



IDEAL JACOBS

M A L A Y S I A

IDEAL JACOBS (MALAYSIA) CORPORATION BHD

捷卡(马)控股有限公司 (857363 U)

annualreport 2017

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IDEAL JACOBS

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(857363 U)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Andrew Conrad Jacobs

Executive Chairman

Dato' Meng Bin

Chief Executive Officer /Managing Director

Koong Lin Loong

Independent Non-Executive Director

Hing Kim Tat

Independent Non-Executive Director

Tan Kean Huat

Independent Non-Executive Director

Rizvi Bin Abd Halim

Independent Non-Executive Director

COMPANY SECRETARIES

Lim Seck Wah (MAICSA 0799845)

Tang Chi Hoe (Kevin)

(MAICSA 7045754)

AUDIT COMMITTEE

Hing Kim Tat

Chairman

Independent Non-Executive Director

Koong Lin Loong

Member

Independent Non-Executive Director

Tan Kean Huat

Member

Independent Non-Executive Director

NOMINATION COMMITTEE

Koong Lin Loong

Chairman

Independent Non-Executive Director

Hing Kim Tat

Member

Independent Non-Executive Director

Tan Kean Huat

Member

Independent Non-Executive Director

REMUNERATION COMMITTEE

Tan Kean Huat

Chairman

Independent Non-Executive Director

Hing Kim Tat

Member

Independent Non-Executive Director

Koong Lin Loong

Member

Independent Non-Executive Director

REGISTRAR OFFICE

Level 15-2, Bangunan Faber

Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 03-2692 4271

Fax : 03-2732 5388

PRINCIPAL PLACE OF BUSINESS

Suite 906 & 907, Block B,
Pusat Dagangan Phileo Damansara 2,

No 15 Jalan 16/11 Off Jalan
Damansara, 46350 Petaling Jaya,
Selangor Daruh Ehsan

Tel : 03-7955 1079

Fax : 03-7955 3079

REGISTRAR

Mega Corporate Services Sdn Bhd

Level 15-2, Bangunan Faber

Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 03-2692 4271

Fax : 03-2732 5388

AUDITORS

Messrs Grant Thornton Malaysia

Messrs Grant Thornton Malaysia

Level 11, Sheraton Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 03-2692 4022

