	-	(58,300)	(31,952)	-	-	(90,252)
At 31 December	298,359	-	519,950	442,538	-	1,260,847
Net carrying amount						
At 31 December						
Cost	1,362	-	193,765	5	-	195,132

Notes To The Financial Statements

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

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

- (i) During the financial year, the Group's long-term leasehold land and buildings have been revalued by an independent firm of professional valuers. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the asset revaluation reserve.

The fair values of the long-term leasehold land and buildings are analysed as follows:-

The Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2016				
Long-term leasehold land	-	-	-	-
Buildings	-	-	-	-
	-	-	-	-
2015				
Long-term leasehold land	-	37,635,444	-	37,635,444
Buildings	-	10,364,556	-	10,364,556
	-	48,000,000	-	48,000,000

The fair values of the Group's leasehold land and buildings have been determined based on valuation performed by an independent firm of professional valuers who have appropriate professional qualification. The fair values of the leasehold land and buildings were determined using comparison and cost approach. The comparison method of valuation seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent sale evidences involving other similar properties in the vicinity. Adjustment are being made to differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations. The cost method of valuation seeks to ascertain the value of the property through the summation of the value components of the land and cost of building. In determining the value of the land, the analysed apportionment value attributable to the land is adopted as described in the foregoing approach, whilst making due allowances to factors of location, plot, size, accessibility and other relevant factors. The cost method of valuation also seeks to determine the market value by taking into consideration the land value of the subject site plus site improvements added with the depreciated replacement cost of the subject buildings.

There were no transfers between level 1 and level 2 during the financial year.

The long-term leasehold land and buildings have been subsequently reclassified as non-current assets held for sale as a result of the disposal as disclosed in Note 32 to the financial statements.

Notes To The Financial Statements

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

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

- (ii) The net carrying amounts of the revalued leasehold land and buildings that would have been included in the financial statements had these properties been carried at cost less accumulated depreciation are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Long-term leasehold land	-	202,732	-	-
Buildings	-	942,590	-	-

6. INVESTMENT PROPERTIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	61,000,000	61,000,000	109,000,000	107,000,000
Fair value adjustments	5,000,000	-	18,700,000	2,000,000
Reclassified as held for sale (Note 13)	-	-	(61,700,000)	-
At 31 December	66,000,000	61,000,000	66,000,000	109,000,000

The following investment properties are held under lease terms:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Leasehold land	60,000,000	41,638,000	60,000,000	79,273,444
Buildings	6,000,000	19,362,000	6,000,000	29,726,556
	66,000,000	61,000,000	66,000,000	109,000,000

The following are recognised in profit or loss in respect of investment properties:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Rental income	-	-	(1,490,400)	(1,490,400)
Direct operating expenses				
- generating income	-	-	304,139	305,766
- non-generating income	173,076	240,549	173,076	240,549

Notes To The Financial Statements

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

6. INVESTMENT PROPERTIES (CONT'D)

The fair values of the Group and the Company's investment properties have been determined based on valuation performed by an independent firm of professional valuers who have appropriate professional qualification. The fair values of the investment properties were determined using cost and sales comparison approach. This valuation approach seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent sale evidences involving other similar properties in the vicinity. Sales price of comparable properties in close proximity are adjusted for difference in key attributes such as location, size and shapes, accessibility, infrastructure available, improvements made on the site.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between level 1 and level 2 during the financial year.

7. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016 RM	2015 RM
Unquoted shares, at cost	4,014,005	4,014,003
Allowance for impairment losses	(4,014,003)	(4,014,003)
	2	-
Allowance for impairment losses:-		
At 1 January	(4,014,003)	(4,000,000)
Addition during the year	-	(14,003)
At 31 December	(4,014,003)	(4,014,003)

The details of the subsidiaries, all of which are wholly-owned and their principal place of business is in Malaysia, are as follows:

Name of Subsidiary	Percentage of Issued Share Capital held by Parent		Principal Activities
	2016 %	2015 %	
AIS Manufacturing Sdn. Bhd.	100	100	Manufacture and sale of steel-related products, mainly black welded steel galvanised industrial pipes, square and rectangular hollow tubes and conduits.
Parkwood Developments Sdn. Bhd.	100	100	The Company intends to engage in project management activities.
Parkwood Damansara Sdn. Bhd.	100	-	Civil engineering and contractors.

