



INDUSTRONICS BERHAD  
(company No.23699-X)

# 2016

## ANNUAL REPORT

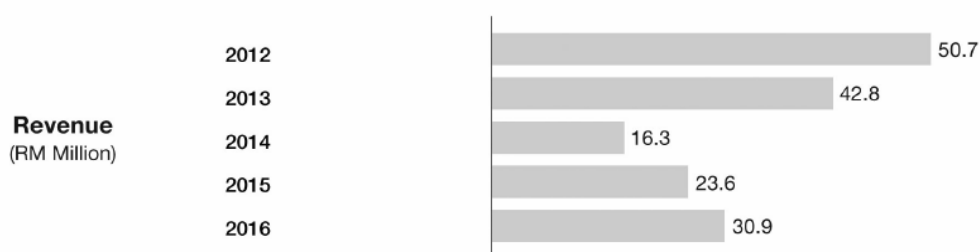
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## Financial Highlights

RM Million	2012	2013	2014	2015	2016
Revenue	50.7	42.8	16.3	23.6	30.9
Profit / (Loss) Before Taxation	(1.9)	(6.4)	(18.5)	(12.9)	(13.6)
Profit / (Loss) Attributable to Shareholders	(2.2)	(4.3)	(17.7)	(12.3)	(12.8)
Net Assets	49.6	62.0	43.6	33.7	24.4

SEN	2012	2013	2014	2015	2016
Earnings Per Share	(2.4)	(4.6)	(17.3)	(12.0)	(12.5)
Net Assets Per Share	52.7	61.5	42.4	32.8	23.8
Gross Dividend Per Share	0	0	0	0	0



## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

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

Liu Wing Yee Amy (*Executive Director*)

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

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

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

### **AUDIT COMMITTEE**

Fung Ling Yip (*Chairman*)

Leung Kwok Kuen

Lu Zhi Qin

### **NOMINATION COMMITTEE**

Leung Kwok Kuen Jacob (*Chairman*)

Tsui Kwok Ho

Fung Ling Yip

### **REMUNERATION COMMITTEE**

Tsui Kwok Ho (*Chairman*)

Liu Wing Yee Amy

Leung Kwok Kuen Jacob

### **COMPANY SECRETARIES**

Chok Kwee Wah (MACS No. 00550)

Tan Kean Wai (MAICSA No. 7056310)

Pang Lee Mei (MAICSA No. 7030934)

### **AUDITORS**

Siew Boon Yeong & Associates (AF 0660)

Chartered Accountants

9-C, Jalan Medan Tuanku, Medan Tuanku,  
50300 Kuala Lumpur, Malaysia.

Tel: (603) 26938837

Fax: (603) 26938836

## **CORPORATE INFORMATION (Continued)**

### **REGISTERED OFFICE**

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

### **SHARE REGISTRAR**

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

### **PRINCIPAL BANKERS**

HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad

### **SOLICITORS**

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

### **STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad

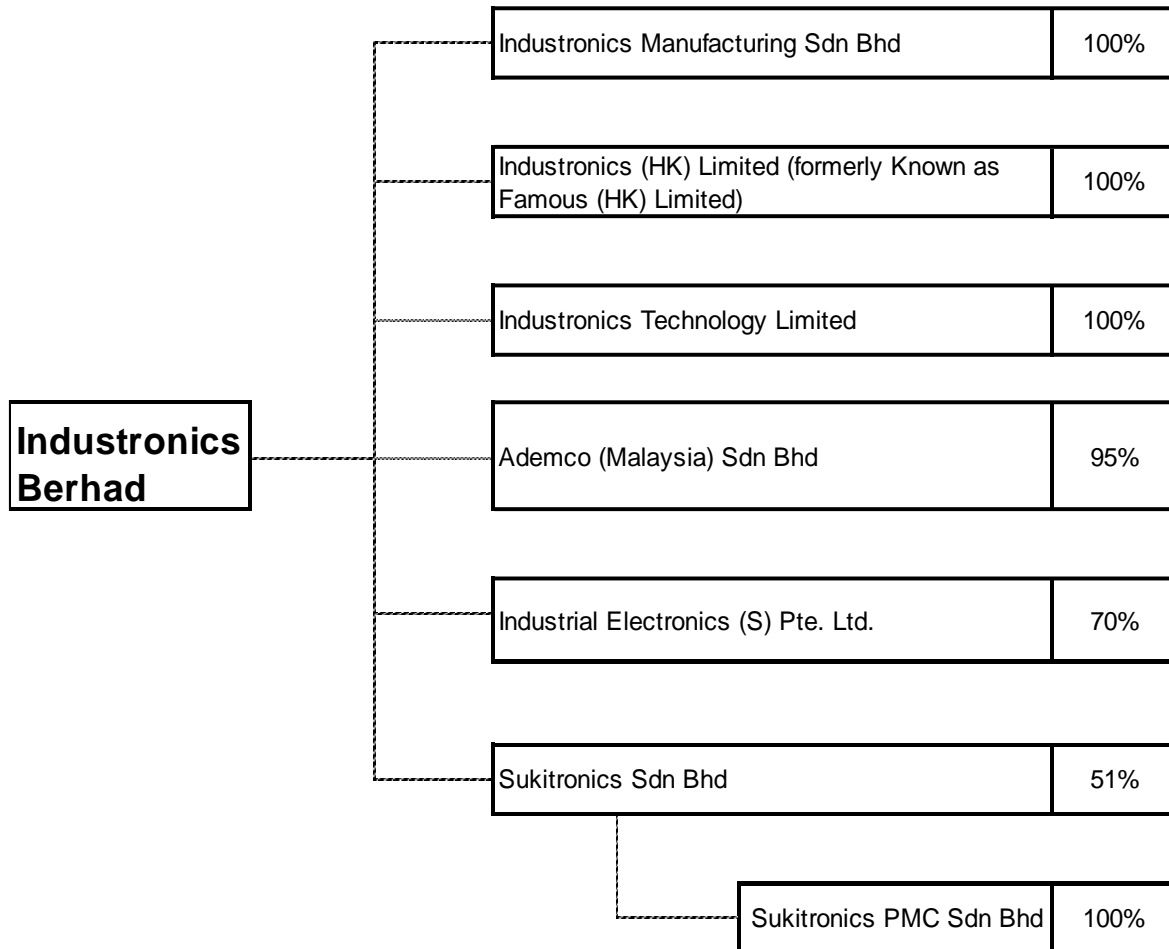
### **INVESTORS SERVICE**

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

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

# INDUSTRONICS BERHAD

## CORPORATE STRUCTURE AS AT 31 MARCH 2017



 Note: Excluding dormant subsidiaries

## **CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors ("Board") of Industronics Berhad ("IB" or "the Company"), I am pleased to present the Annual Report of IB for the financial year ended 31 December 2016.

### **Financial Performance**

The past few years have been a challenging period for our Group due to factors such as increasingly competitive environment in the industry, increase in material costs, fewer large scale project orders and tougher economic outlook.

The Group reported a higher revenue of RM30.87 million as compared to RM23.63 million in the previous year. The Group recorded higher loss after tax of RM13.63 million compared to a loss of RM12.94 million in the preceding year.

In order to improve the Group financial position and performance, our Group had continued to develop new businesses with growth potential. One of the market that the Group has ventured into is on sales of precision instruments through its Hong Kong subsidiary, Industronics (HK) Limited.

Another ongoing business plan is on the development of openstack cloud computing software platform, file hosting platform and game server platform. Based on current cash flow projections, the software development is expected to contribute positively to the Group when the development is completed.

In addition, the Group has continuously streamlined its structure to reduce losses & operating expenses. During the financial year 2016, 3 Hong Kong subsidiaries and 1 Malaysia subsidiary have been disposed of. In addition, a property held by the Group subsidiary, Sukitronics Sdn Bhd had been disposed of in view that the property was no longer in use for business operations.

At 31 December 2016, the Cash and Bank Balances of the Group stood at RM7.6 million. The Group's loss per share was 12.48 sen.

### **Operation Review**

2016 was a challenging year for the Group due to external factors such as increasingly competitive business environment, slowdown in global economy, slowdown in industry and sectors in which the Group operates within.

To strengthen the financial performance of the Group, the Group continued to look for ways to increase its revenue stream and streamline its operations to be more cost efficient.

### **Malaysia Operations**

2016 saw an increasingly competitive environment amidst a challenging economy. Nevertheless, Industronics Berhad (IB) has begun its efforts to capitalise on different opportunities that such a market may offer.

Whilst continued overseas demand for its OLYMPEX Electronic LED Scoreboards remained firm, IB continued to expand its range of LED Screens and System Applications offerings to address the growing market for LED solutions.

IB is also a key transport information systems provider and developer regionally. In 2016, IB was awarded more contracts in KLIA and Penang International Airport. The demand for Operations and Maintenance Services offered by IB has also held steady for 2016.

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

Year 2016 was also a challenging year for AV, ITS & Communication division (AIC) of Industronics Berhad, which handles System Integration mainly on Intelligent Transport Systems (ITS) , Audio Visual and CCTV Systems. Most of the projects in year 2016 were recurring spin offs from the main contracts previously undertaken. The spin offs were from KL-Kuala Selangor Expressway where upgrading and extensions are involved and highway maintenance projects from SPRINT and LDP, audio visual maintenance and trading sales to private education sectors. Several tender bidding and proposals submitted in year 2016 are still pending results and the division is hopeful on the outcome.

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

### Hong Kong Operations

Industronics (HK) Limited, has achieved significant sales of precision instruments of HKD 32.90 million (approximately RM18.62 million) in FY2016 compared to HKD 6.66 million (approximately RM3.77 million) in FY2015.

Industronics Technology Limited (ITL) has recorded revenue of HKD7.8 million (approximately RM4.42 million) in FY2016 compared to HKD15.30 million (approximately RM8.66 million) in FY2015. In FY2016, ITL continued in its software development of openstack cloud computing software platform, file hosting platform and game server platform.

### Singapore Operations

IB Singapore subsidiary, Industrial Electronics Pte Ltd, continued to build sales on its main product segments such as LED Sign Boards, LED Video Scoreboards and Lightning Surge Arresters. The company supplied its products to Sports Singapore, local authorities and system integrators. In addition, it also provided maintenance for LED Traffic Lights in Singapore.



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

### **Dividend**

The Board of Directors does not recommend any payment of dividend for the financial year ended 31 December 2016.

### **Prospects**

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

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

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

### **Acknowledgements**

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

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

Thank you.

Leung Kwok Kuen Jacob  
Independent Non-Executive Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue and Gross Profit

The Group achieved higher revenue of RM30.87 million in FY2016 compared to RM23.63 million in FY2015. The higher revenue is mainly due to higher sales achieved by Industronics (HK) Ltd, a subsidiary based in Hong Kong in the sales of precision instruments which amounted to about HKD32.90 million (approximately RM18.62 million) in FY2016 compared to HKD6.66 million (approximately RM3.77 million) in FY2015. The gross profit margin is however low due to the competitive market in this business segment.

Industronics Technology Ltd has achieved revenue of HKD7.8 million (approximately RM4.42 million) in FY2016 which is related to the sales of clothes & cosmetics products. The sale was made at cost as the stocks were more than 2 years and the nature of these products are susceptible to fast changing trends.

For Malaysia operation, Industronics Berhad (IB) achieved sales of approximately RM4.56 million in FY2016 excluding intercompany sales compared to about RM7.68 million in FY2015 excluding intercompany sales. Average gross profit margin achieved is around 22% and 26% in FY2016 and FY2015 respectively.

Ademco (Malaysia) Sdn Bhd, another subsidiary based in Malaysia has generated revenue of about RM1.3 million in FY2016 compared to RM1.4 million in FY2015. The revenue has an average gross profit margin of 34% in FY2016 and 30% in FY2015.

Revenue excluding intercompany sales generated by Industrial Electronics Pte Ltd (IEPL), a subsidiary based in Singapore was SGD0.17 million (approximately RM0.52 million) in FY2016 compared to SGD0.44 million (approximately RM1.35 million) in FY2015.

### Other Operating Income

Other operating income generated by the Group was RM0.90 million in FY2016 compared to RM1.63 million in previous year.

In FY2016, the operating income was mainly generated from IEPL, arising from payment of interest by Vashion Group Limited (Vashion) in relation to a loan agreement entered into on refundable deposit by Vashion. The operating income also included gain on disposal of property, plant and equipment in FY2016.

### Operating Expenses

Administrative expenses of the Group has decreased to RM12.32 million in FY2016 compared to RM14.79 million in FY2015. The lower expenses is mainly due to lower employee benefits expenses incurred in FY2016 (RM10.67 million) compared to FY2015 (RM11.87 million).

Other operating expenses was higher in FY2016 (RM2.82 million) as compared to FY2015 (RM0.56 million). This is mainly due to higher provision for doubtful debts of RM2.54 million in FY2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Loss For The Year**

Group loss for the year was higher at RM13.63 million compared to RM12.94 million in FY2015 despite higher revenue being generated in FY2016. This is mainly due to lower average gross profit margin generated by the Group of 10.3% in FY2016 compared to 17.8% in FY2015.

## **STATEMENT ON CORPORATE GOVERNANCE**

### **THE CODE**

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

The Board is pleased to set out below the insight of application of the principles and compliance with the recommendations as laid down in the Malaysian Code on Corporate Governance (“the Code”) by the Group throughout the financial year ended 31 December 2016 up to the date of this Annual Report.

### **BOARD OF DIRECTORS**

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

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

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

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

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

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

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

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

## Board Balance and Board Effectiveness (Continued)

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

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

## Board Charter

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

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

## Board Meetings

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

During the financial year ended 31 December 2016, five (5) Board Meetings were held and details of the attendance record of each Director is set out below:-

<b>Name of Directors</b>	<b>Attendance</b>	<b>% of Attendance</b>
Liu Wing Yee Amy	5/5	100%
Leung Kwok Kuen Jacob	5/5	100%
Tsui Kwok Ho	3/5	60%
Lu Zhi Qin	5/5	100%
Fung Ling Yip	5/5	100%

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

## **Supply of Information**

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

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

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

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

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

## **Appointment of Directors**

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

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

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

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

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

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

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

In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) of the Board of Directors are required to submit themselves for re-election by rotation at each annual general meeting. Directors who are appointed by the Board are subject to re-election by shareholders at the first annual general meeting after their appointment.

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

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

In view thereof, the Board recommends that the retiring directors at the forthcoming 42<sup>nd</sup> AGM be re-elected.

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

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

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

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

## Board Committees

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

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

### (i) Audit Committee

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

The Audit Committee assists and supports the Board in fulfilling its fiduciary responsibilities relating to the Group's financial reporting practices, accounting policies, internal controls, business ethics policies and the independence of the Group's external and internal auditors. The Report of Audit Committee is set out in page 20 to 22 of this Annual Report.

### (ii) Nomination Committee

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

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

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

The summary duties of the Nomination Committee are as follows:

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

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

The activities undertaken by the Nomination Committee during the financial year were as follows:

- i) reviewed the required mix of skills, experience and other qualities of the Board, including core competencies which Non-Executive Directors should bring to the Board;
- ii) assessed the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director including time commitment, experience and integrity; and
- iii) recommended the Directors who retired in accordance with the Company's Articles of Association and the Companies Act, 1965 to the Board for re-election.



## Board Committees (continued)

### (iii) Remuneration Committee

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

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

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

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

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

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

The details of the remuneration received by the Directors of Industronics Berhad which include benefit-in-kind for the financial year 2016 are as follows:

	<b>Fees</b>	<b>Salaries and other emoluments</b>	<b>Bonuses</b>	<b>Benefit-in-kind</b>	<b>EPF and SOCSO</b>	<b>Total</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
<b>Executive Director</b>						
Received from the Company	-	69,966	-	-	-	69,966
Received From Other Subsidiaries of the Group	-	-	-	-	-	-
<b>Non-Executive Directors</b>						
Received from the Company	156,000	115,484	-	-	-	271,484
Received From Other Subsidiaries of the Group	-	-	-	-	-	-
<b>Total Received from the Group</b>						
Executive Director	-	-	-	-	-	-
Non-Executive Directors	<b>156,000</b>	<b>185,450</b>	-	-	-	<b>341,450</b>

## Board Committees (continued)

### (iii) Remuneration Committee (continued)

The Directors' remuneration which include the benefit-in-kind for the financial year 2016 categorised into band of RM50,000 are as follows :

	Range of Remuneration	Executive Director(s)	Non-Executive Director(s)
The Company	Below RM50,000	-	2
	RM50,001 to RM100,000	1	1
	RM100,001 to RM150,000	-	1
	RM150,001 to RM200,000	-	-
The Subsidiary Companies	Below RM50,000	-	-
	RM50,001 to RM100,000	-	-
	RM100,001 to RM150,000	-	-
	RM150,001 to RM200,000	-	-

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

## **Directors' Responsibility Statement**

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

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

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

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

## **Financial Reporting**

The Board is responsible for ensuring accurate and timely announcements of quarterly financial results and annual financial statements are made and that they represent a fair assessment of the Group's position and prospects. The financial statements are presented on pages 42 to 124 of this Annual Report.