Fax : 03-2732 5119

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, ACE Market

Stock name : IJACOBS

Stock code : 0162

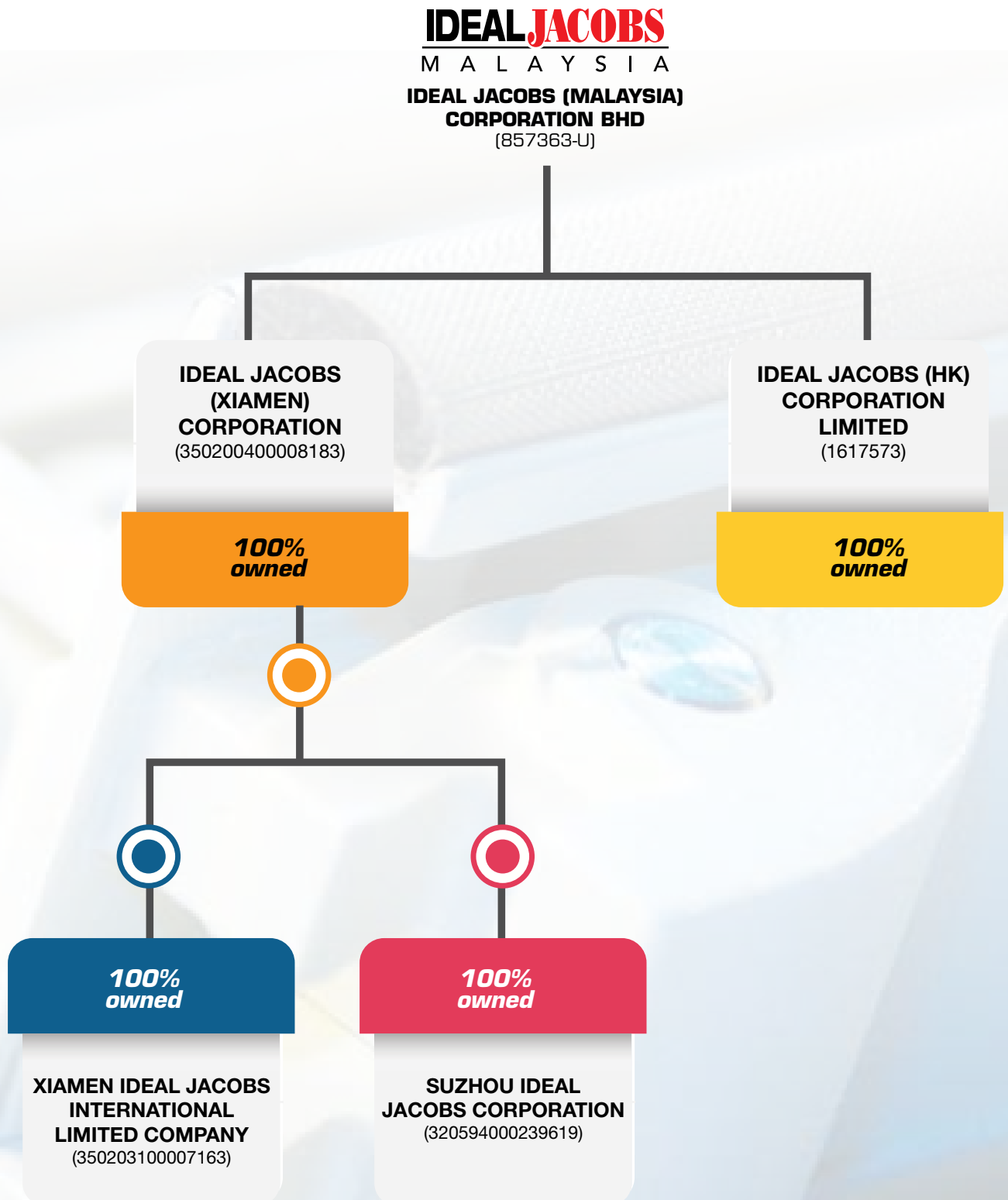
PRINCIPAL BANKERS

HSBC Bank (Malaysia) Berhad

United Overseas Bank (Malaysia) Bhd



CORPORATE STRUCTURE



DIRECTORS' PROFILE

ANDREW CONRAD JACOBS

*Executive Chairman,
American, Aged 62*

Mr Jacobs was appointed to the Board of Ideal Jacobs (Malaysia) Corporation Bhd ("Ideal Jacobs") as Non-Independent Non-Executive Chairman on 8 June 2010 and re-designated as Executive Chairman of Ideal Jacobs on 15 December 2011.

He graduated from University of Delaware with a degree in Speech Communications. He is the co-founder of Ideal Jacobs (Xiamen) Corporation in 2005 and also the President of Ideal Jacobs Corporation ("IJUS") in New Jersey, The United States of America ("USA"). IJUS is a major shareholder of Ideal Jacobs.

Mr Jacobs has more than thirty years of experiences in the printing industry and has been involved in the marketing, production, quality control and other related fields in this industry. He is responsible for the rise of IJUS as one of the established suppliers in the printing industries among the multinational companies. He has also established "Ideal Jacobs" as a reputable supplier to various multinational companies worldwide. In addition, he is also actively involved in the environmental, health and safety movements in the USA.

He has also been a public speaker and author of several books including "Memoirs of a Sales Warrior: My Life, My Way", "How to Start and Run Your Own Company -Or- Sex, Money and Power...It's All The same Thing" and "Say Yes or I will Keep Calling".

Mr. Jacobs is a major shareholder of Ideal Jacobs by virtue of his interest in IJUS. He does not hold any directorship in any other public company. He has no family relationship with any Director and/or other major shareholder of Ideal Jacobs and has no conflict of interest other than disclosed under Note 33 which appears on page 118 in this Annual Report. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

DATO' MENG BIN

*Chief Executive Officer/ Managing Director,
Chinese, Aged 51*

Dato' Meng Bin was appointed to the Board of Ideal Jacobs on 18 May 2009 and became our Chief Executive Officer/ Managing Director of Ideal Jacobs and its group of companies on 8 June 2010.

He graduated from University of Utah with a degree in Finance. He is the co-founder of Ideal Jacobs (Xiamen) Corporation ("IJX") in 2005 and is the Chairman of the Board of IJX. Dato' Meng Bin is also the legal representative of IJX, Xiamen Ideal Jacobs International Limited Company ("IJIntl") and Suzhou Ideal Jacobs Corporation ("IJSZ"), both are indirect wholly-owned subsidiaries of Ideal Jacobs in the People's Republic of China ("PRC"). He is the Executive Director of IJSZ. He is also the chairman of IJIntl and General Manager of Ideal Jacobs (HK) Corporation Limited, wholly owned subsidiary of Ideal Jacobs in Hong Kong, China.