On 23 August 2016, the Company acquired 2 ordinary shares of RM1 each, representing 100% of the total issued and paid up share capital of Parkwood Damansara Sdn. Bhd. for a total cash consideration of RM2.

Notes To The Financial Statements

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

8. OTHER INVESTMENT

	The Group/The Company	
	2016	2015
	RM	RM
Available-for-sale financial assets		
- Transferable club membership	12,545	12,909

Investment in transferable club membership of the Group and the Company are designated as available-for-sale financial asset but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the investment.

9. INVENTORIES

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Raw materials	4,728,019	4,678,092	-	-
Consumable stocks	1,296,848	1,435,403	-	-
Work-in-progress	1,090,426	544,626	-	-
Finished goods:				
- manufactures	7,065,907	9,102,476	-	-
- trading	58,225	31,757	-	-
	14,239,425	15,792,354	-	-
Recognised in profit or loss:-				
Inventories recognised as cost of sales	48,952,804	66,223,550	-	-
Inventories written down to net realisable value	14,030	263,475	-	-
Inventories written off	11	7,961	-	-

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Gross trade receivables	18,418,544	20,834,367	-	786,306
Allowance for impairment losses	(395,199)	(786,065)	-	(786,065)
	18,023,345	20,048,302	-	241
Other receivables	2,274,729	454,210	187,753	201,547
Deposits	325,943	35,438	323,543	33,038
Prepayments	1,641,016	267,476	1,289,952	43,431
	22,265,033	20,805,426	1,801,248	278,257

Notes To The Financial Statements

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

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Allowance for impairment losses:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	(786,065)	(786,065)	(786,065)	(786,065)
Addition during the financial year (Note 22)	(395,199)	-	-	-
Written off during the financial year	786,065	-	786,065	-
At 31 December	(395,199)	(786,065)	-	(786,065)

All customers are granted credit periods ranging from 30 to 60 days (2015: 30 to 120 days). Late interest is charged at 1.5% (2015: 1.5%) per month on the overdue balances.

11. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	2016 RM	2015 RM
Trade accounts	2,054,890	2,054,890
Advances	8,275,114	12,338,426
	10,330,004	14,393,316
Allowance for impairment losses	(838,899)	(838,899)
	9,491,105	13,554,417

Allowance for impairment losses:-

	The Company	
	2016 RM	2015 RM
At 1 January	(838,899)	-
Addition during the year	-	(838,899)
At 31 December	(838,899)	(838,899)

The trade accounts are expected to be settled within the normal credit periods.

The advances are unsecured, interest-free and receivable on demand mainly arose from the transfer of inventories and plant and machineries to a subsidiary, AIS Manufacturing Sdn. Bhd. to take over the steel business.

In the previous financial year, the Company carried out a review of the recoverable amount of the amount owing by subsidiaries. An impairment loss of RM838,899, representing the write-down of amount owing by a subsidiary to the recoverable amount is recognised in "Administrative expenses" line item of the Statements of Profit or Loss and Other Comprehensive Income.

Notes To The Financial Statements

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

12. CASH AND BANK BALANCES

Included in the cash and bank balances is the following:-

	The Group/The Company	
	2016	2015
	RM	RM
Short-term cash investment	9,210,016	9,094

The short-term cash investment at the end of the reporting period bore an effective interest rate of 2.66% (2015: 2.75%) per annum. The short-term cash investment has maturity periods ranging from 14 to 30 days (2015: 14 to 30 days).

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At the end of the current reporting period, certain non-current assets have been presented in the statements of financial position as "Non-current assets classified as held for sale" as a result of the disposals as disclosed in Note 32 to the financial statements.

The non-current assets held for sale are as follows:-

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Assets				
Transfer from property, plant and equipment (Note 5)				
- Cost	71,357,689	-	-	-
- Accumulated depreciation	(8,948,010)	-	-	-
	62,409,679	-	-	-
Transfer from investment property (Note 6)	-	-	61,700,000	-
	62,409,679	-	61,700,000	-

14. SHARE CAPITAL

	The Group/The Company			
	2016	2015	2016	2015
	Number Of Shares		RM	RM
Ordinary Shares of RM0.10 each				
Authorised				
At 1 January/31 December	1,000,000,000	1,000,000,000	100,000,000	100,000,000