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

## **External Audit**

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

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

## **Risk Management and Internal Control**

The Board is overall responsible for the maintenance of a sound system of risk management and internal control that supports effective and efficient operations and compliance with laws and regulations. The Statement on Risk Management and Internal Control is set out on pages 23 to 25 of this Annual Report.

## **Shareholders**

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

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

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

### **Annual General Meeting**

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

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

### **Compliance with the Code**

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

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

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

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

### **Environment**

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

### **Community**

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

**Workplace and employees welfare**

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

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

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

## AUDIT COMMITTEE REPORT

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The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

### MEMBERSHIP

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

Fung Ling Yip

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

Leung Kwok Kuen Jacob

***Independent Non-Executive Director***

Lu Zhi Qin

***Independent Non-Executive Director***

### ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2016, the Committee held a total five (5) meetings. The details of attendance of the Committee members are as follows:-

<b>Name of Directors</b>	<b>Attendance</b>	<b>% of Attendance</b>
Fung Ling Yip	5/5	100%
Leung Kwok Kuen Jacob	5/5	100%
Lu Zhi Qin	5/5	100%

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

### SUMMARY OF THE TERM OF REFERENCE

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

#### Membership

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

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

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

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

## **Authority**

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

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

## **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are : -

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

## **ACTIVITIES DURING THE FINANCIAL YEAR**

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

The main activities undertaken by the Committee were as follows:

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

## **INTERNAL AUDIT FUNCTION**

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

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



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

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### **INTRODUCTION**

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

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

### **RESPONSIBILITY**

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

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

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

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

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

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

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

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

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

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

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

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Towards this purpose, RMS has developed an annual Internal Audit Plan using a risk-based approach, which was presented to and approved by the Audit Committee. RMS performed periodic internal control reviews according to the approved Internal Audit Plan to assess the adequacy and integrity of the system of internal controls of the major business units within the Group. The audit observations, recommendations for improvement and status of actions taken by the management to address the issues were reported to the Audit Committee. Follow-up audits are conducted to assess the status of implementation of corrective actions and recommendations. The total cost incurred for the internal audit function for the financial year ended 31 December 2016 was RM16,000.

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

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

### Term of Reference

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

### Operating structure with clearly defined lines of responsibility

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

### Independence of the Audit Committee

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

### Control procedures

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

### Employee competency

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

### Internal audit

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

### Financial Reporting

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

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

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### ISO 9001: 2008

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

### Insurance

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

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

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

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

### Review of the statement by external auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2016 and reported to the Board that nothing come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## **DIRECTORS' PROFILE**

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

*Chairman, Independent Non-Executive Director*

Mr. Leung Kwok Kuen Jacob, a Chinese nationality, aged 52, is an Independent Non-Executive Director of Industronics Berhad. He was appointed to the Board on 19 December 2013 and re-designated as Chairman of the Company on 21 December 2015. He completed the five-year secondary education in Hong Kong on 1982 and passed with the Hong Kong Certificate of Education Examination (HKCEE).

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

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

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

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

*Executive Director*

Ms. Liu Wing Yee Amy, a Canadian nationality, aged 30, was appointed to the Board on 2 December 2013 and later on 14 February 2014 was appointed as the Executive Director of Industronics Berhad ("Industronics"). She is currently pursuing her Degree in Bachelor of Arts and Business Management from Kwantien Polytechnic University.

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

She is a member of the Remuneration Committee.

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

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

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

*Independent Non-Executive Director*

Mr. Tsui Kwok Ho, a citizen of People's Republic of China, aged 42, is an Independent Non-Executive Director of Industronics. He was appointed to the Board on 2 December 2013. He graduated from the University of Victoria, British Columbia, Canada with a Bachelor Degree of Commerce in Business Administration as well as Specialized in International Business.

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

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

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

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

*Independent Non-Executive Director*

Ms. Lu Zhi Qin, a Canadian nationality, aged 44, was appointed to the Board on 16 June 2014. Ms. Lu graduated from Baiyun College Shanghai, China.

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

She is a member of the Audit Committee.

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

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

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

*Independent Non-Executive Director*

Mr. Fung Ling Yip, a citizen of People's Republic of China, aged 40, was appointed to the Board on 10 December 2014. Mr. Fung is a fellow member of CPA Hong Kong and Association of Chartered Certified Accountants (UK).

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

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

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

## REPORTS AND AUDITED FINANCIAL STATEMENTS

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## **INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT**

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

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are designing, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiary companies are as set out in *Note 6* to the financial statements. There were no significant changes in the nature of these activities during the financial year.

#### **FINANCIAL RESULTS**

	<i>Group</i> RM	<i>Company</i> RM
Loss for the year:		
- Continuing operations	12,974,049	8,794,617
- Discontinued operations	654,825	-
	<u>13,628,874</u>	<u>8,794,617</u>
Loss for the year attributable to:		
- Owners of the Company	12,821,835	8,794,617
- Non-controlling interests	807,039	-
	<u>13,628,874</u>	<u>8,794,617</u>

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

#### **DIVIDEND**

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

#### **MOVEMENTS ON RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.



## **ISSUE OF SHARES AND DEBENTURES**

There was no issue of shares or debentures by the Company during the financial year.

## **OPTIONS**

No option has been granted during the financial year to take up unissued shares of the Company.

## **SHARE ISSUANCE SCHEME**

The Share Issuance Scheme (“SIS”) of the Company was approved by shareholders at the Extraordinary General Meeting held on 26 June 2013. The scheme was in force for a period of three years from 12 November 2013. On 17 March 2015, the Company SIS Committee has cancelled the unexercised SIS share options and granted another share options to three eligible employees. The SIS expired on 12 November 2016.

## **DIRECTORS**

The directors in office since the date of the last report are:

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

## **DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, none of the directors who held office at the end of the financial year had an interest in the shares of the Company and its related corporations as at the end of the financial year.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (*other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 29 to 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.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **OTHER STATUTORY INFORMATION**

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amounts written off of bad debts or the amount of the allowance for doubtful debts in the financial statements inadequate to any substantial extent or the values attributed to current assets misleading; and
- (b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and
- (b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and in the Company.

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 affect the ability of the Group and of the Company to meet their obligations when they fall due.

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 which would render any amount stated in the financial statements misleading.

#### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in *Note 36* to the financial statements.

#### **SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR**

The significant event subsequent to the financial year are disclosed in *Note 37* to the financial statements.

## **AUDITORS**

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

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

**LIU WING YEE AMY**  
Director

**LEUNG KWOK KUEN JACOB**  
Director

Date: 18 April 2017

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

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

In the opinion of the directors, the financial statements set out on pages 42 to 124 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 exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the year ended on that date.

The information set out on page 125 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in  
accordance with a resolution of the Directors  
dated 18 April 2017

**LIU WING YEE AMY**

**LEUNG KWOK KUEN JACOB**

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATUTORY DECLARATION**

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

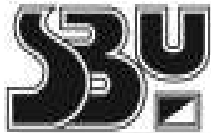
I, Lee Kim Vun, being the officer primarily responsible for the financial management of Industronics Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 42 to 125 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly  
declared in Kuala Lumpur on 18 April 2017

**LEE KIM VUN**

Before me

Commissioner for Oaths



Company No. 23699-X

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
INDUSTRONICS BERHAD  
(Incorporated in Malaysia)**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Industronics Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, 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 on pages 42 to 124.

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 Companies Act, 1965 in Malaysia.

*Basis of 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Company No. 23699-X

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## **Risk area and rationale**

## **Our response**

### **Intangible Assets (Note 8 to the financial statements)**

The Group has capitalised significant software development expense in progress on openstack software platform, file hosting platform and game server platform.

As the carrying amount of software development in progress represents 13% of the Group's total assets and the inherent risk is relatively high, we considered this as a key audit matter.

Our audit procedures included, amongst others:

- Assessed the appropriateness of the Group's intangible assets recognition accounting policies;
- Reviewed the classification and capitalisation in accordance to the nature of the intangible assets;
- Enquired and evaluated the technical feasibility and commercial feasibility of the internally generated software development expense; and
- Obtained the list of additions during the financial year and verified to the supporting documents.

### **Trade and Other Receivables (Note 11 to the financial statements)**

Receivables are subject to credit risk exposure.

During the financial year, the Group provided approximately RM2.54 million of impairment losses on trade receivables.

We considered this as a key audit matter as the assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.

Our audit procedures included, amongst others:

- Obtained an understanding of the Group's control over the receivable collection process and making inquiries regarding the action plans to recover the overdue amounts;
- Reviewed the ageing analysis of receivables and testing the reliability thereof;
- Reviewed subsequent collections from receivables; and
- Evaluated the reasonableness and adequacy of the impairment losses provided.





*Company No. 23699-X*

*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 auditors' report thereon.

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

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

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

*Responsibilities of the 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 Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

*Auditors' Responsibility 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.



*Company No. 23699-X*

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

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

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

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

*Company No. 23699-X*

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

### **Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' report of the subsidiary companies of which we have not acted as auditors, which are included in *Note 6* to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiary companies 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.
- (d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

### **Other Reporting Responsibilities**

The supplementary information set out on page 125 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.



*Company No. 23699-X*

**Other Matters**

- (a) The financial statements of the Company for the financial year ended 31 December 2015 were audited by another firm of Chartered Accountants whose report dated 15 April 2016 expressed an unqualified opinion.
- (b) 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 for this report.

**SIEW BOON YEONG & ASSOCIATES**

AF: 0660  
Chartered Accountants

**DATO' SIEW BOON YEONG**

01321/07/18 J  
Chartered Accountant

Kuala Lumpur,  
Date: 18 April 2017

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION****as at 31 December 2016**

		Group		Company	
		2016	2015	2016	2015
Note		RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	11,294,657	13,900,651	5,680,210	4,680,506
Investment in subsidiary companies	6	-	-	3,405,664	3,642,346
Investment properties	7	405,675	421,964	130,000	192,100
Intangible assets	8	5,148,850	4,173,368	89,000	89,000
Other investments	9	118,584	54,432	118,584	54,432
		<u>16,967,766</u>	<u>18,550,415</u>	<u>9,423,458</u>	<u>8,658,384</u>
CURRENT ASSETS					
Inventories	10	5,199,704	6,834,881	946,768	1,010,774
Trade and other receivables	11	9,015,395	16,688,149	3,486,167	10,708,198
Amount due from contract customers	12	533,194	1,123,937	443,413	1,034,156
Amount due from subsidiary companies	13	-	-	6,884,093	5,723,505
Other assets	14	228,305	146,470	47,515	52,178
Current tax assets		313,985	356,466	145,374	159,206
Cash and bank balances	15	7,621,118	5,401,453	1,627,993	2,082,671
		<u>22,911,701</u>	<u>30,551,356</u>	<u>13,581,323</u>	<u>20,770,688</u>
TOTAL ASSETS		<u>39,879,467</u>	<u>49,101,771</u>	<u>23,004,781</u>	<u>29,429,072</u>

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION****as at 31 December 2016**

	<i>Note</i>	<i>Group</i>		<i>Company</i>	
		2016	2015	2016	2015
		RM	RM	RM	RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16	51,381,400	51,381,400	51,381,400	51,381,400
Reserves	17	(26,961,207)	(17,645,224)	(41,893,865)	(34,237,683)
Total equity attributable to owners of the Company		24,420,193	33,736,176	9,487,535	17,143,717
Non-controlling interests		3,036,995	3,638,245	-	-
<b>TOTAL EQUITY</b>		<b>27,457,188</b>	<b>37,374,421</b>	<b>9,487,535</b>	<b>17,143,717</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Finance lease liabilities	18	11,309	125,320	11,309	19,728
Deferred tax liabilities	19	1,020,016	1,152,984	516,441	459,900
		1,031,325	1,278,304	527,750	479,628
<b>CURRENT LIABILITIES</b>					
Trade and other payables	20	6,536,147	4,343,502	3,698,472	1,066,007
Amount due to contract customers	12	205	205	-	-
Amount due to subsidiary companies	13	-	-	5,918,080	7,084,548
Other liabilities	21	4,244,880	4,494,677	2,873,544	3,253,372
Finance lease liabilities	18	118,741	225,814	8,419	7,860
Bank overdrafts	22	490,981	1,384,848	490,981	393,940
		11,390,954	10,449,046	12,989,496	11,805,727
<b>TOTAL LIABILITIES</b>		<b>12,422,279</b>	<b>11,727,350</b>	<b>13,517,246</b>	<b>12,285,355</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,879,467</b>	<b>49,101,771</b>	<b>23,004,781</b>	<b>29,429,072</b>

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

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
for the year ended 31 December 2016**

		<i>Group</i>		<i>Company</i>	
		2016	<i>Restated</i> 2015	2016	2015
	<i>Note</i>	RM	RM	RM	RM
<b>CONTINUING OPERATIONS:</b>					
REVENUE	23	29,517,587	22,367,165	11,214,632	11,119,784
COST OF SALES	24	<u>(26,593,537)</u>	<u>(18,100,404)</u>	<u>(8,751,069)</u>	<u>(8,242,824)</u>
GROSS PROFIT		2,924,050	4,266,761	2,463,563	2,876,960
OTHER OPERATING INCOME		899,552	1,634,806	2,108,290	1,803,319
ADMINISTRATIVE EXPENSES		(12,321,774)	(14,788,442)	(4,918,096)	(7,148,791)
SELLING AND DISTRIBUTION COSTS		(1,524,925)	(1,345,263)	(1,514,316)	(1,332,303)
OTHER OPERATING EXPENSES		<u>(2,819,030)</u>	<u>(564,499)</u>	<u>(6,847,602)</u>	<u>(7,552,126)</u>
LOSS FROM OPERATIONS		(12,842,127)	(10,796,637)	(8,708,161)	(11,352,941)
FINANCE COSTS	25	<u>(131,922)</u>	<u>(118,199)</u>	<u>(86,456)</u>	<u>(11,459)</u>
LOSS BEFORE TAXATION	26	(12,974,049)	(10,914,836)	(8,794,617)	(11,364,400)
INCOME TAX EXPENSE	27	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(12,974,049)</u>	<u>(10,914,836)</u>	<u>(8,794,617)</u>	<u>(11,364,400)</u>
<b>DISCONTINUED OPERATIONS:</b>					
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	6(e)	<u>(654,825)</u>	<u>(2,022,046)</u>	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u>(13,628,874)</u>	<u>(12,936,882)</u>	<u>(8,794,617)</u>	<u>(11,364,400)</u>

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
for the year ended 31 December 2016**

	<i>Group</i>		<i>Company</i>	
		<i>Restated</i>		
<i>Note</i>	2016 RM	2015 RM	2016 RM	2015 RM
<b>OTHER COMPREHENSIVE INCOME:</b>				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
- CONTINUING OPERATIONS				
Fair value gain on financial assets	64,152	-	64,152	-
Foreign currency translations	2,509,080	2,924,105	-	-
Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	(70,498)	-	(70,498)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Revaluation of land and buildings	1,422,624	-	1,130,824	-
Tax relating to revaluation of land and buildings	(71,131)	-	(56,541)	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	3,924,725	2,853,607	1,138,435	(70,498)
- CONTINUING OPERATIONS	(108,651)	(274,946)	-	-
- DISCONTINUED OPERATIONS	3,816,074	2,578,661	1,138,435	(70,498)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(9,049,324)	(8,061,229)	(7,656,182)	(11,434,898)
- CONTINUING OPERATIONS	(763,476)	(2,296,992)	-	-
- DISCONTINUED OPERATIONS	(9,812,800)	(10,358,221)	(7,656,182)	(11,434,898)