Prior to the establishment of IJX together with Mr Jacobs, Dato' Meng Bin started his career as the General Manager in Sanbor Xiamen Corporation. After eight (8) years of experience in manufacturing fields, he joined Space Diversity Limited Co. as a Director for the company's trading operation in Peoples' Republic of China and abroad. With his extensive industry experience accumulated for the past twenty (20) years in the management of business operation, marketing, sales and development of new business, Dato' Meng Bin has been instrumental in the growth and development of IJX and the commencement of the Ideal Jacobs Group's business operation in Thailand, Suzhou of Peoples' Republic of China and Hong Kong. Being an integral part of the management team, Dato' Meng Bin is responsible for implementation of Ideal Jacobs Group's broad operational strategies and policies. He also oversees the day-to-day operations and performance of the Ideal Jacobs Group.

Dato' Meng Bin is a major shareholder of Ideal Jacobs by virtue of his spouse, Foo Chong Lee's interests in Ideal Jacobs. He does not hold any directorship in any other public company. He has no family relationship with any Director and/or other major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

*Directors' Profile (cont'd)***HING KIM TAT**

*Independent Non-Executive Director,
Malaysian, Aged 51*

Mr Hing was appointed to the Board of Ideal Jacobs as our Independent Non-Executive Director on 8 June 2010. He is also the Chairman of Audit Committee, member of Remuneration Committee and Nomination Committee.

He graduated from Nottingham Trent University with an LL.B (Hons). Upon admission to the Law Society of England & Wales as a solicitor, he worked as an assistant solicitor with a firm in London, United Kingdom. He is a lawyer by profession and a member of the Malaysian Bar and the Law Society of England and Wales.

He has more than 18 years of experience in corporate and commercial legal matters, and business laws in Malaysia and Peoples' Republic of China. He is also a Notary Public and Malaysian Trade Mark Agent.

He does not hold any directorship in any other public company. He has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

TAN KEAN HUAT

*Independent Non-Executive Director,
Malaysian, Aged 60*

Mr Tan was appointed to the Board of Ideal Jacobs as Independent Non-Executive Director on 23 January 2013. He is the Chairman of Remuneration Committee, member of Nomination Committee and Audit Committee

He is a graduate in Diploma in Electronic Engineering.

Mr Tan has retired as Executive Director and became Non-Independent Non-Executive Director of NV Multi Corporation Bhd on 1 August 2008. He is also a Director of Durian Garden Berhad, a durian plantation company.

Apart from being in the insurance business for the past 20 years he is also active in the cosmetic trade. He has substantial interest in property investment as well as in food outlets.

Beside business, he is actively involved in charitable organisations. He is currently the, Chairman of Confucian Culture & Education Foundation, Chairman of Chung De Classic Education Association Malaysia, Vice Chairman of NV Foundation, and General Secretary of Malaysia Chinese Cultural Society.

Mr Tan does not hold any directorship in any other public company. He has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

Directors' Profile (cont'd)

RIZVI BIN ABDUL HALIM

*Independent Non-Executive Director,
Malaysian, Aged 48*

Encik Rizvi was appointed to the Board of Ideal Jacobs as Independent Non-Executive Director on 21 June 2013. He holds a Bachelor of Science in Business Administration from Indiana State University USA and Master of Business Administration from Ohio University USA.

He has vast experience in corporate banking, capital market and syndication and capital market regulations. He held the position of Account Manager in Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad) from 1995 to 1996. From 1997 to 2000, he was the Assistant Manager of Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad). He joined Securities Commission Malaysia in 2000 and held the position of Senior Manager until 2012. He is currently the shareholder and director of Cascade Crest Sdn Bhd, a company involved in construction and engineering work.

He is also the Independent Non-Executive Director of Ni Hsin Resources Berhad.

He has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

KOONG LIN LOONG

*Independent Non-Executive Director,
Malaysian, Aged 54*

Mr Koong was appointed to the Board of Ideal Jacobs as Independent Non-Executive Director on 8 June 2010. He is also the Chairman of Nomination Committee, a member of the Audit Committee and Remuneration Committee.