Notes To The Financial Statements

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

14. SHARE CAPITAL (CONT'D)

	The Group/The Company			
	2016 Number Of Shares	2015	2016 RM	2015 RM
Issued and Fully Paid-Up				
At 1 January	131,874,975	120,521,875	13,187,497	12,052,188
Issuance of shares pursuant to private placement	-	11,353,100	-	1,135,309
At 31 December	131,874,975	131,874,975	13,187,497	13,187,497

In the previous financial year, the Company increased its issued and paid-up share capital from RM12,052,188 to RM13,187,497 by way of an issuance of 11,353,100 new ordinary shares of RM0.10 each at an issue price of RM0.34 per ordinary share via a private placement for the purpose of working capital. The new ordinary shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

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

15. RESERVES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Share premium	2,655,217	2,655,217	2,655,217	2,655,217
Asset revaluation reserve	60,925,540	50,203,610	47,596,115	48,286,324
Capital reserve	48,208,750	48,208,750	48,208,750	48,208,750
Retained profits	8,166,271	2,825,411	27,297,283	9,947,918
	119,955,778	103,892,988	125,757,365	109,098,209

15.1 SHARE PREMIUM

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

15.2 ASSET REVALUATION RESERVE

The asset revaluation reserve represents the increase in the fair value of leasehold land and buildings of the Group and the Company (net of deferred tax, where applicable).

15.3 CAPITAL RESERVE

The capital reserve represents the credit arising from the par value reduction by way of cancellation of RM0.40 from the par value of RM0.50 to RM0.10 of each existing ordinary share of the Company.

15.4 RETAINED PROFITS

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

Notes To The Financial Statements

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

16. TREASURY SHARES

	2016 Number of Ordinary Shares	The Group/The Company 2015 2016 RM	2015 RM
At 1 January/31 December	6,797,300	6,797,300 3,724,544	3,724,544

There were no ordinary shares repurchased during the year. The repurchased transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 67A of the Companies Act 1965. Treasury shares have no rights to vote, dividends and participation in other distribution.

17. RETIREMENT BENEFIT OBLIGATIONS

The Group and the Company operate an unfunded defined retirement benefit plan for a Director and eligible employees.

The movements during the financial year and the amounts recognised in the statements of financial position are as follows:-

	The Group					
	<----- 2016 ----->			<----- 2015 ----->		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
At 1 January	-	212,352	212,352	99,225	186,480	285,705
Charged to profit or loss	-	43,744	43,744	-	39,600	39,600
Reversal of amount not utilised	-	(2,125)	(2,125)	-	(13,728)	(13,728)
	-	41,619	41,619	-	25,872	25,872
Retirement benefits paid	-	(26,107)	(26,107)	(99,225)	-	(99,225)
At 31 December	-	227,864	227,864	-	212,352	212,352

	The Company					
	<----- 2016 ----->			<----- 2015 ----->		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
At 1 January	-	196,752	196,752	99,225	186,480	285,705
Charged to profit or loss	-	-	-	-	24,000	24,000
Reversal of amount not utilised	-	(2,125)	(2,125)	-	(13,728)	(13,728)
	-	(2,125)	(2,125)	-	10,272	10,272
Retirement benefits paid	-	-	-	(99,225)	-	(99,225)
Transfer to subsidiary	-	(194,627)	(194,627)	-	-	-
At 31 December	-	-	-	-	196,752	196,752

Notes To The Financial Statements

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

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amounts recognised in the statements of financial position are determined as follows:

	The Group					
	<----- 2016 ----->			<----- 2015 ----->		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
Present value of unfunded obligations	-	227,864	227,864	-	212,352	212,352

	The Company					
	<----- 2016 ----->			<----- 2015 ----->		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
Present value of unfunded obligations	-	-	-	-	196,752	196,752

The amounts recognised in the profit or loss are as follows:

	The Group					
	<----- 2016 ----->			<----- 2015 ----->		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
Current service cost	-	14,360	14,360	-	39,600	39,600
Interest cost	-	29,384	29,384	-	-	-
Reversal of past service cost not required	-	(2,125)	(2,125)	-	(13,728)	(13,728)
	-	41,619	41,619	-	25,872	25,872

	The Company					
	<----- 2016 ----->			<----- 2015 ----->		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
Current service cost	-	-	-	-	24,000	24,000
Reversal of past service cost not required	-	(2,125)	(2,125)	-	(13,728)	(13,728)
	-	(2,125)	(2,125)	-	10,272	10,272

The above amounts that have been recognised in profit or loss were included in administrative expenses.