**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
for the year ended 31 December 2016**

	<i>Group</i>		<i>Company</i>	
		<i>Restated</i>		
<i>Note</i>	2016 RM	2015 RM	2016 RM	2015 RM
LOSS ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY				
- CONTINUING OPERATIONS	(12,213,919)	(10,437,379)	(8,794,617)	(11,364,400)
- DISCONTINUED OPERATIONS	<u>(607,916)</u>	<u>(1,866,897)</u>	<u>-</u>	<u>-</u>
	<u>(12,821,835)</u>	<u>(12,304,276)</u>	<u>(8,794,617)</u>	<u>(11,364,400)</u>
NON CONTROLLING INTERESTS				
- CONTINUING OPERATIONS	(760,130)	(477,457)	-	-
- DISCONTINUED OPERATIONS	<u>(46,909)</u>	<u>(155,149)</u>	<u>-</u>	<u>-</u>
	<u>(807,039)</u>	<u>(632,606)</u>	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR	<u>(13,628,874)</u>	<u>(12,936,882)</u>	<u>(8,794,617)</u>	<u>(11,364,400)</u>
TOTAL COMPREHENSIVE LOSS				
ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY				
- CONTINUING OPERATIONS	(8,552,507)	(8,017,919)	(7,656,182)	(11,434,898)
- DISCONTINUED OPERATIONS	<u>(763,476)</u>	<u>(1,866,897)</u>	<u>-</u>	<u>-</u>
	<u>(9,315,983)</u>	<u>(9,884,816)</u>	<u>(7,656,182)</u>	<u>(11,434,898)</u>
NON CONTROLLING INTERESTS				
- CONTINUING OPERATIONS	(496,817)	(318,256)	-	-
- DISCONTINUED OPERATIONS	<u>-</u>	<u>(155,149)</u>	<u>-</u>	<u>-</u>
	<u>(496,817)</u>	<u>(473,405)</u>	<u>-</u>	<u>-</u>
	<u>(9,812,800)</u>	<u>(10,358,221)</u>	<u>(7,656,182)</u>	<u>(11,434,898)</u>
LOSS PER SHARE	Sen	Sen		
<i>BASIC</i>				
- CONTINUING OPERATIONS	(11.89)	(10.16)		
- DISCONTINUED OPERATIONS	<u>(0.59)</u>	<u>(1.82)</u>		
<i>DILUTED</i>				
- CONTINUING OPERATIONS	(11.89)	(9.54)		
- DISCONTINUED OPERATIONS	<u>(0.59)</u>	<u>(1.71)</u>		

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

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
for the year ended 31 December 2016**

	<-----Attributable to owners of the Company----->						<-----Non-distributable----->			
	Share capital	Share premium	Share issuance scheme reserve	Revaluation reserve	Foreign currency translation reserve	Fair value adjustment reserve	Accumulated losses	Total	Non-controlling interests	Total
Group	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2015	51,381,400	1,253,054	458,620	4,398,276	952,281	74,806	(14,897,445)	43,620,992	4,111,650	47,732,642
Loss for the year	-	-	-	-	-	-	(12,304,276)	(12,304,276)	(632,606)	(12,936,882)
Other comprehensive income:										
Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	-	-	-	-	(70,498)	-	(70,498)	-	(70,498)
Foreign currency translations	-	-	-	-	2,489,958	-	-	2,489,958	159,201	2,649,159
Total comprehensive income/(loss) for the year	-	-	-	-	2,489,958	(70,498)	(12,304,276)	(9,884,816)	(473,405)	(10,358,221)
Balance at 31 December 2015	51,381,400	1,253,054	458,620	4,398,276	3,442,239	4,308	(27,201,721)	33,736,176	3,638,245	37,374,421

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
for the year ended 31 December 2016**

	<-----Attributable to owners of the Company----->									
	<-----Non-distributable----->									
	Share capital	Share premium	Share issuance scheme reserve	Revaluation reserve	Foreign currency translation reserve	Fair value adjustment reserve	Accumulated losses	Total	Non-controlling interests	Total
<i>Group</i>	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2016	51,381,400	1,253,054	458,620	4,398,276	3,442,239	4,308	(27,201,721)	33,736,176	3,638,245	37,374,421
Transactions with owners of the Company:										
Disposal of subsidiary companies	-	-	-	-	-	-	-	-	(104,433)	(104,433)
Loss for the year	-	-	-	-	-	-	(12,821,835)	(12,821,835)	(807,039)	(13,628,874)
Other comprehensive income:										
Revaluation on land and building	-	-	-	1,279,642	-	-	-	1,279,642	142,982	1,422,624
Tax relating to revaluation of land and building	-	-	-	(63,982)	-	-	-	(63,982)	(7,149)	(71,131)
Available-for-sale financial assets - fair value gain	-	-	-	-	-	64,152	-	64,152	-	64,152
Foreign currency translations	-	-	-	-	2,226,040	-	-	2,226,040	174,389	2,400,429
Disposal of land and building	-	-	-	(814,402)	-	-	814,402	-	-	-
Expiry of share issuance scheme	-	-	(458,620)	-	-	-	458,620	-	-	-
Total comprehensive (loss)/income for the year	-	-	(458,620)	401,258	2,226,040	64,152	(11,548,813)	(9,315,983)	(496,817)	(9,812,800)
Balance at 31 December 2016	51,381,400	1,253,054	-	4,799,534	5,668,279	68,460	(38,750,534)	24,420,193	3,036,995	27,457,188

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
for the year ended 31 December 2016**

&lt;-----Non-distributable-----&gt;

	Share capital	Share premium	Share issuance scheme reserve	Revaluation reserve	Fair value adjustment reserve	Accumulated losses	Total
<i>Company</i>	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2015	51,381,400	1,253,054	458,620	2,834,754	74,806	(27,424,019)	28,578,615
Loss for the year	-	-	-	-	-	(11,364,400)	(11,364,400)
Other comprehensive income:							
Available-for-sale financial assets reclassification of fair value adjustment to profit or loss upon disposal	-	-	-	-	(70,498)	-	(70,498)
Total comprehensive loss for the year	-	-	-	-	(70,498)	(11,364,400)	(11,434,898)
Balance at 31 December 2015/1 January 2016	51,381,400	1,253,054	458,620	2,834,754	4,308	(38,788,419)	17,143,717
Loss for the year	-	-	-	-	-	(8,794,617)	(8,794,617)
Other comprehensive income:							
Revaluation on land and building	-	-	-	1,130,824	-	-	1,130,824
Tax relating to revaluation of land and building	-	-	-	(56,541)	-	-	(56,541)
Available-for-sale financial assets - fair value gain	-	-	-	-	64,152	-	64,152
Expiry of share issuance scheme	-	-	(458,620)	-	-	458,620	-
Total comprehensive income/(loss) for the year	-	-	(458,620)	1,074,283	64,152	(8,335,997)	(7,656,182)
Balance at 31 December 2016	51,381,400	1,253,054	-	3,909,037	68,460	(47,124,416)	9,487,535

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

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
for the year ended 31 December 2016**

	<i>Group</i>		<i>Company</i>	
	2016 RM	<i>Restated</i> 2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation				
- continuing operations	(12,974,049)	(10,914,836)	(8,794,617)	(11,364,400)
- discontinued operations	(654,825)	(2,022,046)	-	-
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	787,104	745,163	134,508	161,176
Depreciation of investment properties	11,763	39,763	4,694	4,694
Dividend income	(3,888)	(2,592)	(3,888)	(2,592)
Gain on disposal of property, plant and equipment	(286,575)	(30,000)	(30,647)	-
Gain on disposal of investment in subsidiary companies	(79,607)	(31,051)	(902,828)	-
Gain on disposal of other investments	-	(564,397)	-	(564,397)
Impairment loss on				
- trade receivables	2,540,420	509,221	-	106,670
- subsidiary companies	-	-	6,639,715	6,538,776
- investment in subsidiary companies	-	-	-	721,350
- investment properties	57,406	-	57,406	-
Inventories written down	84,466	359,924	69,437	319,021
Interest expenses	132,223	118,749	86,456	11,459
Interest income	(539,492)	(1,384)	(2,404)	(533)
(Loss)/gain on foreign exchange - unrealised	316,131	(527,333)	(720,025)	(643,300)
Property, plant and equipment written off	3	-	-	-
Reversal of inventories written down	(69,587)	(22,022)	(425,234)	-
Reversal of impairment loss on:				
- investment properties	(52,880)	-	-	-
- trade receivables	(30,160)	(1,240)	-	-
Reversal of provision of maintenance warranties	(11,816)	(28,117)	(11,816)	(22,030)
<i>Operating loss before working capital changes</i>	(10,773,363)	(12,372,198)	(3,899,243)	(4,734,106)
Increase in inventories	1,227,871	(901,460)	419,803	(149,610)
Decrease in receivables	4,512,452	11,988,227	7,231,446	7,385,163
Decrease/(increase) in amount due from contract customers	590,743	(515,253)	590,743	(38,243)
Increase in payables	2,658,852	2,284,192	2,069,868	449,664
Increase in amount due from subsidiary companies	-	-	(7,940,103)	(6,210,574)
<i>Cash (used in)/generated from operations</i>	(1,783,445)	483,508	(1,527,486)	(3,297,706)
Tax paid	(7,165)	(61,445)	(2,836)	(6,660)
Tax refunded	49,646	16,804	16,668	-
<i>Net cash (used in)/generated from operating activities</i>	(1,740,964)	438,867	(1,513,654)	(3,304,366)

**INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
for the year ended 31 December 2016**

	<i>Group</i>		<i>Company</i>	
	2016 RM	<i>Restated</i> 2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividend received	3,888	2,592	3,888	2,592
Interest received	539,492	1,384	2,404	533
Investment in subsidiary company	-	-	(4,793)	(5,632)
Purchase of intangible assets	(975,482)	(4,084,368)	-	-
Proceeds from disposal of investment in subsidiary companies	-	-	1,144,303	1
Net cash inflow from disposal of investment in subsidiary companies ( <i>Note 6 (e)</i> )	1,121,383	1	-	-
Purchase of property, plant and equipment	(3,950)	(1,351,757)	(3,950)	(147,012)
Proceeds from disposal of property, plant and equipment	2,377,508	30,000	31,209	-
Proceeds from disposal of other investments	-	1,384,698	-	1,384,698
<i>Net cash generated from/(used in) investing activities</i>	<u>3,062,839</u>	<u>(4,017,450)</u>	<u>1,173,061</u>	<u>1,235,180</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid	(132,223)	(118,749)	(86,456)	(11,459)
Repayment of finance lease liabilities	(221,084)	(214,937)	(7,860)	(42,267)
<i>Net cash used in financing activities</i>	<u>(353,307)</u>	<u>(333,686)</u>	<u>(94,316)</u>	<u>(53,726)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	968,568	(3,912,269)	(434,909)	(2,122,912)
<i>Effect of change on foreign exchange differences</i>	2,144,964	2,555,505	(116,810)	-
<i>Cash and cash equivalents at beginning of year</i>	<u>4,016,605</u>	<u>5,373,369</u>	<u>1,688,731</u>	<u>3,811,643</u>
<i>Cash and cash equivalents at end of year</i>	<u><u>7,130,137</u></u>	<u><u>4,016,605</u></u>	<u><u>1,137,012</u></u>	<u><u>1,688,731</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>				
Cash and bank balances	7,621,118	5,401,453	1,627,993	2,082,671
Bank overdrafts	(490,981)	(1,384,848)	(490,981)	(393,940)
	<u><u>7,130,137</u></u>	<u><u>4,016,605</u></u>	<u><u>1,137,012</u></u>	<u><u>1,688,731</u></u>

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

## **INDUSTRONICS BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS - 31 December 2016**

#### **1. GENERAL INFORMATION**

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

The principal activities of the Company are designing, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiary companies are as set out in *Note 6*. There were no significant changes in the nature of these activities during the financial year.

The address of the registered office of the Company is Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan, No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur.

The address of the principal place of business of the Company is No. 9, Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

#### **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act, 1965 in Malaysia. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

On 1 January 2016, the Group and the Company adopted the following MFRS and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for the annual periods beginning on or after 1 January 2016:

MFRS 14 - Regulatory Deferral Accounts

Amendments to MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception

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

Amendments to MFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative

Amendments to MFRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 Property, Plant and Equipment - Agriculture: Bearer Plants

Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements

Amendments to MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 141 Agriculture - Agriculture: Bearer plants

Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above MFRS and Amendments to MFRSs did not have any material impacts to the financial statements of the Group and of the Company.

**MFRSs, Amendments to MFRSs and Issue Committees (“IC”) Interpretation that have been issued but are not yet effective**

The Group and the Company have not adopted the following MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but not yet effective:

<b>MFRSs/Amendments to MFRSs/IC Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2017, 1 January 2018
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018



<b>MFRSs/Amendments to MFRSs/IC Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 - Leases	1 January 2019
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of these standards and amendments that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

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

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a goods or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related Issues Committee Interpretations.

#### MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The adoption of the above MFRSs will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting these MFRSs.

### 3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Basis Of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

(i) *Acquisition method of accounting for business combinations*

Acquisition of subsidiary companies is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

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

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(ii) *Non-controlling interest*

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to owners of the Company.

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

(b) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Land and buildings are revalued periodically, at least once in every 3 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.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

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

Freehold land is not depreciated.

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss in determining profit from operations.

(c) Investment In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment, unless the investment is classified as held for sale. The impairment loss is recognised in profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are stated at cost less accumulated depreciation and any accumulated impairment losses. No depreciation is provided on the freehold land within investment properties as it has an indefinite useful life. Depreciation on the building is provided at 2% based on the straight line basis to write off the cost of property to its residual value over its estimated useful life.

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

Transfer are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for a property, plant and equipment set out in *Note 3(b)* up to the date of change in use.

(e) Intangible Assets - Research And Development Expenditures

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects relating to the design and testing of new or improved products or process are recognised as intangible assets if, and only if an entity can demonstrate all of the following:-

- i. its ability to measure reliably the expenditure attributable to the assets under development;
- ii. the product or process is technically and commercially feasible;
- iii. its future economic benefits are probable;
- iv. its ability to use or sell the developed assets; and
- v. the availability of adequate technical, financial and other resources to complete the assets under development.

Capitalised development expenditures are measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as asset in the subsequent period.

Development expenditures are amortised on a straight-line basis over a period of five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at each reporting date.

(f) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group and the Company have 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 and the Company have 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, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

(i) *Financial Assets*

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

- *Financial Assets at Fair Value Through Profit or Loss*

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

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

- *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 revenue recognised on an effective yield basis.

- *Loans and Receivables*

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables 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.

- *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 and the Company's rights 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.

(ii) *Financial Liabilities*

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

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

- *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 or a derivative that is a financial guarantee contract.

- *Other Financial Liabilities*

Other financial liabilities are non-derivatives financial liabilities. Other liabilities are subsequently measured at amortised cost using the effective interest method.

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

(iii) *Equity Instruments*

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

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

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

(g) Impairment

(i) *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 objective evidence of impairment.



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

With the exception of available-for-sale equity 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.

(ii) *Impairment of Non-financial Assets*

The carrying amounts 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 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. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to profit or loss immediately 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.

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.

A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

(h) Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(i) Amount Due From/To Contract Customers

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined by the actual costs incurred for work performed to-date in relation to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

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

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to contract customers.

(j) Finance Lease

Assets acquired under finance lease arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under finance lease agreements are recorded as liabilities. The interests are allocated to profit or loss over the year of the respective agreements based on the remaining balance of liability for each period during the finance lease term. Assets acquired under finance lease arrangements are depreciated over the expected useful lives of equivalent owned assets.

(k) Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(l) 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 and of the Company. 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.

(m) Provisions For Liabilities

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

(n) Related Parties

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - a. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiary companies and fellow subsidiary companies);
  - b. has an interest in the entity that gives it significant influence over the entity, or
  - c. has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venture;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the directors of the Company and directors of the subsidiary companies, members of senior management and chief executive officer of the Company as well as members of senior management and chief executive officers of major subsidiary companies of the Group.

(o) Foreign Currency Translations

(i) *Transactions And Balances*

Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia (“RM”) at the rates of exchange ruling at the end of the reporting period. Transactions in foreign currencies have been converted at rates ruling at the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss. Non-monetary assets and liabilities are translated using exchange rates that existed when the values determined.

*(ii) Foreign Operations*

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition of foreign operations, are translated into RM for consolidation at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial period. All exchange differences arising from translation are recognised directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, accumulated translation differences recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to comprehensive income.

**(p) Revenue Recognition**

- (i)* Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue from sale of goods and services is recognised upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.
- (ii)* Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable.

The stage of completion is determined based on total costs incurred to date over the estimated total project costs.