He is qualified as a Chartered Management Accountant in the United Kingdom; a member of the Malaysia Institute of Accountant ("MIA") and fellow member of Chartered Tax Institute of Malaysia ("CTIM"); Certified Practising Accountant ("CPA"), Australia; Associate Member of Malaysian Association of Company Secretaries ("MACS") and the Institute of Internal Auditors ("IIA") Malaysia and active member of Kampuchea Institute of Certified Public Accountants and Auditors ("KICPAA").

He has extensive cross-border experiences in various industries which include internal audit and control, corporate finance, feasibility study for joint venture assignments.

He is the National Council Member of the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM"), Chairman of its Small & Medium Enterprises ("SMEs") and Taxation Task Force Committee; Board of Director and Chairman of Audit Committee of SME Corp, Ministry of International Trade and Industry of Malaysia; Council Member of Chartered Tax Institute of Malaysia.

He is the Managing Partner of Reanda LLKG International, Chartered Accountants, Executive Director of the Reanda International and K-Konsult Taxation Sdn Bhd and its group of companies.

He is currently an Independent Non-Executive Director of Oversea Enterprise Berhad.

He has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

DU XIXI

Chinese, Male, Aged 42

Mr Du is a Director and General Manager of Ideal Jacobs (Xiamen) Corporation ("Ideal Jacobs Xiamen"). He was appointed to the Board of Ideal Jacobs Xiamen on 27 May 2010.

He graduated from JiangSu Technology University with a degree majoring in Mechanical and Electrical Engineering. In 1999, he joined ITT Industry Company, USA as an Engineer in NPI Department and was later promoted to PMC Manager in 2000. In 2002, he was promoted to the position of Production Manager where he was responsible for the entire production department. Subsequently in 2006, he joined Ideal Jacobs Xiamen as Production Manager. In 2007, he was appointed as Vice President (Operations and Engineering) and is mainly responsible for new projects and operations. He was appointed as General Manager of Ideal Jacobs Xiamen in 2009.

He has more than 15 years of experience in general management and manufacturing industry.

Mr Du does not hold any directorship in any other public company. He has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. He has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

ZHAO HUA

Chinese, Female, Aged 43

Ms Zhao is a Director and Financial Controller of Ideal Jacobs Xiamen. She was appointed to the Board of Ideal Jacobs Xiamen on 30 August 2010.

She graduated from Hefei Industrial University, Hefei, PRC with academic study in accounts. Her career started in 1988 as a clerk in the Government Offices in Sanwan Town, Si Country, PRC. Subsequently, she joined Tianqi Artware Limited Co as an accountant in 2001 primarily responsible for the accounting aspects of the company and general ledger. In 2005, she joined Ideal Jacobs Xiamen as accountant and was appointed to Finance Manager in 2009. She was later promoted to the position of Financial Controller in the end of 2012.

She has more than 15 years of experience in accounting with strong knowledge in finance and also good analytical skills.

Ms Zhao does not hold any directorship in any other public company. She has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. She has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

Key Senior Management Profile (cont'd)

HE NALI

Chinese, Female, Aged 36

Ms He is a Director of Ideal Jacobs Xiamen and General Manager of Suzhou Ideal Jacobs Corporation ("Suzhou Ideal Jacobs"). She was appointed to the Board of Ideal Jacobs Xiamen on 19 December 2014.

She graduated from Chongqing Jiaotong University, PRC with degree in English. Her career started in 2004 as a Secretary at Intex Group, PRC. Subsequently, she joined Ideal Jacobs Xiamen in 2005 as a Sales Support Representative, and was promoted to Customer Service Manager in 2007 and later in 2008, she served as Operation Manager. In 2009, she was transferred to the costing and engineering department as Costing and Engineering Centre Manager. In 2011, she was promoted to become General Manager of Suzhou Ideal Jacobs, which is based in Suzhou, PRC.

She has extensive experience in commodity and supplier management, strategic planning and purchasing, sourcing and cost reductions. She proposes effective measures to evaluate and select suppliers for potential cost savings to reduce engineering costs for the Group.

Ms He does not hold any directorship in any other public company. She has no family relationship with any Director and/or major shareholder of Ideal Jacobs and has no conflict of interest with Ideal Jacobs. She has not been convicted of any offences other than traffic offences, if any, within the past five (5) years and has not been imposed of any public sanction or penalty by the regulatory bodies during the financial year.