Notes To The Financial Statements

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

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The principal actuarial assumptions used in respect of the unfunded defined benefit plan were as follows:

	The Group/The Company	
	2016	2015
Discount rate	5.0%	5.0%
Expected rate of salary increases	4.0%	4.0%

18. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	4,433,251	2,010,404	4,433,251	4,093,713
Recognised in profit or loss (Note 24)	646,877	1,922,847	1,331,877	339,538
Recognised in other comprehensive income	3,608,966	500,000	-	-
At 31 December	8,689,094	4,433,251	5,765,128	4,433,251

The deferred tax liabilities/assets are attributable to the following:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax liabilities:-				
Excess of net carrying amount over tax written down value of property, plant and equipment	2,792,985	2,085,698	2,792,985	2,085,698
Asset revaluation surplus	13,679,002	10,180,275	9,570,036	9,680,275
Fair value gain on investment properties	583,427	333,427	1,768,427	833,427
	17,055,414	12,599,400	14,131,448	12,599,400
Deferred tax assets:-				
Unutilised tax losses	(7,896,368)	(6,338,032)	(7,896,368)	(6,338,032)
Unabsorbed capital allowance	(437,901)	(1,548,911)	(437,901)	(1,548,911)
Others	(32,051)	(279,206)	(32,051)	(279,206)
	(8,366,320)	(8,166,149)	(8,366,320)	(8,166,149)
	8,689,094	4,433,251	5,765,128	4,433,251

Notes To The Financial Statements

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

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables	6,235,547	2,314,391	-	23,151
Other payables	8,205,541	78,531	5,801,737	43,200
Accruals	1,001,126	784,211	421,385	357,758
	15,442,214	3,177,133	6,223,122	424,109

The normal credit terms granted by suppliers range from 5 to 60 days (2015: 5 to 60 days).

Included in other payables of the Group and the Company is an amount of RM4,865,000 (2015: Nil) which represents deposits received from the purchaser in relation to the disposal of long-term leasehold land and buildings.

20. BANK BORROWINGS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Bankers' acceptances	23,040,000	24,820,000	1,400,000	-
Revolving credit	3,500,000	4,900,000	-	-
	26,540,000	29,720,000	1,400,000	-

Bankers' acceptances are subjected to interest rates ranging from 1% to 1.5% plus cost of fund. The effective interest rates ranged from 4.50% to 5.61% (2015: 4.73% to 5.81%) per annum.

Revolving credits are subjected to an interest rate of 1.25% plus cost of fund. The effective interest rates ranged from 4.98% to 5.04% (2015: 5.34% to 5.43%) per annum.

The bank borrowings are secured and covered by negative pledges on the assets of the Group and the Company. The total available banking facilities for the Group and the Company amounted to RM54,833,000 (2015: RM49,833,000).

The significant covenants of the bank borrowings are as follows:-

- (i) Gearing ratio of the Group shall not exceed 1.0 time;
- (ii) Leverage ratio of the Group (total liabilities divided by net tangible shareholders' funds) shall not exceed 1:1; and
- (iii) Obtain written consent from the lenders prior to declaring any dividend, bonus issue or any form of distribution of its capital.

21. REVENUE

Revenue represents the invoiced value of goods sold net of returns and discounts.

Notes To The Financial Statements

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

22. PROFIT/(LOSS) FROM OPERATIONS

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit/(Loss) from operations is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- statutory audit:				
- current year	95,000	95,000	40,000	65,000
- overprovision in prior year	-	-	(15,000)	-
Amortisation of club membership	364	364	364	364
Depreciation of property, plant and equipment	512,054	1,263,515	71,210	134,788
Directors' remuneration (Note 26)	557,100	646,436	557,100	646,436
Fees payable to a company in which a director has a substantial financial interest	24,000	24,000	24,000	24,000
Impairment losses on:				
- amount owing by a subsidiary	-	-	-	838,899
- investment in a subsidiary	-	-	-	14,003
- trade receivables	395,199	-	-	-
Inventories written down	14,030	263,475	-	-
Inventories written off	11	7,961	-	-
Equipment written off	-	35,327	-	35,327
Rental expenses on office equipment	-	5,897	-	5,897
Staff costs:				
- defined contribution plan	564,347	590,152	81,304	134,531
- retirement benefit obligations	41,619	25,872	(2,125)	10,272
- salaries and others benefits	4,399,932	5,438,705	688,739	1,173,296
Loss/(Gain) on disposal of plant and equipment	883	(278,829)	-	(2,996)
Loss/(Gain) on foreign exchange:				
- realised	403,969	(581,078)	-	(64,618)
- unrealised	(105,972)	(93,168)	-	-
Interest income on financial assets not at fair value through profit or loss:				
- deposits with licensed banks	(102,802)	(3,758)	(102,802)	(3,758)
- other	(4,309)	(4,291)	-	-
Rental income	-	-	(1,490,400)	(1,490,400)