- (iii)* Interest income is recognised on an accrual basis using the effective interest rate.
- (iv)* Rental income is accounted for in straight line basis over leased terms.
- (v)* Management fees are recognised when the services are rendered.

**(q) Income Tax Expense**

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can 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.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting 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. The carrying amounts of deferred tax assets are reviewed at end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(r) Employee Benefits

(i) *Short Term Employee Benefits*

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Past-service costs are recognised immediately in profit or loss.

(ii) *Defined Contribution Plan*

The Group's and the Company's contributions to defined contribution plans regulated and managed by the government, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further financial obligations.

(s) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. 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.

(t) Cash And Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, 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.

(u) Earnings Per Ordinary Share

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

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Operating Segments

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

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated 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 and the Company'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 residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The carrying amount of property, plant and equipment are disclosed in *Note 5*.

(b) 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 CGU 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.

The carrying amount of non-financial assets are disclosed in *Note 5* to *Note 8*.

(c) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables 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 loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

The carrying amount of loans and receivables are disclosed in *Note 31(c)*.



(d) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) *Contract Revenue*

Construction contracts accounting requires variation claims only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the probability of the contract on an individual basis at any particular time.

The carrying amount of amount due from/to contract customers are disclosed in *Note 12*.

(e) Write Down of Inventories

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

The carrying amount inventories are disclosed in *Note 10*.

(f) Income Taxes

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

The carrying amount of current tax assets of the Group and of the Company are RM313,985 (2015: RM356,466) and RM145,374 (2015: RM159,206) respectively.

The carrying amount of deferred tax liabilities are disclosed in *Note 19*.

(g) Material Litigations

The Company and its subsidiary companies determine whether a present obligation in relation to a material litigation exist at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Company and its subsidiary companies evaluate if a provision needs to be recognised on the financial statements.

## 5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
<i>Group</i>	RM	RM	RM	RM	RM	RM	RM	RM
<i>Cost /valuation</i>								
At 1 January 2015								
Cost	-	-	3,291,802	575,139	2,457,533	2,153,665	1,806,495	10,284,634
Valuation	7,699,412	3,900,588	-	-	-	-	-	11,600,000
	7,699,412	3,900,588	3,291,802	575,139	2,457,533	2,153,665	1,806,495	21,884,634
Additions	-	-	-	-	65,000	53,025	1,233,732	1,351,757
Disposal	-	-	-	-	(37,644)	-	-	(37,644)
Written off	-	-	(2,515,380)	-	-	-	-	(2,515,380)
Foreign currency translation	-	-	-	-	132,442	58,679	18,528	209,649
At 31 December 2015/1 January 2016								
Cost	-	-	776,422	575,139	2,617,331	2,265,369	3,058,755	9,293,016
Valuation	7,699,412	3,900,588	-	-	-	-	-	11,600,000
	7,699,412	3,900,588	776,422	575,139	2,617,331	2,265,369	3,058,755	20,893,016
Additions	-	-	-	-	-	3,950	-	3,950
Disposal	(1,900,000)	(300,000)	-	-	(506,423)	(61,503)	(9,617)	(2,777,543)
Written off	-	-	(1,010)	-	-	(2,080)	-	(3,090)
Revaluation surplus	870,588	329,412	-	-	-	-	-	1,200,000
Disposal of subsidiary companies	-	-	(775,411)	(115,589)	-	-	(1,243,270)	(2,134,270)
Foreign currency translation	-	-	-	-	30,628	13,602	43,989	88,219
At 31 December 2016								
Cost	-	-	1	459,550	2,141,536	2,219,338	1,849,857	6,670,282
Valuation	6,670,000	3,930,000	-	-	-	-	-	10,600,000
	6,670,000	3,930,000	1	459,550	2,141,536	2,219,338	1,849,857	17,270,282

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
<i>Group</i>	RM	RM	RM	RM	RM	RM	RM	RM
<i>Accumulated depreciation</i>								
At 1 January 2015								
Cost	-	-	3,051,004	490,729	1,637,231	1,882,563	1,568,394	8,629,921
Valuation	-	86,600	-	-	-	-	-	86,600
	-	86,600	3,051,004	490,729	1,637,231	1,882,563	1,568,394	8,716,521
Charge for the year								
Cost	-	-	97,973	7,578	297,978	91,805	169,817	665,151
Valuation	-	80,012	-	-	-	-	-	80,012
	-	80,012	97,973	7,578	297,978	91,805	169,817	745,163
Disposal	-	-	-	-	(37,644)	-	-	(37,644)
Written off	-	-	(2,515,380)	-	-	-	-	(2,515,380)
Foreign currency translation	-	-	-	-	33,271	29,064	21,370	83,705
At 31 December 2015/1 January 2016								
Cost	-	-	633,597	498,307	1,930,836	2,003,432	1,759,581	6,825,753
Valuation	-	166,612	-	-	-	-	-	166,612
	-	166,612	633,597	498,307	1,930,836	2,003,432	1,759,581	6,992,365
Charge for the year								
Cost	-	-	90,469	6,199	260,569	89,889	266,633	713,759
Valuation	-	73,345	-	-	-	-	-	73,345
	-	73,345	90,469	6,199	260,569	89,889	266,633	787,104
Disposal	-	(17,333)	-	-	(398,320)	(57,281)	(9,577)	(482,511)
Written off	-	-	(1,008)	-	-	(2,079)	-	(3,087)
Elimination of accumulated depreciation on revaluation	-	(222,624)	-	-	-	-	-	(222,624)
Disposal of subsidiary companies	-	-	(723,058)	(50,584)	-	-	(349,085)	(1,122,727)
Foreign currency translation	-	-	-	-	15,951	9,024	2,130	27,105
At 31 December 2016								
Cost	-	-	-	453,922	1,809,036	2,042,985	1,669,682	5,975,625
Valuation	-	-	-	-	-	-	-	-
	-	-	-	453,922	1,809,036	2,042,985	1,669,682	5,975,625

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Group</i>								
<i>Net carrying amount</i>								
At 31 December 2016								
Cost	-	-	1	5,628	332,500	176,353	180,175	694,657
Valuation	6,670,000	3,930,000	-	-	-	-	-	10,600,000
	6,670,000	3,930,000	1	5,628	332,500	176,353	180,175	11,294,657
At 31 December 2015								
Cost	-	-	142,825	76,832	686,495	261,937	1,299,174	2,467,263
Valuation	7,699,412	3,733,976	-	-	-	-	-	11,433,388
	7,699,412	3,733,976	142,825	76,832	686,495	261,937	1,299,174	13,900,651

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Company</i>								
<i>Cost /valuation</i>								
At 1 January 2015								
Cost	-	-	42,890	115,890	1,487,148	1,258,445	1,277,750	4,182,123
Valuation	2,329,412	2,070,588	-	-	-	-	-	4,400,000
	2,329,412	2,070,588	42,890	115,890	1,487,148	1,258,445	1,277,750	8,582,123
Additions	-	-	-	-	65,000	51,425	30,587	147,012
At 31 December 2015/1 January 2016								
Cost	-	-	42,890	115,890	1,552,148	1,309,870	1,308,337	4,329,135
Valuation	2,329,412	2,070,588	-	-	-	-	-	4,400,000
	2,329,412	2,070,588	42,890	115,890	1,552,148	1,309,870	1,308,337	8,729,135
Additions	-	-	-	-	-	3,950	-	3,950
Disposal	-	-	-	-	(237,573)	-	-	(237,573)
Revaluation surplus	670,588	329,412	-	-	-	-	-	1,000,000
At 31 December 2016								
Cost	-	-	42,890	115,890	1,314,575	1,313,820	1,308,337	4,095,512
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	42,890	115,890	1,314,575	1,313,820	1,308,337	9,495,512

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Company</i>								
<i>Accumulated depreciation</i>								
At 1 January 2015								
Cost	-	-	42,889	107,418	1,374,932	1,197,540	1,116,674	3,839,453
Valuation	-	48,000	-	-	-	-	-	48,000
	-	48,000	42,889	107,418	1,374,932	1,197,540	1,116,674	3,887,453
Charge for the year								
Cost	-	-	-	3,221	61,495	27,626	27,422	119,764
Valuation	-	41,412	-	-	-	-	-	41,412
	-	41,412	-	3,221	61,495	27,626	27,422	161,176
At 31 December 2015/1 January 2016								
Cost	-	-	42,889	110,639	1,436,427	1,225,166	1,144,096	3,959,217
Valuation	-	89,412	-	-	-	-	-	89,412
	-	89,412	42,889	110,639	1,436,427	1,225,166	1,144,096	4,048,629
Charge for the year								
Cost	-	-	-	1,851	41,813	23,177	26,255	93,096
Valuation	-	41,412	-	-	-	-	-	41,412
	-	41,412	-	1,851	41,813	23,177	26,255	134,508
Disposal	-	-	-	-	(237,011)	-	-	(237,011)
Elimination of accumulated depreciation on revaluation	-	(130,824)	-	-	-	-	-	(130,824)
At 31 December 2016								
Cost	-	-	42,889	112,490	1,241,229	1,248,343	1,170,351	3,815,302
Valuation	-	-	-	-	-	-	-	-
	-	-	42,889	112,490	1,241,229	1,248,343	1,170,351	3,815,302

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Company</i>								
<i>Net carrying amount</i>								
At 31 December 2016								
Cost	-	-	1	3,400	73,346	65,477	137,986	280,210
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	1	3,400	73,346	65,477	137,986	5,680,210
At 31 December 2015								
Cost	-	-	1	5,251	115,721	84,704	164,241	369,918
Valuation	2,329,412	1,981,176	-	-	-	-	-	4,310,588
	2,329,412	1,981,176	1	5,251	115,721	84,704	164,241	4,680,506

- (a) Freehold land and buildings were revalued on 30 December 2016 by the directors based on a valuation performed by a chartered surveyor and registered valuer, namely Messrs Stocker Roberts and Gupta Sdn. Bhd. who is a member of the Institution of Surveyors, Malaysia. Valuation were made using comparison method on the basis of open market value.

Arising from this exercise, revaluation surplus of RM1,422,624 and RM1,130,824 was credited to other comprehensive income of the Group and of the Company respectively.

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

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Freehold land and buildings	<u>2,450,051</u>	<u>2,938,995</u>	<u>1,371,670</u>	<u>1,415,011</u>

- (b) The net carrying amount of property, plant and equipment includes the following assets held under finance lease agreement:

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Motor vehicles	<u>253,507</u>	<u>443,217</u>	<u>29,467</u>	<u>43,067</u>

- (c) The freehold land and buildings of the Group with a carrying amount of RM5,400,000 (2015: RM11,433,388) are pledged as securities to a financial institution for banking facilities granted to the Company as disclosed in *Note 22*.



**6. INVESTMENT IN SUBSIDIARY COMPANIES**

	<i>Company</i>	
	2016 RM	2015 RM
Unquoted shares, <i>at cost</i>		
At 1 January	4,463,696	4,463,696
Addition	4,793	-
Disposal	(962,825)	-
At 31 December	<u>3,505,664</u>	<u>4,463,696</u>
<i>Accumulated impairment losses</i>		
At 1 January	821,350	309,227
Addition	-	721,350
Disposal	(721,350)	(209,227)
At 31 December	<u>100,000</u>	<u>821,350</u>
<i>Net carrying amount</i>	<u><u>3,405,664</u></u>	<u><u>3,642,346</u></u>

(a) Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation/ place of business	Effective equity interest		Principal activities
		2016 %	2015 %	
<b>Direct holding:</b>				
Industronics Manufacturing Sdn. Bhd.	Malaysia	100	100	Assembly, installation and maintenance of high-tech electronics appliances and communication
TTE Electronics Sdn. Bhd.	Malaysia	100	100	Dormant
Industronics (HK) Limited *	Hong Kong	100	100	Provision of mobile entertainment service and trading of precision instruments
Industronics Technology Limited *	Hong Kong	100	100	General trading
Itronic Services Limited ^*	Hong Kong	-	100	Provision of integrated internet marketing services and hospitality services

Name of subsidiary companies	Country of incorporation/ place of business	Effective equity interest		<u>Principal activities</u>
		<u>2016</u>	<u>2015</u>	
		%	%	
<b>Direct holding:</b>				
Ademco (Malaysia) Sdn. Bhd.	Malaysia	95	95	Supply and installation of security systems
Industrial Electronics (S) Pte Ltd *	Singapore	70	70	Trading, maintenance and supply of industrial electronic equipment
Primeworth (M) Sdn. Bhd.#	Malaysia	-	69.2	Involving in precision sheet metal fabrication works
Sukitronics Sdn Bhd	Malaysia	51	51	Specialist in fire protection system design and installation works and mechanical engineering services
Itronic Management Limited ^*	Hong Kong	-	100	Provision of hospitality services
Metro Energy Limited ^*	Hong Kong	-	100	Dormant
Olympex Sdn. Bhd.	Malaysia	100	100	Dormant
<b>Indirect holding:</b>				
Sukitronics PMC Sdn. Bhd.	Malaysia	100	100	Mechanical engineering and contracting in fire fighting system
PW Precision Sdn. Bhd. #	Malaysia	-	100	Manufacturing of precision fabrication

^ On 22 December 2016, the Company entered into an Equity Transfer Agreement with Reill Edward Champley for the disposal of all equity interest in the following wholly-owned subsidiaries for a total consideration of HKD1,950,001:

<u>Company</u>	<u>Number of shares</u>	<u>Disposal consideration</u> HKD
Itronic Services Limited	1,000,000	1,500,000
Itronic Management Limited	10,000	450,000
Metro Energy Limited	10,000	1

# On 29 December 2016, the Company entered into an Equity Transfer Agreement with Chong Hwa Cheong for the disposal of all equity interest in Primeworth (M) Sdn. Bhd., a 69.2% subsidiary company for a total consideration of RM20,000.

\* Subsidiaries not audited by Siew Boon Yeong & Associates.

(b) The summarised financial information on subsidiaries with material non-controlling interests (“NCI”) are as follows:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2016	2015	2016	2015	2016	2015
	%	%	RM	RM	RM	RM
Ademco (M) Sdn. Bhd	5	5	(17,724)	(5,496)	48,530	66,254
Sukitronics Sdn Bhd and its subsidiaries	49	49	(647,290)	(400,934)	2,054,602	2,701,892
Primeworth (M) Sdn Bhd and its subsidiaries	-	30.8	-	(155,148)	-	104,433
Industrial Electronics (S) Pte Ltd.	30	30	168,197	88,173	933,863	765,666
			(496,817)	(473,405)	3,036,995	3,638,245

(c) The summarised financial information for each subsidiary companies that has NCI that are material to the Group before inter-company eliminations are set out as below:

	Ademco (M) Sdn. Bhd		Sukitronics Sdn. Bhd and its subsidiary		Primeworth (M) Sdn. Bhd and its subsidiary		Industrial Electronics (S) Pte Ltd	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM	RM	RM	RM	RM	RM	RM	RM
Total assets	1,225,523	1,710,461	6,378,372	9,450,780	-	790,640	5,540,475	4,304,104
Total liabilities	(254,925)	(385,374)	(2,185,307)	(3,936,714)	-	(451,571)	(3,171,625)	(1,751,884)
Net assets	970,598	1,325,087	4,193,065	5,514,066	-	339,069	2,368,850	2,552,220
Equity attributable to owners of the Company	922,068	1,258,833	2,138,463	2,812,174	-	234,636	1,658,195	1,786,554
Non-controlling interests	48,530	66,254	2,054,602	2,701,892	-	104,433	710,655	765,666
	970,598	1,325,087	4,193,065	5,514,066	-	339,069	2,368,850	2,552,220

- (d) The summarised financial information for each subsidiary company that has NCI that are material to the Group before inter-company eliminations are set out as below:

	Ademco (M) Sdn. Bhd		Sukitronics Sdn. Bhd. and its subsidiary		Primeworth (M) Sdn. Bhd. and its subsidiary		Industrial Electronics (S) Pte Ltd	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	1,340,118	1,403,828	83,360	1,043,596	-	-	15,875,756	2,187,152
Loss before taxation	(354,489)	(109,917)	(1,598,211)	(818,232)	-	(503,730)	(20,639)	(236,758)
Taxation	-	-	-	-	-	-	-	-
Net loss for the year	(354,489)	(109,917)	(1,598,211)	(818,232)	-	(503,730)	(20,639)	(236,758)
Other comprehensive income	-	-	277,210	-	-	-	581,297	530,669
Total comprehensive (loss)/income	(354,489)	(109,917)	(1,321,001)	(818,232)	-	(503,730)	560,658	293,911
Net cash (used in)/generated from operating activities	(113,459)	(52,326)	(1,184,145)	(153,291)	-	(254,348)	3,329,872	375,807
Net cash (used in)/generated from investing activities	-	(1,600)	2,347,322	1	-	-	127	124
Net cash generated from/(used in) financing activities	-	-	76,219	(76,449)	-	-	79,047	(225,615)
Net (decrease)/increase in cash and cash equivalents	(113,459)	(53,926)	1,239,396	(229,739)	-	(254,348)	3,409,046	150,316

(e) Disposal of subsidiary companies

On 22 December 2016, the Company entered into an Equity Transfer Agreement with Reill Edward Champley for the disposal of all equity interest in Itronic Services Limited, Itronic Management Limited and Metro Energy Limited, wholly-owned subsidiary companies for a total consideration of HKD1,950,001.