Management Discussions *and Analysis*

OUR BUSINESS OPERATIONS

Our Business Operations

Ideal Jacobs (Malaysia) Corporation Bhd is an investment holding company with overseas and Malaysia subsidiaries such as Ideal Jacobs (Xiamen) Corporation, Xiamen Ideal Jacobs International Limited Company, Ideal Jacobs (HK) Corporation Limited and Suzhou Ideal Jacobs Corporation.



Management Discussions and Analysis (cont'd)

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Our Business Operations

Ideal Jacobs (Malaysia) Corporation Bhd is an investment holding company with overseas and Malaysia subsidiaries such as Ideal Jacobs (Xiamen) Corporation, Xiamen Ideal Jacobs International Limited Company, Ideal Jacobs (HK) Corporation Limited and Suzhou Ideal Jacobs Corporation.

We have a total work force of approximately 207 employees in the Group with the majority resides in our Mainland China subsidiaries.

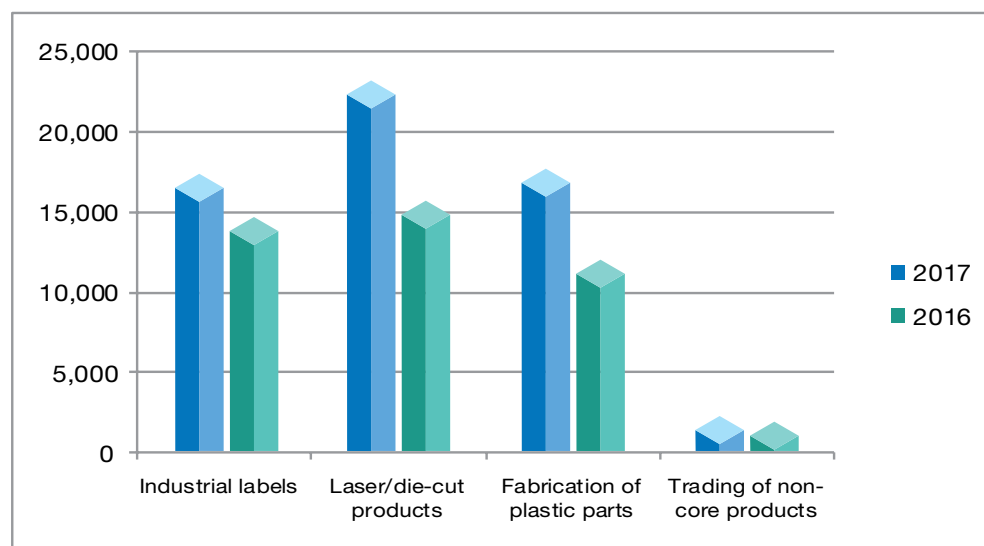
Our areas of expertise include graphic overlays, nameplates, custom labels, membrane switches, fabric over foam gaskets, die cut components, injection moulded panels and machined parts. We serve clients in the telecommunications, medical, electronics and other industries.

For management purposes, the Group is organised into business units based on their products, and has four reportable products segments as follows:

- i) Industrial labels (including nameplates and overlays);
- ii) Laser/die-cut products;
- iii) Fabrication of plastic parts; and
- iv) Trading of non-core products.

Revenue contribution in 2017 and 2016 based on four reportable products segments is as follows:-

Revenue contribution by products segment (RM'000)