23. FINANCE COSTS

	The Group	
	2016	2015
	RM	RM
Interest expense on financial liabilities not at fair value through profit or loss:		
- bankers' acceptances	946,166	1,269,428
- revolving credit	223,242	253,225
- others	228,007	217,542
	1,397,415	1,740,195

Notes To The Financial Statements

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

24. INCOME TAX EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax expense	(240)	-	-	-
Deferred tax expense (Note 18):				
- origination and reversal of temporary differences	(1,060,362)	1,922,847	(375,362)	339,538
- underprovision in previous financial years	1,707,239	-	1,707,239	-
	646,877	1,922,847	1,331,877	339,538
	646,637	1,922,847	1,331,877	339,538

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before taxation	5,281,035	(4,580,348)	17,991,033	982,860
Tax at the statutory tax rate of 24% (2015 – 25%)	1,267,448	(1,145,087)	4,317,848	245,715
Tax effects of:				
Non-deductible expenses	806,428	327,684	842,028	315,912
Non-taxable gain	(1,872,000)	(16,623)	(1,872,000)	(16,623)
Crystallisation of deferred tax liabilities on amortisation of revalued properties	(110,238)	(205,466)	(110,238)	(205,466)
Deferred tax asset not recognised during the year	93,451	879,030	-	-
Utilisation of deferred tax assets previously not recognised	(295,691)	-	-	-
Difference between statutory tax rate and Real Property Gains Tax ("RPGT") rate applicable on fair value of investment property	(950,000)	-	(3,553,000)	-
Reversal of temporary difference of a deferred tax asset recognised previously	-	2,083,309	-	-
	(1,060,602)	1,922,847	(375,362)	339,538
Underprovision in previous financial years:				
- deferred tax	1,707,239	-	1,707,239	-
Income tax expense for the financial year	646,637	1,922,847	1,331,877	339,538

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

Notes To The Financial Statements

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

25. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The basic earnings/(loss) per share has been calculated based on the consolidated profit after taxation of RM4,634,398 (2015: consolidated loss after taxation of RM6,503,195) and on 125,077,675 (2015: 122,278,280) being the number of ordinary shares in issue during the financial year after deducting treasury shares calculated as follows:

	The Group	
	2016 RM	2015 RM
Number of ordinary shares	131,874,975	120,521,875
Add: Effect of private placement	-	8,553,705
Less: Treasury shares	(6,797,300)	(6,797,300)
Number of ordinary shares at 31 December	125,077,675	122,278,280
Basic earnings/(loss) per share (sen)	3.71	(5.32)

The diluted earnings/(loss) per share is equal to the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Group and of the Company.

- (a) The key management personnel compensation during the financial year is as follows:-

	The Group/The Company	
	2016 RM	2015 RM
Directors		
<i>Directors of the Company</i>		
<i>Executive Directors</i>		
Short-term employee benefits:		
- fees	2,000	-
- salaries, bonuses and other benefits	317,425	369,725
	319,425	369,725
Defined contribution benefits	32,520	31,500
Benefit-in-kind	19,824	22,123
	371,769	423,348

Notes To The Financial Statements

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

26. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

- (a) The key management personnel compensation during the financial year is as follows (Cont'd):-

	The Group/The Company	
	2016	2015
	RM	RM
<i>Non-executive Directors</i>		
Short-term employee benefits:		
- fees	94,000	96,000
- salaries, bonuses and other benefits	64,400	61,200
	158,400	157,200
Benefit-in-kind	26,931	65,888
	185,331	223,088
Total directors' remuneration (Note 22)	557,100	646,436

- (b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Company	
	2016	2015
	Number of Directors	
Executive Directors		
Below RM50,000	1	-
RM300,001 – RM350,000	1	-
RM400,001 – RM450,000	-	1
Non-executive Directors		
Below RM50,000	2	3
RM50,001 – RM100,000	1	1
	5	5

27. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all Directors of the Group, and certain members of senior management of the Group.