On 29 December 2016, the Company entered into an Equity Transfer Agreement with Chong Hwa Cheong for the disposal of all equity interest in Primeworth (M) Sdn. Bhd., a 69.2% subsidiary company for a total consideration of RM20,000.

The comparative consolidated statement of profit or loss and other comprehensive income has been restated to show the Discontinued Operations separately from Continuing Operations.

Result of discontinued operations:

	<i>Group</i>	
	2016	<i>Restated</i> 2015
	RM	RM
Revenue	1,355,678	1,264,249
Cost of sales	(1,108,129)	(1,325,556)
Gross profit/(loss)	247,549	(61,307)
Other operating income	80	49,745
Administrative expenses	(712,070)	(1,652,364)
Selling and distribution costs	-	(2,500)
Other operating expenses	(190,073)	(355,070)
Loss from operations	(654,514)	(2,021,496)
Finance costs	(311)	(550)
Loss before taxation	(654,825)	(2,022,046)
Income tax expense	-	-
Loss after taxation	(654,825)	(2,022,046)

These disposals have the following financial effects on the Group:

	2016 RM	2015 RM
Property, plant and equipment	1,011,543	-
Inventories	392,427	-
Trade and other receivables	572,993	-
Cash and bank balances	22,920	-
Trade and other payables	(952,748)	(31,050)
Non-controlling interest	17,561	-
	<u>1,064,696</u>	<u>(31,050)</u>
Gain on disposal to the Group	<u>79,607</u>	<u>31,051</u>
Proceeds from disposal of subsidiary companies	1,144,303	1
Cash and bank balances of subsidiary companies disposed	<u>(22,920)</u>	<u>-</u>
Net cash inflow from disposal of subsidiary companies	<u><u>1,121,383</u></u>	<u><u>1</u></u>

The effects of the deconsolidation of the above subsidiary companies on the financial results of the Group during the financial year were as follows:

	2016 RM	2015 RM
Revenue	<u><u>1,355,678</u></u>	<u><u>-</u></u>
Loss before taxation	<u><u>(654,825)</u></u>	<u><u>(104,449)</u></u>

**7. INVESTMENT PROPERTIES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<i>Building at cost</i>				
At 1 January/31 December	<u>2,534,394</u>	<u>2,534,394</u>	<u>234,745</u>	<u>234,745</u>
<i>Less: Accumulated depreciation</i>				
At 1 January	393,329	353,566	42,645	37,951
Additions	<u>11,763</u>	<u>39,763</u>	<u>4,694</u>	<u>4,694</u>
At 31 December	<u>405,092</u>	<u>393,329</u>	<u>47,339</u>	<u>42,645</u>
<i>Less: Accumulated impairment losses</i>				
At 1 January	1,719,101	1,719,101	-	-
Additions	57,406	-	57,406	-
Reversal	<u>(52,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>1,723,627</u>	<u>1,719,101</u>	<u>57,406</u>	<u>-</u>
Net carrying amount at 31 December	<u>405,675</u>	<u>421,964</u>	<u>130,000</u>	<u>192,100</u>
Fair value	<u>450,000</u>	<u>530,000</u>	<u>130,000</u>	<u>230,000</u>

The impairment losses recorded were derived after considering the fair value of those properties.

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

**8. INTANGIBLE ASSETS**

	Golf club membership RM	Software development in progress RM	Mobile device game applications RM	Total RM
<i>Group</i>				
<i>Cost</i>				
At 1 January 2015	236,000	-	2,314,000	2,550,000
Additions	-	4,084,368	-	4,084,368
At 31 December 2015/ 1 January 2016	236,000	4,084,368	2,314,000	6,634,368
Additions	-	792,545	-	792,545
Exchange differences	-	182,937	-	182,937
At 31 December 2016	236,000	5,059,850	2,314,000	7,609,850
<i>Less: Accumulated amortisation and impairment losses</i>				
At 1 January 2015/ 31 December 2015/ 1 January 2016 and 31 December 2016	147,000	-	2,314,000	2,461,000
<i>Net carrying amount</i>				
At 31 December 2016	89,000	5,059,850	-	5,148,850
At 31 December 2015	89,000	4,084,368	-	4,173,368
<i>Company</i>				Golf club membership RM
<i>Cost</i>				
At 1 January 2015/31 December 2015/1 January 2016 and 31 December 2016				236,000
<i>Less: Accumulated amortisation/impairment losses</i>				
At 1 January 2015/31 December 2015/1 January 2016 and 31 December 2016				147,000
<i>Net carrying amount</i>				
At 31 December 2016				89,000
At 31 December 2015				89,000

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



**9. OTHER INVESTMENTS**

	<i>Group and Company</i>	
	2016	2015
	RM	RM
<u>Available-for-sale financial assets</u>		
Quoted shares in Malaysia, at fair value		
At 1 January	54,432	54,432
Fair value changes	64,152	-
	<u>118,584</u>	<u>54,432</u>
At 31 December	<u>118,584</u>	<u>54,432</u>
Market value of quoted shares	<u>118,584</u>	<u>54,432</u>

**10. INVENTORIES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<i>At cost:</i>				
Finished goods	3,710,786	4,743,950	-	-
Work-in-progress	67,043	285,441	67,043	263,876
Raw materials	-	24,817	-	-
	<u>3,777,829</u>	<u>5,054,208</u>	<u>67,043</u>	<u>263,876</u>
<i>At net realisable value:</i>				
Finished goods	481,402	823,328	95,336	-
Raw materials	940,473	957,345	784,389	746,898
	<u>1,421,875</u>	<u>1,780,673</u>	<u>879,725</u>	<u>746,898</u>
	<u>5,199,704</u>	<u>6,834,881</u>	<u>946,768</u>	<u>1,010,774</u>

The cost of inventories recognised as an expense during the financial year in the Group and in the Company amounted to RM26,503,524 and RM8,751,069 (2015: RM16,822,551 and RM7,809,848) respectively.

The cost of inventories written off and recognised as an expense during the financial year in the Group and in the Company amounted to RM84,466 and RM69,437 (2015: RM359,924 and RM319,021) respectively.

**11. TRADE AND OTHER RECEIVABLES**

	<i>Group</i>		<i>Company</i>	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade receivables</b>				
Third parties	10,185,574	9,317,500	2,382,291	3,817,090
Retention sum				
- related party	-	1,248,532	-	-
- third parties	1,230,141	1,276,985	1,230,141	1,246,306
	11,415,715	11,843,017	3,612,432	5,063,396
Less: Accumulated impairment losses	(5,175,614)	(3,515,898)	(2,262,835)	(2,262,835)
	6,240,101	8,327,119	1,349,597	2,800,561
<b>Other receivables</b>				
Other receivables	2,539,734	1,418,122	2,009,202	1,345,698
Less: Accumulated impairment losses	(35,633)	(35,633)	(35,633)	(35,633)
	2,504,101	1,382,489	1,973,569	1,310,065
Deposits				
- related party	-	6,430,871	-	6,430,871
- third parties	271,193	547,670	163,001	166,701
	271,193	6,978,541	163,001	6,597,572
	2,775,294	8,361,030	2,136,570	7,907,637
<b>Total trade and other receivables</b>	9,015,395	16,688,149	3,486,167	10,708,198

The normal trade credit terms granted to the Company ranged from 30 to 90 days (2015: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition. Other credit terms are assessed and approved on a case-by-case basis.

The non-trade balances are unsecured, interest free and repayable on demand.

Included in deposits in previous year was an amount of RM6,430,871 paid to Vashion Group Limited for entering into a Conditional Deposit agreement as stated in *Note 30(a)(ii)*. The deposit has been fully refunded during the current financial year.

Movements in impairment losses on trade receivables are as follows:

	<i>Group</i>		<i>Company</i>	
	2016 RM	2015 RM	2016 RM	2015 RM
<i>Accumulated impairment losses:</i>				
At 1 January	3,515,898	3,007,917	2,262,835	2,156,165
Additions	2,540,420	509,221	-	106,670
Disposal of subsidiary companies	(850,544)	-	-	-
Reversal	(30,160)	(1,240)	-	-
At 31 December	5,175,614	3,515,898	2,262,835	2,262,835

Movements in impairment losses on other receivables are as follows:

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<i>Accumulated impairment losses:</i>				
At 1 January/31 December	<u>35,633</u>	<u>35,633</u>	<u>35,633</u>	<u>35,633</u>

## 12. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Aggregate costs incurred to date	8,823,175	17,755,541	8,486,548	17,418,914
<i>Add:</i> Attributable profits	<u>2,701,122</u>	<u>4,060,899</u>	<u>2,555,000</u>	<u>3,914,777</u>
	11,524,297	21,816,440	11,041,548	21,333,691
<i>Less:</i> Progress billings	<u>(10,991,308)</u>	<u>(20,692,708)</u>	<u>(10,598,135)</u>	<u>(20,299,535)</u>
	<u>532,989</u>	<u>1,123,732</u>	<u>443,413</u>	<u>1,034,156</u>
Represented by:				
Amount due from contract customers	533,194	1,123,937	443,413	1,034,156
Amount due to contract customers	<u>(205)</u>	<u>(205)</u>	<u>-</u>	<u>-</u>
	<u>532,989</u>	<u>1,123,732</u>	<u>443,413</u>	<u>1,034,156</u>

## 13. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

	<i>Company</i>	
	2016	2015
	RM	RM
Amount due from subsidiary companies		
Trade balances	5,198,600	3,334,924
Non-trade balances	38,320,749	32,384,122
<i>Less:</i> Accumulated impairment losses	<u>(36,635,256)</u>	<u>(29,995,541)</u>
	<u>6,884,093</u>	<u>5,723,505</u>
Amount due to subsidiary companies		
Trade balances	(3,757,003)	(3,137,797)
Non-trade balances	<u>(2,161,077)</u>	<u>(3,946,751)</u>
	<u>(5,918,080)</u>	<u>(7,084,548)</u>

Movements in the allowance for impairment losses are as follows:

	<i>Company</i>	
	2016	2015
	RM	RM
<i>Accumulated impairment losses:</i>		
At 1 January	29,995,541	24,035,657
Add : Additions	6,639,715	6,538,776
Less : Disposal of subsidiary companies	-	(578,892)
At 31 December	<u>36,635,256</u>	<u>29,995,541</u>

The normal credit term given to trade amount ranges from 60 to 90 days (2015: 60 to 90 days).

The non-trade amount are unsecured, interest-free and repayable on demand.

#### 14. OTHER ASSETS

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Prepayments	<u>228,305</u>	<u>146,470</u>	<u>47,515</u>	<u>52,178</u>

#### 15. CASH AND BANK BALANCES

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash in hand and at banks	7,419,555	5,336,321	1,579,493	2,034,171
Fixed deposits with licensed banks	<u>201,563</u>	<u>65,132</u>	<u>48,500</u>	<u>48,500</u>
Total cash and bank balances	<u>7,621,118</u>	<u>5,401,453</u>	<u>1,627,993</u>	<u>2,082,671</u>

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

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Effective interest rates (%)	0.75 - 3.30	0.50 - 3.30	3.30	3.30
Maturities (months)	<u>1 - 18</u>	<u>1 - 18</u>	<u>1 - 12</u>	<u>1 - 12</u>

**16. SHARE CAPITAL**

	<i>Group and Company</i>			
	2016	2015	2016	2015
	Number of ordinary shares		RM	RM
Ordinary shares of RM0.50 each:				
Authorised	<u>200,000,000</u>	<u>200,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid	<u>102,762,800</u>	<u>102,762,800</u>	<u>51,381,400</u>	<u>51,381,400</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

**17. RESERVES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<i>Non-distributable</i>				
Share premium (Note a)	1,253,054	1,253,054	1,253,054	1,253,054
Foreign currency translation reserve (Note b)	5,668,279	3,442,239	-	-
Revaluation reserve (Note c)	4,799,534	4,398,276	3,909,037	2,834,754
Share issuance scheme reserve (Note d)	-	458,620	-	458,620
Fair value adjustment reserve (Note e)	<u>68,460</u>	<u>4,308</u>	<u>68,460</u>	<u>4,308</u>
	11,789,327	9,556,497	5,230,551	4,550,736
Accumulated losses	<u>(38,750,534)</u>	<u>(27,201,721)</u>	<u>(47,124,416)</u>	<u>(38,788,419)</u>
	<u>(26,961,207)</u>	<u>(17,645,224)</u>	<u>(41,893,865)</u>	<u>(34,237,683)</u>

**(a) Share premium**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January/31 December	<u>1,253,054</u>	<u>1,253,054</u>	<u>1,253,054</u>	<u>1,253,054</u>

## (b) Foreign currency translation reserve

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

## (c) Revaluation reserve

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January	4,398,276	4,398,276	2,834,754	2,834,754
Additions	1,215,660	-	1,074,283	-
Realisation upon disposal	(814,402)	-	-	-
At 31 December	<u>4,799,534</u>	<u>4,398,276</u>	<u>3,909,037</u>	<u>2,834,754</u>

Revaluation reserve comprise the cumulative charges, net of tax effects, arising from the revaluation of land and buildings.

## (d) Share issuance scheme reserve

	<i>Group and Company</i>	
	2016	2015
	RM	RM
At 1 January	458,620	458,620
Reversal upon expiry	<u>(458,620)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>458,620</u>

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

## (e) Fair value adjustment reserve

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

**18. FINANCE LEASE LIABILITIES**

<i>Group</i>	Future instalments payable RM	Undue interest RM	Principal payable RM
<i>2016</i>			
<i>Shown under current liabilities</i>			
Within 1 year	121,168	(2,427)	118,741
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	11,775	(466)	11,309
	<u>132,943</u>	<u>(2,893)</u>	<u>130,050</u>
<i>2015</i>			
<i>Shown under current liabilities</i>			
Within 1 year	239,117	(13,303)	225,814
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	128,152	(2,832)	125,320
	<u>367,269</u>	<u>(16,135)</u>	<u>351,134</u>
<i>Company</i>	Future instalments payable RM	Undue interest RM	Principal payable RM
<i>2016</i>			
<i>Shown under current liabilities</i>			
Within 1 year	9,420	(1,001)	8,419
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	11,775	(466)	11,309
	<u>21,195</u>	<u>(1,467)</u>	<u>19,728</u>
<i>2015</i>			
<i>Shown under current liabilities</i>			
Within 1 year	9,420	(1,560)	7,860
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	21,195	(1,467)	19,728
	<u>30,615</u>	<u>(3,027)</u>	<u>27,588</u>

The effective interest rate of the finance lease of the Group and of the Company is 3.19% (2015: 3.19%) per annum.