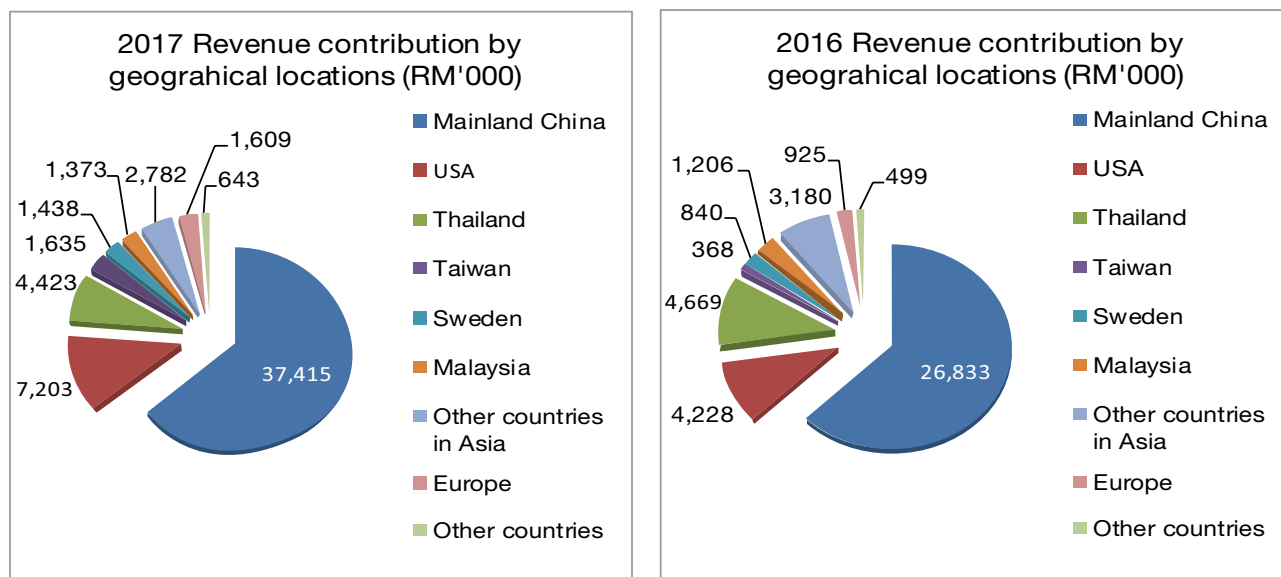


We have market presence in more than 25 countries worldwide with over 450 customers base. Our geographic reach spans from Mainland China, Hong Kong, Taiwan, Malaysia, Thailand, other countries in Asia, United States of America and other countries in Europe.

Management Discussions and Analysis (cont'd)

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS (CONT'D)

Revenue contribution in 2017 and 2016 based on the geographical location of customers is as follows: -



Revenue contribution from our Mainland China subsidiaries is approximately 98.5% of the Group's revenue while the balance was contributed by our Hong Kong subsidiary.

Discontinued Operations

In preparing the financial statements for financial year ended 31 December 2017, operations of Ideal Jacobs (Xiamen) Corporation Group and Ideal Jacobs (HK) Corporation Limited are classified as discontinued operations pursuant to MFRS 5 : Non-current Assets Held for Sale and Discontinued Operations.

Our Business Management

Each of our subsidiaries is being managed by General Managers and they report to the Executive Directors frequently. Most operational departments are being handled at subsidiary level. The Board of Directors is responsible for the Group's overall strategy and investment decision.

The Group implemented common rules and guidelines to hire, train, assess, and reward the members of its workforce. Taking into consideration of local requirements of the different subsidiaries, should any Human Resource policy conflict with local legislation, the local legislation will prevail.

Sales and Marketing strategies are being determined by the Executive Directors before cascaded to the subsidiaries for implementation. The Group assesses its Sales and Marketing strategies on periodic basis for improvements after taking into considerations of the customers' needs, market conditions and the competitors' movements.

Consolidation of Account is being handled at the Group level while the Treasury Management is being handled at the subsidiary level. Most of our export sales are dominated in US Dollars. We focus on natural hedge on our sales proceeds against payments for our foreign currency borrowings and imported raw materials. If hedging is required, it will be carried out after approval from Management is being obtained.

Management Discussions and Analysis (cont'd)

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS (CONT'D)

Our Business Objectives and Strategies

We aim to provide the best quality, service, products and innovative solutions to business partners. Our strength is capability to come out new idea and solution to solve business partner's issues with the shortest time period. Our management systems strive to produce the maximum outcome with the minimum disposal waste.

We have the ability and know-how to adapt to our customers' ever changing requirements. Whether the job calls for researching alternative materials, sending a resident engineer to work on-site with a client or a new business opportunity, we are confident in our ability to establish a successful relationship with existing and prospective customers.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Our Financial Performance

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Continuing Operations				
Loss from operation	(4,670)	(2,303)	(2,367)	(103)
Loss before tax	(4,670)	(2,303)	(2,367)	(103)
Loss after tax	(4,670)	(2,303)	(2,367)	(103)
Discontinued Operations				
Revenue	58,521	42,748	15,773	37
Profit from operation	10,518	6,111	4,407	72
Profit before tax	9,481	5,074	4,407	87
Profit after tax	7,901	3,650	4,251	116

The Group's manufacturing, fabrication and trading businesses operations are the subject of the Proposed Disposal.