Notes To The Financial Statements

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

27. RELATED PARTY DISCLOSURES (CONT'D)

The Company has a controlling related party relationship with its subsidiaries and the following related parties:

- (a) A legal firm in which a Director is a partner
- (b) A substantial corporate shareholder
- (c) A company in which a Director has financial interests

In addition to information disclosed elsewhere in the financial statements, the Group and the Company entered into the following transactions with the related parties during the financial year:-

	The Company	
	2016	2015
	RM	RM
Transactions with subsidiaries		
AIS Manufacturing Sdn. Bhd.		
- Factory and office rental	(1,490,400)	(1,490,400)
- Management fees	-	(1,069,750)
- Sales commission	-	(21,789)

	The Group/The Company	
	2016	2015
	RM	RM
Transactions with a company in which a director has financial interests		
Telaxis Sdn. Bhd.		
- Directors' fee	24,000	24,000
Transactions with a legal firm in which a director is a Partner		
Messrs. Ghazali Ariff & Partners		
- Legal fee	67,924	67,924

28. CAPITAL COMMITMENT

	The Group/The Company	
	2016	2015
	RM	RM
Capital expenditure relating to the enhancement for the investment property not provided for in the financial statements:		
- approved and contracted	6,418,000	-

Notes To The Financial Statements

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

29. LEASE COMMITMENT

Leases as Lessor

The Group leases out its investment property under a non-cancellable operating lease. The leases have lease periods of 9 years. All leases include a clause to enable upward revision of the rental charge on every 3 years based on the rate per square foot of the building as stipulated in the tenancy agreement.

The future minimum lease payments receivable under the non-cancellable operating leases are as follows:-

	The Group/The Company	
	2016 RM	2015 RM
Not more than 1 year	646,980	-
Later than 1 year and not later than 5 years	8,108,816	-
Later than 5 years	11,041,792	-
	19,797,588	-

30. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on location of customers and is categorised into local and overseas.

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

	Local RM	Overseas RM	Consolidated RM
2016			
Revenue and expenses			
External sales	54,765,159	3,070,624	57,835,783
Results			
Segment operating profit/(loss)	1,926,287	(247,837)	1,678,450
Finance costs			(1,397,415)
Tax expense			(646,637)
Fair value gain on investment property			5,000,000
Consolidated profit after taxation			4,634,398

Notes To The Financial Statements

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

30. OPERATING SEGMENTS (CONT'D)

	Local RM	Overseas RM	Consolidated RM
2016			
Other information			
Segment assets	180,317,903	-	180,317,903
Segment liabilities	48,509,272	2,389,900	50,899,172
Depreciation of property, plant and equipment	512,054	-	512,054
Impairment loss on trade receivables	395,199	-	395,199
Inventories written down	14,030	-	14,030
2015			
Revenue and expenses			
External sales	56,899,927	12,858,153	69,758,080
Results			
Segment operating loss	(2,265,172)	(574,981)	(2,840,153)
Finance costs			(1,740,195)
Tax expense			(1,922,847)
Consolidated loss after taxation			(6,503,195)
Other information			
Segment assets	148,037,759	2,860,918	150,898,677
Segment liabilities	37,542,736	-	37,542,736
Depreciation of property, plant and equipment	1,263,515	-	1,263,515
Inventories written down	263,475	-	263,475

The non-current assets of the Group are located in Malaysia.

Information on the Group's operations by business segment is not provided separately as the Group is mainly engaged in the business of manufacturing and selling steel-related products.

Major Customers

There is no customer with revenue equal to or more than 10% of the Group's revenue.