**19. DEFERRED TAX LIABILITIES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January	1,152,984	1,152,984	459,900	459,900
Revaluation of land and building	71,131	-	56,541	-
Reversal of deferred tax arising from disposal of land and building	(204,099)	-	-	-
At 31 December	<u>1,020,016</u>	<u>1,152,984</u>	<u>516,441</u>	<u>459,900</u>

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

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deferred tax assets	(393,821)	(393,821)	-	-
Deferred tax liabilities	<u>1,413,837</u>	<u>1,546,805</u>	<u>516,441</u>	<u>459,900</u>
	<u>1,020,016</u>	<u>1,152,984</u>	<u>516,441</u>	<u>459,900</u>

Deferred tax liabilities:

	Accelerated capital allowances RM	Revaluation surplus of land and buildings RM	Total RM
<i>Group</i>			
At 1 January 2015/31 December 2015 and 1 January 2016	514,053	1,032,752	1,546,805
Realised to profit or loss	-	(204,099)	(204,099)
Recognised in other comprehensive income	-	71,131	71,131
At 31 December 2016	<u>514,053</u>	<u>899,784</u>	<u>1,413,837</u>
<i>Company</i>			
At 1 January 2015/31 December 2015 and 1 January 2016			459,900
Recognised in other comprehensive income			<u>56,541</u>
At 31 December 2016			<u>516,441</u>



## Deferred tax assets of the Group:

	Unutilised tax losses and accelerated capital allowances RM	Provisions RM	Total RM
At 1 January/31 December 2015	<u>(49,835)</u>	<u>(343,986)</u>	<u>(393,821)</u>
At 1 January/31 December 2016	<u>(49,835)</u>	<u>(343,986)</u>	<u>(393,821)</u>

**20. TRADE AND OTHER PAYABLES**

	<i>Group</i>		<i>Company</i>	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>Trade payables</b>				
Third parties	<u>2,237,945</u>	<u>2,497,238</u>	<u>580,745</u>	<u>585,034</u>
<b>Other payables</b>				
Deposits	-	31,561	-	-
Sundry payables	4,298,202	1,452,906	3,117,727	119,176
Real property gains tax payable	<u>-</u>	<u>361,797</u>	<u>-</u>	<u>361,797</u>
	<u>4,298,202</u>	<u>1,846,264</u>	<u>3,117,727</u>	<u>480,973</u>
<b>Total trade and other payables</b>	<u>6,536,147</u>	<u>4,343,502</u>	<u>3,698,472</u>	<u>1,066,007</u>

*Group and Company*

The normal trade credit terms granted to the Group ranged from 30 to 90 days (2015: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in sundry payables are borrowings from Plentywood Holdings Limited, a company incorporated in Hong Kong amounted to HKD4,199,985 (approximately RM2,237,794) as at 31 December 2016 (2015: Nil). The borrowings are subject to interest charge of 12 % per annum.

**21. OTHER LIABILITIES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Accruals	4,154,603	4,392,584	2,813,267	3,181,279
Provision for maintenance warranties	90,277	102,093	60,277	72,093
	<u>4,244,880</u>	<u>4,494,677</u>	<u>2,873,544</u>	<u>3,253,372</u>

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

**22. BANK OVERDRAFTS**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Bank overdrafts	<u>490,981</u>	<u>1,384,848</u>	<u>490,981</u>	<u>393,940</u>

The bank overdrafts are pledged against freehold land and buildings of the Company and a subsidiary company as disclosed in *Note 5*. The bank overdrafts of the subsidiary company is also secured by a corporate guarantee from the Company.

The above bank overdrafts bear interest rate of 8.35% (2015: 8.10% to 8.60% of the Group and 8.10% to 8.35% of the Company) per annum.

**23. REVENUE**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
CONTINUING OPERATIONS:				
Contract revenue	83,360	1,711,419	-	667,823
Sales of goods	29,339,923	20,557,716	11,214,632	10,451,961
Rendering of services	94,304	98,030	-	-
	<u>29,517,587</u>	<u>22,367,165</u>	<u>11,214,632</u>	<u>11,119,784</u>
DISCONTINUED OPERATIONS:				
Rendering of services	1,355,678	1,264,249	-	-
	<u>30,873,265</u>	<u>23,631,414</u>	<u>11,214,632</u>	<u>11,119,784</u>

**24. COST OF SALES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
CONTINUING OPERATIONS:				
Construction contract costs	109,828	1,277,852	-	432,976
Cost of goods sold	26,483,709	16,822,552	8,751,069	7,809,848
	<u>26,593,537</u>	<u>18,100,404</u>	<u>8,751,069</u>	<u>8,242,824</u>
DISCONTINUED OPERATIONS:				
Cost of services rendered	1,108,129	1,325,556	-	-
	<u>27,701,666</u>	<u>19,425,960</u>	<u>8,751,069</u>	<u>8,242,824</u>

## 25. FINANCE COSTS

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
CONTINUING OPERATIONS:				
Bank overdraft interest	55,607	91,107	22,804	8,598
Finance lease interest	14,223	27,092	1,560	2,861
Loan interest	62,092	-	62,092	-
	<u>131,922</u>	<u>118,199</u>	<u>86,456</u>	<u>11,459</u>
DISCONTINUED OPERATIONS:				
Other interest	<u>311</u>	<u>550</u>	<u>-</u>	<u>-</u>
	<u><u>132,233</u></u>	<u><u>118,749</u></u>	<u><u>86,456</u></u>	<u><u>11,459</u></u>

**26. LOSS BEFORE TAXATION**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Loss before taxation is stated <i>after charging:</i>				
Auditors' remuneration				
- current year's provision	103,500	110,000	60,000	65,000
- other auditors	103,296	93,040	16,000	8,000
- over provision in prior year	(5,924)	(2,000)	-	-
Depreciation of property, plant and equipment				
- Included in cost of sales	-	11,495	-	-
- Included in administrative expenses	652,596	572,492	-	-
- Included in other operating expenses	134,508	161,176	134,508	161,176
	787,104	745,163	134,508	161,176
Depreciation of investment properties	11,763	39,763	4,694	4,694
Impairment loss on:				
- trade receivables	2,540,420	509,221	-	106,670
- subsidiary companies	-	-	6,639,715	6,538,776
- investment in subsidiary companies	-	-	-	721,350
- investment properties	57,406	-	57,406	-
Loss on foreign exchange				
- realised	29,847	-	-	-
- unrealised	316,131	129,467	-	-
Property, plant and equipment written off	3	-	-	-
Rental of premises	938,197	865,642	943,257	866,799
Inventories written down	84,466	359,924	69,437	319,021
Employee benefits expense ( <i>Note 29</i> )	10,665,448	11,865,308	4,207,947	6,468,705

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<i>and crediting:</i>				
Dividend income	3,888	2,592	3,888	2,592
Gain on disposal of other investments	-	564,397	-	564,397
Gain on disposal of property, plant and equipment	286,575	30,000	30,647	-
Gain on disposal of subsidiary companies	79,607	31,051	902,828	-
Gain on foreign exchange				
- realised	46,544	138,093	46,544	130,208
- unrealised	-	656,800	720,025	643,300
Interest income	539,492	1,384	2,404	533
Management fee	-	-	192,000	168,000
Rental income	-	10,000	116,000	120,000
Reversal of impairment loss on:				
- investment properties	52,880	-	-	-
- trade receivables	30,160	1,240	-	-
Reversal of provision of maintenance warranties	11,816	28,117	11,816	22,030
Reversal of inventories written down	69,587	22,022	425,234	-

**27. INCOME TAX EXPENSE**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Continuing operations:				
Malaysian income tax:				
- current year's provision	-	-	-	-

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

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Loss before taxation				
- Continuing operations	(12,974,049)	(10,914,836)	(8,794,617)	(11,364,400)
- Discontinued operations	(654,825)	(2,022,046)	-	-
	<u>(13,628,874)</u>	<u>(12,936,882)</u>	<u>(8,794,617)</u>	<u>(11,364,400)</u>
Income tax expense at Malaysian statutory tax rate of 24% (2015: 25%)	(3,270,930)	(3,234,221)	(2,110,708)	(2,841,100)
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	1,946,928	220,764	1,684,658	1,837,336
- income not subject to tax	(388,387)	(385,556)	(502,665)	(328,307)
- deferred tax assets not recognised during the year	1,249,591	2,899,296	928,715	1,332,071
- different tax rate in other countries	462,798	499,717	-	-
	<u>3,270,930</u>	<u>3,234,221</u>	<u>2,110,708</u>	<u>2,841,100</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Unutilised business losses	49,763,597	48,513,220	18,929,447	15,096,055
Unabsorbed capital allowances	<u>2,989,007</u>	<u>3,165,601</u>	<u>151,927</u>	<u>115,671</u>
	<u>52,752,604</u>	<u>51,678,821</u>	<u>19,081,374</u>	<u>15,211,726</u>

## 28. LOSS PER SHARE

### (a) Basic loss per ordinary share

The basic loss per ordinary share as at 31 December 2016 is arrived at by dividing the Group's loss attributable to the owners of the Company by a weighted average number of ordinary shares outstanding and calculated as follows:

	<i>Group</i>	
	2016	2015
	RM	RM
Loss attributable to owners of the Company		
CONTINUING OPERATIONS	(12,213,919)	(10,437,379)
DISCONTINUED OPERATIONS	<u>(607,916)</u>	<u>(1,866,897)</u>
	<u><u>(12,821,835)</u></u>	<u><u>(12,304,276)</u></u>
Weighted average number of ordinary shares at 31 December for basic loss per ordinary share	<u><u>102,762,800</u></u>	<u><u>102,762,800</u></u>
Basic loss per share (sen)		
CONTINUING OPERATIONS	(11.89)	(10.16)
DISCONTINUED OPERATIONS	<u><u>(0.59)</u></u>	<u><u>(1.82)</u></u>



## (b) Diluted loss per ordinary share

The diluted loss per ordinary share as at 31 December 2016 is arrived at by dividing the Group's loss attributable to the owners of the Company by a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares and calculated as follows:

	<i>Group</i>	
	2016	2015
	RM	RM
Loss attributable to owners of the Company		
CONTINUING OPERATIONS	(12,213,919)	(10,437,379)
DISCONTINUED OPERATIONS	<u>(607,916)</u>	<u>(1,866,897)</u>
	<u><u>(12,821,835)</u></u>	<u><u>(12,304,276)</u></u>
Weighted average number of ordinary shares:-		
Ordinary shares in issued at 1 January	102,762,800	102,762,800
Share issuance scheme	<u>-</u>	<u>6,620,000</u>
	<u><u>102,762,800</u></u>	<u><u>109,382,800</u></u>
Diluted loss per share (sen)		
CONTINUING OPERATIONS	(11.89)	(9.54)
DISCONTINUED OPERATIONS	<u><u>(0.59)</u></u>	<u><u>(1.71)</u></u>

**29. EMPLOYEE BENEFITS EXPENSE**

The employee benefits expense recognised in profit or loss are as follows:

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
CONTINUING OPERATIONS:				
Salaries and wages	9,677,604	10,345,896	3,774,256	5,987,618
Defined contribution plans	700,693	748,437	337,139	371,585
Other employee benefits	<u>134,771</u>	<u>153,800</u>	<u>96,552</u>	<u>109,502</u>
	<u><u>10,513,068</u></u>	<u><u>11,248,133</u></u>	<u><u>4,207,947</u></u>	<u><u>6,468,705</u></u>
DISCONTINUED OPERATIONS:				
Salaries and wages	147,059	594,674	-	-
Defined contribution plans	<u>5,321</u>	<u>22,501</u>	<u>-</u>	<u>-</u>
	<u><u>152,380</u></u>	<u><u>617,175</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	<u><u>10,665,448</u></u>	<u><u>11,865,308</u></u>	<u><u>4,207,947</u></u>	<u><u>6,468,705</u></u>

Included in staff costs are directors' remuneration who are the key management personnel of the Group:

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
CONTINUING OPERATIONS:				
Executive directors' remuneration				
- Salaries and other emoluments	<u>271,566</u>	<u>93,753</u>	<u>69,966</u>	<u>93,753</u>
Non-executive directors remuneration:				
- Fees	156,000	156,000	156,000	156,000
- Other emoluments	<u>115,484</u>	<u>167,735</u>	<u>115,484</u>	<u>167,735</u>
	<u>271,484</u>	<u>323,735</u>	<u>271,484</u>	<u>323,735</u>
DISCONTINUED OPERATIONS:				
Non-executive directors remuneration:				
- Fees	<u>144,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total directors' remuneration	<u>687,050</u>	<u>417,488</u>	<u>341,450</u>	<u>417,488</u>

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

	<i>Number of directors</i>	
	2016	2015
Executive director:		
RM50,000 and below	-	-
RM50,001 - RM100,000	<u>1</u>	<u>1</u>
Non-executive directors		
RM50,000 and below	2	2
RM50,001 - RM100,000	1	2
RM100,001 - RM150,000	<u>1</u>	<u>-</u>

### 30. RELATED PARTY DISCLOSURE

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:

- (i) Transactions with subsidiary companies

	<i>Company</i>	
	2016	2015
	RM	RM
<u>With subsidiary companies</u>		
Sale to subsidiary companies	(6,650,117)	(3,440,052)
Purchase from subsidiary companies	617,944	1,167,948
Management fees receivable from subsidiary companies	(192,000)	(168,000)
Loan to subsidiary companies	3,485,097	4,127,248
Recharge of costs from a subsidiary company	1,349,091	3,117,653
Rental income from subsidiary companies	<u>(116,000)</u>	<u>(120,000)</u>

- (ii) Transactions with related parties

	<i>Group</i>	
	2016	2015
	RM	RM
Sale to an entity connected with a director of a subsidiary of the Group	<u>-</u>	<u>-</u>
Deposit refunded from Vashion Group Limited, in relation to Conditional Deposit Agreement entered into on 9 July 2014	<u>6,430,871</u>	<u>-</u>

Outstanding balance arising from the above transactions with related party is as follows:

	<i>Group</i>	
	2016	2015
	RM	RM
<u>With a related party</u>		
Amount due to an entity connected with a director of a subsidiary of the Group	1,219,912	1,248,532
Less: Impairment losses	(1,219,912)	-
	<u>-</u>	<u>1,248,532</u>
Amount due from Vashion Group Limited, in relation to Conditional Deposit Agreement entered into on 9 July 2014*	<u>-</u>	<u>6,430,871</u>

\* On 1 July 2016, the Company and Vashion Group Limited (“Vashion”) have agreed to treat the balance of Conditional Deposit of RM2,032,731 (approximately S\$1,033,188 as per Vashion record) as a loan indebted by Vashion to the Company’s 70% owned Singapore subsidiary namely Industrial Electronics (S) Pte. Ltd. (“Lender”) by way of an assignment of the remaining refundable Deposit due by Vashion to the Company as at 1 July 2016, to the Lender. On 23 December 2016, the Board of Directors announced that Vashion had on 22 December 2016 made a full repayment of S\$1,033,188 as well as approximately S\$175,000 interest charges for period from July 2016 to December 2016 to Industrial Electronics (S) Pte. Ltd.

Vashion Group Limited is related to the Company as follows:

- (a) A company in which the existing director of the Company, Mr. Jacob Leung Kwok Kuen is a Non-executive and Non-independent Director and a member of Nominating Committee.
- (b) A company in which an existing director of certain subsidiaries of the Company, Mr. Christian Kwok-Leun Yau Heilesen is an Executive Director.
- (c) A company in which a substantial shareholder of the Company, Ms. Zhou Qi Lin is also a substantial shareholder.

- (b) The remuneration package of the directors and other key management personnel during the year is as follow:

	<i>Group</i>		<i>Company</i>	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employee benefits	2,882,656	7,044,495	1,001,726	1,061,102
Defined contribution plans	172,173	190,390	80,676	75,312
	<u>3,054,829</u>	<u>7,234,885</u>	<u>1,082,402</u>	<u>1,136,414</u>
Payable to:				
	<i>Group</i>		<i>Company</i>	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors	687,050	1,960,745	341,450	417,488
Other key management personnel	2,367,779	5,274,140	740,952	718,926
	<u>3,054,829</u>	<u>7,234,885</u>	<u>1,082,402</u>	<u>1,136,414</u>

### 31. FINANCIAL INSTRUMENTS

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

#### (a) Financial Risk Management Policies

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

##### (i) *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD"), United States Dollar ("USD") and Hong Kong Dollar ("HKD").

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of the Group's entities. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The net unhedged financial assets/liabilities of the Group not denominated in their functional currencies of the respective companies are as follows:-

<i>Group</i>	Singapore Dollar (SGD) RM	United States Dollar (USD) RM	Hong Kong Dollar (HKD) RM	Others RM	Total RM
2016					
<b>Ringgit Malaysia</b>					
Cash and bank balances	21,209	130,597	118,158	67,277	337,241
Trade receivables	32,412	163,411	-	-	195,823
Trade payables	(617)	(17,342)	-	(11,286)	(29,245)
Other payables	-	(679,644)	(2,491,577)	-	(3,171,221)
	53,004	(402,978)	(2,373,419)	55,991	(2,667,402)
<b>Singapore Dollar</b>					
Cash and bank balances	-	491,504	-	-	491,504
Trade receivables	-	15,089	-	-	15,089
	-	506,593	-	-	506,593
Net currency exposure	53,004	103,615	(2,373,419)	55,991	(2,160,809)
<i>Group</i>					
2015					
<b>Ringgit Malaysia</b>					
Cash and bank balances	23,201	1,237,503	15,953	98,599	1,375,256
Trade receivables	1,742,267	352,497	-	-	2,094,764
Trade payables	(28,796)	(24,060)	-	(117,790)	(170,646)
	1,736,672	1,565,940	15,953	(19,191)	3,299,374
<b>Singapore Dollar</b>					
Cash and bank balances	-	429,808	-	-	429,808
Trade receivables	-	27,876	-	-	27,876
	-	457,684	-	-	457,684
Net currency exposure	1,736,672	2,023,624	15,953	(19,191)	3,757,058

Foreign Currency Risk Sensitivity Analysis

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

	<i>Group</i>	
	2016	2015
	RM	RM
	(Increase)/ Decrease	(Increase)/ Decrease
Effects on loss after taxation/equity		
Strengthened by 10%		
- Singapore Dollar	5,300	173,667
- United States Dollar	10,362	202,362
- Hong Kong Dollar	(237,342)	1,595
- Others	5,599	(1,919)
Weakened by 10%		
- Singapore Dollar	(5,300)	(173,667)
- United States Dollar	(10,362)	(202,362)
- Hong Kong Dollar	237,342	(1,595)
- Others	<u>(5,599)</u>	<u>1,919</u>

*(ii) Interest Rate Risk*

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

The Group's and the Company's exposures to interest rate risk arise mainly from its interest bearing financial liabilities. The Group's policy in dealing with interest bearing financial liabilities is to obtain the financing with the most favourable interest rates in the market.

Fair Value Sensitivity Analysis For Fixed Rate Instrument

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Effects on loss before taxation/ equity				
Increase of 100 basis points	1,180	9,166	849	86
Decrease of 100 basis points	<u>(1,180)</u>	<u>(9,166)</u>	<u>(849)</u>	<u>(86)</u>

*(iii) Equity Price Risk*

Equity price risk is the risk that the fair value or future cash flow of the financial statements will fluctuate because of changes in market prices (other than currency or interest rate).

The Group is exposed to equity price risk arising from their investment in quoted shares. The quoted shares in Malaysia are listed on Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Equity Price Risk Sensitivity Analysis

A 10% (2015: 10%) increase in the market price of the quoted shares as at the end of the reporting period would have increased equity by RM11,858 (2015: RM5,443). A 10% (2015: 10%) decrease in market price would have had equal but opposite effect on equity.

*(iv) Credit Risk*

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligations. The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

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. Impairment is estimated by management based on prior experience and the current economic environment.



Exposure to Credit Risk

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

Credit Risk Concentration Profile

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables at reporting date.

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

	2016		2015	
	RM	% of total	RM	% of total
<i>By business segments:</i>				
Electronics and system integration	1,378,129	22%	2,847,592	34%
Security systems, mechanical and electrical engineering	296,335	5%	1,835,544	22%
Other operations	4,565,637	73%	3,643,983	44%
	<u>6,240,101</u>	<u>100%</u>	<u>8,327,119</u>	<u>100%</u>
<i>By geographic regions:</i>				
Malaysia	1,651,679	26%	4,641,853	56%
Singapore	28,532	1%	47,030	1%
Hong Kong	4,559,890	73%	3,638,236	43%
	<u>6,240,101</u>	<u>100%</u>	<u>8,327,119</u>	<u>100%</u>

Ageing Analysis

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

<i>Group</i>	Gross amount RM	Individually impairment RM	Carrying amount RM
<i>2016</i>			
Not past due	689,690	-	689,690
Past due:			
- less than 3 months	4,832,643	-	4,832,643
- between 4 to 6 months	23,690	-	23,690
- between 7 to 12 months	23,207	-	23,207
- more than 12 months	5,846,485	(5,175,614)	670,871
	<u>11,415,715</u>	<u>(5,175,614)</u>	<u>6,240,101</u>
<i>2015</i>			
Not past due	1,882,087	-	1,882,087
Past due:			
- less than 3 months	4,154,469	-	4,154,469
- between 4 to 6 months	89,716	-	89,716
- between 7 to 12 months	189,549	-	189,549
- more than 12 months	5,527,196	(3,515,898)	2,011,298
	<u>11,843,017</u>	<u>(3,515,898)</u>	<u>8,327,119</u>
<i>Company</i>	Gross amount RM	Individually impairment RM	Carrying amount RM
<i>2016</i>			
Not past due	418,530	-	418,530
Past due:			
- less than 3 months	282,877	-	282,877
- between 4 to 6 months	8,452	-	8,452
- between 7 to 12 months	12,605	-	12,605
- more than 12 months	2,889,968	(2,262,835)	627,133
	<u>3,612,432</u>	<u>(2,262,835)</u>	<u>1,349,597</u>
<i>2015</i>			
Not past due	1,347,886	-	1,347,886
Past due:			
- less than 3 months	556,617	-	556,617
- between 4 to 6 months	56,254	-	56,254
- between 7 to 12 months	161,094	-	161,094
- more than 12 months	2,941,545	(2,262,835)	678,710
	<u>5,063,396</u>	<u>(2,262,835)</u>	<u>2,800,561</u>

Trade receivables that are neither past due nor impaired are regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

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

The collective impairment is determined based on estimated irrecoverable amounts, determined by reference to past default experience.

(v) *Liquidity Risk*

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposures to liquidity risk arise mainly from general funding and business activities. The Group and the Company practise risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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

<i>Group</i>	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	Over 5 Years RM	Total RM
2016								
Trade and other payables		6,536,147	6,536,147	6,536,147	-	-	-	6,536,147
Finance lease liabilities	3.19	130,050	132,943	121,168	9,420	2,355	-	132,943
Bank overdrafts	8.35	490,981	490,981	490,981	-	-	-	490,981
		<u>7,157,178</u>	<u>7,160,071</u>	<u>7,148,296</u>	<u>9,420</u>	<u>2,355</u>	<u>-</u>	<u>7,160,071</u>
2015								
Trade and other payables		4,343,502	4,343,502	4,343,502	-	-	-	4,343,502
Finance lease liabilities	3.19	351,134	367,269	239,117	116,377	11,775	-	367,269
Bank overdrafts	8.10 - 8.60	1,384,848	1,384,848	1,384,848	-	-	-	1,384,848
		<u>6,079,484</u>	<u>6,095,619</u>	<u>5,967,467</u>	<u>116,377</u>	<u>11,775</u>	<u>-</u>	<u>6,095,619</u>

Company	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	Over 5 Years RM	Total RM
2016								
Trade and other payables		3,698,472	3,698,472	3,698,472	-	-	-	3,698,472
Amount due to subsidiary companies		5,918,080	5,918,080	5,918,080	-	-	-	5,918,080
Finance lease liabilities	3.19	19,728	21,195	9,420	9,420	2,355	-	21,195
Bank overdrafts	8.35	490,981	490,981	490,981	-	-	-	490,981
		10,127,261	10,128,728	10,116,953	9,420	2,355	-	10,128,728
2015								
Trade and other payables		1,066,007	1,066,007	1,066,007	-	-	-	1,066,007
Amount due to subsidiary companies		7,084,548	7,084,548	7,084,548	-	-	-	7,084,548
Finance lease liabilities	3.19	27,588	30,615	9,420	9,420	11,775	-	30,615
Bank overdrafts	8.10 - 8.35	393,940	393,940	393,940	-	-	-	393,940
		8,572,083	8,575,110	8,553,915	9,420	11,775	-	8,575,110

(b) Capital Risk Management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt for the Group is calculated as term loans, trade and other payables less cash and cash equivalents. Net debt for the Company is calculated as term loans, trade and other payables plus amount owing to subsidiary companies less cash and cash equivalents.

The debt-to-equity ratios of the Group and of the Company as at the end of the financial year were as follows:

	<i>Group</i>		<i>Company</i>	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade and other payables	6,536,147	4,343,502	3,698,472	1,066,007
Amount due to subsidiary companies	-	-	5,918,080	7,084,548
Finance lease liabilities	130,050	351,134	19,728	27,588
Bank overdrafts	490,981	1,384,848	490,981	393,940
	<u>7,157,178</u>	<u>6,079,484</u>	<u>10,127,261</u>	<u>8,572,083</u>
<i>Less:</i> Cash and bank balances	<u>(7,621,118)</u>	<u>(5,401,453)</u>	<u>(1,627,993)</u>	<u>(2,082,671)</u>
Net debt	<u>(463,940)</u>	<u>678,031</u>	<u>8,499,268</u>	<u>6,489,412</u>
Total equity	<u>27,457,188</u>	<u>37,374,421</u>	<u>9,487,535</u>	<u>17,143,717</u>
Debt-to-equity ratio	<u>N.A.</u>	<u>0.02</u>	<u>0.90</u>	<u>0.38</u>

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

(c) Classification Of Financial Instruments

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Financial Assets				
<u>Available-for-sale Financial Assets</u>				
Other investments	118,584	54,432	118,584	54,432
<u>Loans and Receivables</u>				
Trade and other receivables	9,015,395	16,688,149	3,486,167	10,708,198
Amount due from subsidiary companies	-	-	6,884,093	5,723,505
Cash and bank balances	7,621,118	5,401,453	1,627,993	2,082,671
	16,636,513	22,089,602	11,998,253	18,514,374
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade and other payables	6,536,147	4,343,502	3,698,472	1,066,007
Amount due to subsidiary companies	-	-	5,918,080	7,084,548
Finance lease liabilities	130,050	351,134	19,728	27,588
Bank overdrafts	490,981	1,384,848	490,981	393,940
	7,157,178	6,079,484	10,127,261	8,572,083

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company reported in the financial statements approximated their fair values due to the short term nature, except for:

## (i) Quoted shares in other investments

Quoted shares in other investments are carried at fair value by reference to their quoted closing prices at the end of the reporting period.

## (ii) Financial instruments that are not approximately fair value are as follows:

	<i>Group</i>		<i>Company</i>	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2016				
<u>Financial liabilities</u>				
Finance lease liabilities	<u>132,943</u>	<u>130,050</u>	<u>21,195</u>	<u>19,728</u>
2015				
<u>Financial liabilities</u>				
Finance lease liabilities	<u>367,269</u>	<u>351,134</u>	<u>30,615</u>	<u>27,588</u>

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the end of the financial year.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

The fair value measurement hierarchies used to measure assets and liabilities carried at fair value in the statements of financial position as at 31 December 2016 are as follows:

- (i) Level 1: fair value is derived from quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.
- (iii) Level 3: fair value is estimated using unobservable inputs for the financial assets and liabilities.

	<i>Group and Company</i>	
	2016	2015
	RM	RM
<u>Level 1</u>		
Quoted shares	<u>118,584</u>	<u>54,432</u>

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 2 and Level 3 as at 31 December 2016.



## 32. OPERATING SEGMENTS

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

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

### **Geographical segments**

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

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

### **Allocation basis and transfer pricing**

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

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

**Business segments**

Group	Electronics and system integration		Security systems and M&E		Sheet metal fabrication		Other operations		Adjustments and eliminations		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>												
External revenue	5,095	8,896	1,372	2,435	-	-	24,406	12,300	-	-	30,873	23,631
Inter-segment revenue	22,687	6,025	52	12	-	-	-	-	(22,739)	(6,037)	-	-
<b>Total</b>	<b>27,782</b>	<b>14,921</b>	<b>1,424</b>	<b>2,447</b>	<b>-</b>	<b>-</b>	<b>24,406</b>	<b>12,300</b>	<b>(22,739)</b>	<b>(6,037)</b>	<b>30,873</b>	<b>23,631</b>
<b>Results</b>												
Segment results												
Interest income	539	1	-	-	-	-	-	-	-	-	539	1
Interest expenses	89	51	35	81	-	1	12	20	-	-	136	153
Depreciation	156	190	72	150	89	89	482	355	-	-	799	784
Impairment loss on amount due from subsidiary companies	6,640	6,538	-	-	-	-	-	-	(6,640)	(6,538)	-	-
Impairment loss on trade receivables	-	107	1,220	82	-	320	1,320	-	-	-	2,540	509
Inventories written down	84	360	-	-	-	-	-	-	-	-	84	360
Segment loss	(10,708)	(11,510)	(1,953)	(928)	(292)	(504)	(7,069)	(7,111)	6,393	7,116	(13,629)	(12,937)
<b>Assets</b>												
Segment assets	20,078	36,005	7,102	11,166	-	791	14,260	13,528	(1,561)	(12,388)	39,879	49,102
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>20,078</b>	<b>36,005</b>	<b>7,102</b>	<b>11,166</b>	<b>-</b>	<b>791</b>	<b>14,260</b>	<b>13,528</b>	<b>(1,561)</b>	<b>(12,388)</b>	<b>39,879</b>	<b>49,102</b>
<b>Liabilities</b>												
Segment liabilities	(7,812)	(14,017)	(1,734)	(4,327)	-	(451)	(48,952)	(36,788)	46,076	43,856	(12,422)	(11,727)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>(7,812)</b>	<b>(14,017)</b>	<b>(1,734)</b>	<b>(4,327)</b>	<b>-</b>	<b>(451)</b>	<b>(48,952)</b>	<b>(36,788)</b>	<b>46,076</b>	<b>43,856</b>	<b>(12,422)</b>	<b>(11,727)</b>
<b>Capital expenditures</b>	<b>4</b>	<b>147</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>975</b>	<b>5,287</b>	<b>-</b>	<b>-</b>	<b>979</b>	<b>5,436</b>

**Geographical segments:**

Group	Malaysia		Hong Kong		Singapore		Adjustments and eliminations		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>										
External revenue	5,936	10,115	24,406	12,300	531	1,216	-	-	30,873	23,631
<b>Results</b>										
Segment results										
Interest income	2	1	-	-	537	-	-	-	539	1
Interest expenses	121	130	12	20	3	3	-	-	136	153
Depreciation	307	420	475	348	17	16	-	-	799	784
Impairment loss on amount due from subsidiary companies	6,640	6,538	-	-	-	-	(6,640)	(6,538)	-	-
Impairment loss on trade receivables	1,220	509	1,320	-	-	-	-	-	2,540	509
Inventories written down	84	360	-	-	-	-	-	-	84	360
Segment loss	(12,950)	(12,699)	(7,049)	(7,117)	(21)	(237)	6,391	7,116	(13,629)	(12,937)
<b>Total assets</b>	25,023	44,153	14,248	13,509	2,169	3,828	(1,561)	(12,388)	39,879	49,102
<b>Total liabilities</b>	(9,579)	(20,741)	(48,764)	(33,204)	(155)	(1,639)	46,076	43,857	(12,422)	(11,727)
<b>Capital expenditures</b>	4	149	975	5,287	-	-	-	-	979	5,436

## Notes:

- (a) Inter-segment sales are eliminated on consolidation.
- (b) The inter-segment assets are added to segment assets to arrive at total assets reported in consolidated financial statements.
- (c) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in consolidated financial statements.

**33. OPERATING LEASE COMMITMENTS**

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

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

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
Future minimum lease payments:				
Not later than 1 year	484,817	1,688,328	47,250	45,000
Later than 1 year and not later than 5 years	60,000	1,118,109	60,000	15,000
	<u>544,817</u>	<u>1,688,328</u>	<u>107,250</u>	<u>60,000</u>

**34. CONTINGENT LIABILITIES**

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<u>Unsecured</u>				
Potential liquidated ascertained chargeable by customers	260,212	260,212	-	-
Corporate guarantees given to a licensed bank for credit facility granted to a subsidiary company - unsecured	-	-	-	990,908
	<u>260,212</u>	<u>260,212</u>	<u>-</u>	<u>990,908</u>

### 35. CAPITAL COMMITMENTS

The subsidiary of the Company, Industronics Technology Limited has capital commitments related to software under development of HKD11,253,500 (2015: HKD12,623,500), approximately equivalent to RM6,510,150 (2015: RM6,989,632).

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 4 February 2016, the Company had acquired the entire equity interest in Metro Energy Limited comprising 1 ordinary share of HK\$1.00 for a total consideration of HK\$1.00 only. As a result, Metro Energy Limited becomes a wholly-owned subsidiary of the Company.
- (b) On 18 February 2016, Sukitronics Sdn. Bhd., the Company's 51% owned subsidiary company has entered into a sale and purchase agreement with Triangle Worldwide Sdn. Bhd. to dispose its property for a total consideration of RM2,350,000. The carrying amount of the property at date of disposal is approximately RM2,186,929. The transaction has been completed during the financial year.
- (c) On 22 December 2016, the Company entered into an Equity Transfer Agreement with Reill Edward Champley for the disposal of all equity interests in the following wholly-owned subsidiaries for a total consideration of HKD1,950,001.