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS

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

31.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

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

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States Dollar RM	Ringgit Malaysia RM	Total RM
2016			
<u>Financial Assets</u>			
Other investment	-	12,545	12,545
Trade and other receivables	-	20,624,017	20,624,107
Cash and bank balances	-	14,069,654	14,069,654
	-	34,706,216	34,706,216
<u>Financial Liabilities</u>			
Trade and other payables	2,389,900	13,052,314	15,442,214
Bank borrowings	-	26,540,000	26,540,000
	2,389,900	39,592,314	41,982,214
Net financial assets/(liabilities)	(2,389,900)	(4,886,098)	(7,275,998)
Less: Net financial liabilities denominated in the entities' functional currency	-	4,886,098	4,886,098
Currency Exposure	(2,389,900)	-	(2,389,900)

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
2015			
Financial Assets			
Other investment	-	12,909	12,909
Trade and other receivables	2,860,918	17,677,032	20,537,950
Cash and bank balances	-	3,922,141	3,922,141
	2,860,918	21,612,082	24,473,000
Financial Liabilities			
Trade and other payables	-	3,177,133	3,177,133
Bank borrowings	-	29,720,000	29,720,000
	-	32,897,133	32,897,133
Net financial assets/(liabilities)	2,860,918	(11,285,051)	(8,424,133)
Less: Net financial liabilities denominated in the entities' functional currency	-	11,285,051	11,285,051
Currency Exposure	2,860,918	-	2,860,918

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

Foreign Currency Risk Sensitivity Analysis

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

	The Group 2016 RM	2015 RM
Effects on Profit/(Loss) After Taxation		
USD/RM - strengthened by 5%	- 90,816	-
- weakened by 5%	+ 90,816	-
SGD/RM - strengthened by 5%	-	- 107,284
- weakened by 5%	-	+ 107,284

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

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

It is the policy of the Group not to trade in interest rate swap agreements.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 31.1(c) to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Effects on Profit/(Loss)				
After Taxation				
Increase of 50 basis points	- 100,852	+ 111,450	- 5,320	-
Decrease of 50 basis points	+ 100,852	- 111,450	+ 5,320	-

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

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

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

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

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to Credit Risk

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

(iii) Ageing Analysis

The ageing analysis of the Group's and the Company's trade receivables at the end of the reporting period is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2016				
Not past due	9,731,236	-	-	9,731,236
Past due:				
- less than 30 days	5,186,949	-	-	5,186,949
- between 30 and 90 days	3,077,431	(9,162)	-	3,068,269
- more than 90 days	422,928	(386,037)	-	36,891
	18,418,544	(395,199)	-	18,023,345
2015				
Not past due	9,537,478	-	-	9,537,478
Past due:				
- less than 30 days	5,447,787	-	-	5,447,787
- between 30 and 90 days	4,860,569	-	-	4,860,569
- more than 90 days	988,533	(786,065)	-	202,468
	20,834,367	(786,065)	-	20,048,302

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis (Cont'd)

The Company	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2015				
Not past due	112	-	-	112
Past due:				
- more than 90 days	786,194	(786,065)	-	129
	786,306	(786,065)	-	241

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

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

(c) Liquidity Risk

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

Maturity Analysis

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

The Group	Contractual Interest Rate %	Contractual Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2016						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade and other payables	-	15,442,214	15,442,214	15,442,214	-	-
Bank Borrowings	4.50 – 5.61	26,540,000	26,540,000	26,540,000	-	-
		41,982,214	41,982,214	41,982,214	-	-

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Group	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
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2015

Non-derivative

Financial

Liabilities

Trade and other

payables

Bank Borrowings

	-	3,177,133	3,177,133	3,177,133	-	-
	4.73 – 5.81	29,720,000	29,720,000	29,720,000	-	-
		32,897,133	32,897,133	32,897,133	-	-

The Company	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
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2016

Non-derivative

Financial

Liabilities

Trade and other

payables

Bank Borrowings

	-	6,223,122	6,223,122	6,223,122	-	-
	4.75%	1,400,000	1,400,000	1,400,000	-	-
		7,623,122	7,623,122	7,623,122	-	-

2015

Non-derivative

Financial

Liabilities

Trade and other

payables

	-	424,109	424,109	424,109	-	-
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Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 CAPITAL RISK MANAGEMENT

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

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debts include borrowings from financial institutions. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2016 RM	2015 RM
Bank borrowings (Note 20)	26,540,000	29,720,000
Total equity	129,418,731	113,355,941
Debt-to-equity ratio (%)	0.21	0.26

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

The Group is also required to comply with certain loan covenants as disclosed in Note 20 to the financial statements, failing which, the banks may call an event of default. The Group has complied with this requirement.