<u>Company</u>	<u>Number of shares</u>	<u>Disposal consideration</u> HKD
Itronic Services Limited	1,000,000	1,500,000
Itronic Management Limited	10,000	450,000
Metro Energy Limited	10,000	1

- (d) On 23 December 2016, the Company had announced that Vashion Group Limited, had on 22 December 2016 made a full repayment of S\$1,033,188 as well as approximately S\$175,000 interest charges for the period from July 2016 to December 2016 to Industrial Electronics (S) Pte Ltd, the Company's 70% owned Singapore subsidiaries.
- (e) On 29 December 2016, the Company entered into an Equity Transfer Agreement with Chong Hwa Cheong for the disposal of all equity interest in Primeworth (M) Sdn. Bhd., a 69.2% subsidiary company for a total consideration of RM20,000.

### **37. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR**

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:-

- (a) Removal of the authorised share capital;
- (b) Ordinary shares will cease to have par or nominal value; and
- (c) Share premium account and capital redemption reserve will become part of the share capital.

### **38. MATERIAL LITIGATION**

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

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

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

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

On 20th April 2016, the Arbitrator gave the following directions:

- (a) The claimant to submit its final submission complete with authorities on or before 20th August 2016
- (b) The respondent to submit its final submission complete with authorities on or before 28th November 2016.
- (c) The claimant to submit its final reply on or before 28 February 2017.

On 10th February 2017, the Arbitrator gave the following directions:

- (a) The respondent to submit its final submission complete with authorities on or before 13th February 2017.
- (b) The claimant to submit its final reply on or before 16 June 2017.

### **39. COMPARATIVE FIGURES**

The financial statements for the financial year ended 31 December 2015 were audited by another firm of Chartered Accountants. Certain comparative figures in the financial statements have been reclassified in order to conform with the current year's presentation.

### **40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue on 18 April 2017 by the Board of Directors.

## SUPPLEMENTARY INFORMATION – ON THE DISCLOSURES OF REALISED AND UNREALISED PROFIT OR LOSS

The breakdown of the accumulated losses of the Group and of the Company at the end of the reporting period into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 20 December 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	RM	RM	RM	RM
<b>Total accumulated losses of the Group and of the Company</b>				
- Realised	(84,369,089)	(59,490,746)	(47,784,164)	(39,359,626)
- Unrealised	<u>(286,176)</u>	<u>545,472</u>	<u>659,748</u>	<u>571,207</u>
	(84,655,265)	(58,945,274)	(47,124,416)	(38,788,419)
Less: Consolidated adjustments	<u>45,904,731</u>	<u>31,743,553</u>	<u>-</u>	<u>-</u>
<b>Accumulated losses of the Group and of the Company</b>	<u><u>(38,750,534)</u></u>	<u><u>(27,201,721)</u></u>	<u><u>(47,124,416)</u></u>	<u><u>(38,788,419)</u></u>

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



**ADDITIONAL COMPLIANCE INFORMATION**

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

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**(i) Utilisation of Proceeds**

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

**(ii) Material Contracts**

There were no material contracts entered into by the Group since the end of the preceding year which are still subsisting.

**(iii) Recurrent Related Party Transactions (“RRPT”) of Revenue Nature**

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

**LIST OF PROPERTIES as at 31 December 2016**

Location	Tenure	Description of Property (approximate land area)	Existing use	Age of Building	Net Carrying Amount RM	Date of Revaluation
<b>COMPANY</b>						
9 Jalan Taming 3 Taman Tanming Jaya 43300 Seri Kembangan Selangor Darul Ehsan	Freehold	Industrial land and building (14,876 sq ft)	Factory, office and warehouse	26 years	5,400,000	December 2016
HS (D) 159898 No. PT 1693, Pekan Panchor Daerah Seremban Negeri Sembilan	Leasehold (99 years) Expire in 2103	Industrial land (1,552 sq. m.)	Vacant land	N/A	130,000	Not Applicable
<b>SUBSIDIARIES</b>						
<b><u>Sukitronics Sdn Bhd</u></b>						
No. 22, Jalan Pendidik U1/31 Seksyen U1 Hicom Glenmarie Industrial Park 40150 Shah Alam Selangor Darul Ehsan	Freehold	Industrial land and building (9,750 sq ft)	Factory and office	19 years	5,200,000	December 2016
#GF53, Jalan Persiaran Tun Sri Lanang, Daerah Sentral 80000 Johor Bahru Johor Darul Takzim	Leasehold (99 years) Expire in 2095	Shoplot (475 sq ft)	Vacant	16 years	-	Not Applicable
#GF53A, Jalan Persiaran Tun Sri Lanang, Daerah Sentral 80000 Johor Bahru Johor Darul Takzim	Leasehold (99 years) Expire in 2095	Shoplot (475 sq ft)	Vacant	16 years	-	Not Applicable
No. 6A-13-2A, Kondominium BBK Persiaran Bukit Raja 41150 Klang Selangor Darul Ehsan	Leasehold (99 years) Expire in 2093	Condominium (1,605 sq ft)	Vacant	15 years	275,675	Not Applicable

## ANALYSIS OF SHAREHOLDING AS AT 31 MARCH 2017

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

## DISTRIBUTION OF SHAREHOLDERS

<i>Size of shareholdings (Number of Ordinary Shares)</i>	<i>No. of shareholders</i>	<i>% of Shareholders</i>	<i>No. of shares</i>	<i>% Of Issued Share Capital</i>
Less than 100	11	0.78	352	0.00
100 – 1,000	120	8.55	49,148	0.05
1,001 – 10,000	804	57.26	4,173,900	4.06
10,001 – 100,000	396	28.21	14,986,400	14.58
100,001 to less than 5% of issued shares	69	4.91	27,902,500	27.15
5% and above of issued shares	4	0.28	55,650,500	54.15
	1,404	100.00	102,762,800	100.00

## DIRECTORS' SHAREHOLDING

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

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	<i>←-----Direct interest-----→</i>		<i>←-----Indirect interest-----→</i>	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Sunny Luck International Limited	17,521,900	17.05	0	0
Zhou Qi Lin	9,278,700	9.03	0	0
Lissington Limited	8,547,800	8.32	0	0
Yeoh Eng Kong	10,446,200	10.17	0	0
Cranberry Star Asia Investment Limited	9,745,600	9.48	0	0

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2017

	Shareholder's Name	Investor ID	Shareholding	%
1	AFFIN HWANG NOMINEES (ASING) SDN BHD Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	278474A	17,826,500	17.35
2	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Exempt AN For Maybank Kim Eng Securities Pte Ltd (A/C 648849)	284592K	17,632,200	17.16
3	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Yeoh Eng Kong (M02)	41117T	10,446,200	10.17
4	CITIGROUP NOMINEES (ASING) SDN BHD Exempt AN For UBS AG Hong Kong (Foreign)	263875D	9,745,600	9.48
5	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tee Kim Hew (E-KLG/BTG)	6464T	2,372,000	2.31
6	LIM JIT CHOW	400519-08-5673	1,449,900	1.41
7	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Maybank Kim Eng Securities Pte Ltd For Lim Jit Teng @ Lim Yit Teng	284592K	1,409,000	1.37
8	HSBC NOMINEES (ASING) SDN BHD Exempt AN For Bank Julius Baer & Co. Ltd. (Singapore BCH)	4381U	1,180,000	1.15
9	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Siu Hiu Ki Jamie	278474A	1,040,600	1.01
10	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Henrick Kwok-Hang Yau Heilesen	278474A	1,000,000	0.97
11	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Champley Reill Edward	278474A	900,000	0.88
12	GAN LU TER	911216-14-5581	855,700	0.83
13	KINGSLEY LIM FUNG WANG	740531-14-5641	760,000	0.74
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tan Chen Pang (E-KLG/BTG)	6464T	708,800	0.69
15	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Kwong Ming Kwei (08KWO32ZQ-008)	16778M	708,000	0.69
16	ZECON ENGINEERING BERHAD	134463X	689,500	0.67
17	FRODINE LOW KWAI MING	760324-14-5508	600,000	0.58
18	CHU MOK KIEW	670405-01-5378	589,900	0.57
19	GEOFFREY LIM FUNG KEONG	690629-10-5709	520,100	0.51
20	WEALTH OVERSEAS PTE. LTD.	200608392K	507,900	0.49
21	CHOOI KHIN SEONG	511101-08-6101	500,000	0.49
22	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tan Cheow Hian @ Tan Lek Keah	16778M	500,000	0.49
23	TA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Muhammad Asyraf Bin Rosli	268290H	500,000	0.49
24	OOI CHIN KEAT	751024-02-5745	498,400	0.49
25	PIONG CHUI LING	780727-04-5040	488,500	0.48
26	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS Vickers Secs (S) Pte Ltd For Yau Chi Shing	278474A	447,600	0.44
27	CHU TOO KIEW	650527-01-5220	402,000	0.39
28	TAI YOK YEN	540415-04-5428	352,900	0.34
29	WONG YON KOW @ WONG YAN KAM	520316-05-5024	350,000	0.34
30	M & A NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chew Fei Meng (M&A)	320471T	342,400	0.33
<b>Total</b>			<b>75,323,700</b>	<b>73.30</b>

\*Paid-up Capital as at 31 March 2017

102,762,800

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-Second (42<sup>nd</sup>) Annual General Meeting of the Company will be held at Function Room 5, Level 2, Hotel Seri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur at 10:30 a.m. on Friday, 30 June 2017 for purpose of transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon. To refer to Explanatory Note 2
2. To approve the payment of Directors' fees and benefits of RM305,450 for the financial year ended 31 December 2016. (Resolution 1)
3. To approve the Directors' benefits of up to RM250,000 with effect from 1 January 2017 until the next Annual General Meeting of the Company. (Resolution 2)
4. To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association:-
  - (a) Mr. Tsui Kwok Ho (Resolution 3)
  - (b) Ms. Lu Zhi Qin (Resolution 4)
5. To re-appoint Messrs Siew Boon Yeong & Associates as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration. (Resolution 5)

### **Special Business:**

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

### **Ordinary Resolutions:**

6. Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016. (Resolution 6)

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions, for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued in any one financial year of the Company does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company".

7. Proposed renewal of authority to buy back its own shares by the Company. (Resolution 7)

"THAT subject to all the applicable laws and regulations, the Directors

be and are hereby authorised to purchase the ordinary shares of the Company through the stock exchange of Bursa Malaysia Securities Berhad at any time upon such terms and conditions as the Directors in their absolute discretion deem fit provided that the aggregate number of shares purchased (which are to be treated as treasury shares) does not exceed 10% of the issued and paid-up share capital of the Company; and the funds allocated for the purchase of shares shall not exceed its retained profits for the time being.

THAT the Directors be and are hereby further authorised to deal with the treasury shares in their absolute discretion (which may be distributed as dividends, resold and/or cancelled).

THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company following the general meeting at which the Proposed Share Buy-Back was passed at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or the expiration of the period within which the next annual general meeting after that date is required by law to be held; or the revocation or variation by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first.

AND THAT the Directors and/or any of them be and are hereby authorised to do all acts and things (including executing such documents as may be required) to give effect to the aforesaid share buyback in the best interest of the Company.”

8. To transact any other matter for which due notices shall have been given in accordance with the Company's Articles of Association and the Companies Act 2016.

By Order of the Board

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

Kuala Lumpur  
28 April 2017

**Notes:**

1. Only members registered in the Record of Depositors as at 23 June 2017 shall be eligible to attend, speak and vote at this Meeting or appoint proxy to attend and vote for his/her behalf.
2. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or two (2) proxies to attend and vote on his behalf.
3. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualifications of the proxy.
4. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. Where a member is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 that 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 authorized nominee may appoint in respect of each omnibus account it holds.

6. If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised. The corporation may by its resolution of its Board or a certificate of authorization by the corporation to appoint a person or persons to act as its representative or representatives to attend and vote on their behalf.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan, No.1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned Meeting. **Copies of the duly executed Proxy Form which are faxed and/or e-mailed to the Registered Office are not acceptable.**

## Explanatory Notes

1. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

2. **Item 2 of the Agenda**

This item is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the Audited Financial Statements. Henceforth, this item is not put forward for voting by shareholders of the Company.

3. **Ordinary Resolutions 1 & 2**

The benefits payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company. The benefits includes meeting and travelling allowances.

4. **Ordinary Resolution 6**

The Company had, during the 41<sup>st</sup> AGM held on 29 June 2016, obtained its shareholders' approval for the general mandate for issuance of shares. No share has been issued as at the date of this Notice as there were no requirements for such fund raising activities.

The proposed resolution 6 is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. This mandate, if passed, will empower the directors of the Company to allot and issue shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares for fund raising activities, including but not limited to placing of shares for the purpose of funding current and/or future investment project(s), working capital and/or acquisition as well as any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis. This authority, unless revoked or varied at a general meeting will expire at the next AGM of the Company.

5. **Ordinary Resolution 7**

The proposed resolution 7, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company. Please refer to the Statement to Shareholders dated 28 April 2017 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

**STATEMENT ACCOMPANYING NOTICE OF FOURTY-SECOND ANNUAL GENERAL MEETING (“42<sup>ND</sup> AGM”)**

*(Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)*

- **Details of individuals who are standing for election as Directors**

No individual is seeking election as Director (other than those Directors standing for re-election) at the forthcoming 42<sup>nd</sup> AGM of the Company.

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the MMLR**

The details of the general mandate are set out in item 5 of the Explanatory Note of the Notice of 42<sup>nd</sup> AGM dated 28 April 2017.



**INDUSTRONICS BERHAD****Company No. 23699-X)**

(Incorporated in Malaysia)

**PROXY FORM**

I/ We, \_\_\_\_\_ NRIC/ Passport No. / Company No. \_\_\_\_\_

CDS Account No. \_\_\_\_\_ of \_\_\_\_\_

being \*a member/ members of **INDUSTRONICS BERHAD**, hereby appoint \_\_\_\_\_

NRIC/ Passport No. \_\_\_\_\_ of \_\_\_\_\_

\*and/ or failing him/ her, \_\_\_\_\_ NRIC/ Passport No. \_\_\_\_\_

of \_\_\_\_\_

or the Chairman of the Meeting as \*my/ our proxy to vote for \*me/ us on \*my/ our behalf at the 42nd Annual General Meeting of the Company to be held at Function Room 5, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Friday, 30 June 2017 at 10.30 a.m. and any adjournment thereof and to vote as indicated below:-

No.	Resolutions	For	Against
1	To approve the payment of Directors' fees and benefits for the financial year ended 31 December 2016		
2	To approve the Directors' benefits with effect from 1 January 2017 until the next Annual General Meeting		
3	Re-election of Mr. Tsui Kwok Ho Jacob as Director		
4	Re-election of Ms. Lu Zhi Qin as Director		
5	Re-appointment of Messrs Siew Boon Yeong & Associates as Auditors		
Special Business			
6	Authority to issue shares pursuant to Sections 75 and 76		
7	Proposed Renewal of authority to buy back its own shares by the Company		

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

First Proxy (1) \_\_\_\_\_ %

Second Proxy (2) \_\_\_\_\_ %

No. of shares held

\_\_\_\_\_  
Signature/ Common Seal of Shareholder

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2017

**NOTES:-**

- Only members registered in the Record of Depositors as at 23 June 2017 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.
- A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or two (2) proxies to attend and vote on his behalf.
- A proxy may but need not be a member of the Company and there shall be no restriction as to the qualifications of the proxy.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- Where a member is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 that 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 authorized nominee may appoint in respect of each omnibus account it holds.
- If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised. The corporation may by its resolution of its Board or a certificate of authorization by the corporation to appoint a person or persons to act as its representative or representatives to attend and vote on their behalf.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan, No.1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned Meeting. **Copies of the duly executed Proxy Form which are faxed and/or e-mailed to the Registered Office are not acceptable.**

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Postage

The Company Secretary  
**INDUSTRONICS BERHAD**  
Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan  
No.1, Jalan Tasik Permaisuri 2  
Bandar Tun Razak  
56000 Kuala Lumpur

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INDUSTRONICS BERHAD  
(company No.23699-X)

**INDUSTRONICS BERHAD** (company No.23699-X)

No.9, Jalan Taming 3, Taman Tanming Jaya

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