31.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial Assets				
<u>Available-for-sale Financial Asset</u>				
Other investment	12,545	12,909	12,545	12,909
<u>Loans and Receivables Financial Assets</u>				
Trade and other receivables	20,624,017	20,537,950	511,296	234,826
Amount owing by subsidiaries	-	-	9,491,105	13,554,417
Cash and bank balances	14,069,654	3,922,141	9,447,692	384,568
	34,693,671	24,460,091	19,450,093	14,173,811
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade and other payables	15,442,214	3,177,133	6,223,122	424,109
Bank borrowings	26,540,000	29,720,000	1,400,000	-
	41,982,214	32,897,133	7,623,122	424,109

Notes To The Financial Statements

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

31. FINANCIAL INSTRUMENTS (CONT'D)

31.4 FAIR VALUE INFORMATION

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

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 26 August 2016, the Group entered into a Sale and Purchase Agreement to dispose of all the leasehold land held under titles no. H.S.(D) 167540, P.T. No.-, Mukim Damamsara, Daerah Petaling, Negeri Selangor and H.S.(D) 168507 P.T. No.-, Bandar Shah Alam, Daerah Petaling, Negeri Selangor together with 3 units of single storey detached factories, a 4 storey office block, a single storey canteen/store and a guardhouse erected thereon for a total disposal consideration of RM69,500,000. As at the end of the reporting period, the disposal has yet to be completed.
- (b) On 3 June 2016, 30 August 2016, 1 December 2016 and 2 December 2016, the Group and the Company had entered into sales contracts to dispose of certain plant and equipment for a total consideration of RM2,675,000.

33. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par value; and
- (iii) Share premium account will become part of share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

Supplementary Information

DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad 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, as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries:				
- realised	5,916,680	1,868,136	5,462,411	4,675,753
- unrealised	17,444,611	3,349,733	21,834,872	5,272,165
	23,361,291	5,217,869	27,297,283	9,947,918
Less: Consolidation adjustments	(15,195,020)	(2,392,458)	-	-
At 31 December	8,166,271	2,825,411	27,297,283	9,947,918

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**AMALGAMATED
INDUSTRIAL STEEL BERHAD**
COMPANY REGISTRATION NO. 9118-M

Form of Proxy

Forty-Sixth Annual General Meeting

[Please read notes carefully before completing this form.]

Number of Ordinary Shares held

*I/*We _____ (NRIC No. _____) of _____ being the registered holder of ordinary shares in **AMALGAMATED INDUSTRIAL STEEL BERHAD** hereby appoint [1] _____ (NRIC No. _____) of _____ and /or [The next name and address should be completed if you wish to appoint two proxies.]

*[2] _____ (NRIC No. _____) of _____

as *my/*our proxy/proxies to attend and to vote for *me/*us and on *my/*our behalf at the Forty-Sixth Annual General Meeting of the Company, to be held at Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 15 June 2017 at 11.00 a.m. and at any adjournment thereof.

[The next paragraph should be completed only when two proxies are appointed.]

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

First Proxy [1] _____ % Second Proxy [2] _____ %
[*Delete if not applicable]

Resolution	Ordinary Business	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees and benefits		
Ordinary Resolution 2	To re-elect Dato' Ghazali bin Mat Ariff as Director		
Ordinary Resolution 3	To re-elect Dato' Lim Yew Boon as Director		
Ordinary Resolution 4	To re-appoint Messrs Crowe Horwath as the Company's Auditors		
	Special Business		
Ordinary Resolution 5	To authorise the allotment of shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
Ordinary Resolution 6	To retain Tuan Haji Fauzi bin Mustapha as Independent Non-Executive Director		
Ordinary Resolution 7	To retain Datuk Sulaiman bin Salleh as Independent Non-Executive Director		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

Dated this.....day of.....2017.

Signature/Common Seal of Shareholder(s)

NOTES:

1. In regard of deposited securities, only members whose names appear in the Record of Depositors as at 9 June 2017 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote at the Meeting on his behalf. The proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and there shall be no restrictions 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.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he may appoint at least one proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member 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.
7. The instrument appointing a proxy must be deposited at the Company's registered office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

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AFFIX
STAMP

The Company Secretary
AMALGAMATED INDUSTRIAL STEEL BERHAD
(Company No: 9118-M)
Lot 11A, Jalan Utas 15/7
40000 Shah Alam
Selangor Darul Ehsan

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AMALGAMATED INDUSTRIAL STEEL BERHAD (9118-M)

Lot 11A, Jalan Utas 15/7

40000 Shah Alam

Selangor Darul Ehsan

www.aisberhad.com.my