Continuing Operations

Loss after tax of RM4.67 million was recorded on year to date basis as compared to preceding financial year corresponding period's loss after tax of RM2.30 million.

The increase in loss after tax is mainly due to cumulative withholding tax of RM2.09 million recognised on dividends received from the PRC Subsidiary. Included in the preceding financial year corresponding period was reversal of corporate exercise expenses of RM0.51 million.

Discontinued Operations

Revenues of the Group increased by approximately 37% to RM58.52 million from RM42.75 million recorded in the previous financial year. The increase in revenue was contributed by the new projects from existing customers and sales contributed by the new customers. Average selling price per unit of products sold and units of product sold increased by approximately 4.0% and 31.6% respectively during the year (Refer to Key Operation Highlights for details).

Although faced with higher operating expenses, increased direct labour cost and higher direct material prices such as metals and plastics, the Group managed to record comparable Gross Profit Margin of 48.2% against 48.3% as recorded in preceding financial year as a result of effective cost control by Management, improvement in our production efficiency and better product mix.

Management Discussions and Analysis (cont'd)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

Discontinued Operations (cont'd)

Administrative expenses seen an increase mainly due to higher employee benefits expense and business development related expenses incurred.

Employee benefits expense rose by 17.9% in view of the increased business volume, rising labour costs, recruitment difficulties and increased competition for talents. The Group will continue to focus on talent building, development and retaining to support its operation.

The increase in business development expenses is due to our continued efforts to expand our capabilities and our reach both in Local Mainland China and other regions to expand our clientele.

The Group recorded a profit before tax of RM9.48 million as compared to preceding financial year's profit before tax of RM5.07 million. The improvement was mainly due to increased orders from new and existing customers and higher government grant of RM0.77 million received.

Profit after tax improved further to RM7.90 million due to higher profit before tax and lower income tax expenses due to lower effective income tax rate.

Major Changes in Financials

Assets:-

As operations of Ideal Jacobs (Xiamen) Corporation Group ("IJX Group") and Ideal Jacobs (HK) Corporation Limited ("IJHK") are classified as discontinued operations, all the assets of IJX Group and IJHK are reclassified to assets held for sale under current assets. Thus, our Group's non-current assets decreased considerably from RM23.42 million to RM0.01 million. The Group's current assets increased by 60.3% or RM22.38 million to RM59.49 million due to the same reason.

Decrease in Trade Receivables, Inventories and Cash and Bank Balances

As the Group's major operations are classified as discontinued operations, trade receivables, inventories and cash and bank balances of IJX Group and IJHK are reclassified to assets held for sale. Thus, the above balances decreased considerably as compared to the balances at end of previous financial year.

Liabilities:-

Our Group's liabilities decreased by 11.5% or RM3.80 million to RM29.37 million mainly due to net repayment of bank borrowings of RM6.93 million during the year.

Decrease in Trade Payables, Other Payables and Tax Payable

As the Group's major operations are classified as discontinued operations, trade payables, other payables and tax payable of IJX Group and IJHK are reclassified to liabilities held for sale. Thus, the above balances decreased considerably as compared to the balances at end of previous financial year.

Capital Expenditure Requirements

The Group had completed construction of its own factory and relocated Ideal Jacobs (Xiamen) Corporation's operations and manufacturing facilities to the new factory in end of 2015.

The capital expenditure in the Group for 2013 to 2015 was higher than previous years due to the above relocation activities being carried out in this period. Capital expenditure has normalized in 2016 and 2017 after the completion of the relocation projects.

Management Discussions and Analysis (cont'd)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

Capital Structure and Capital Resources

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

The Group manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital.

With the completion of the construction of the Group's new factory, the Group had renegotiated with the bank to restructure the term loans taken to finance on the construction of the factory to a longer tenure to further improve the cash flows and liquidity position of the Group.

Known trends and events

Discontinued Operations

In 2017, China continued to encourage the mass entrepreneurship and innovation, "One Belt One Road" strategy, as well as supply-side structural reform with the aims to control additional production capacity, promote internal transformation and industrial upgrading. The soaring prices in metals, plastic, paper pulp and other upstream materials affected the cost structure of most of our products.

The overall export was sluggish, and the United States continued to influence China's exports and investment by raising interest rates and reducing taxes. The rapid development of the Internet economy has also driven a whole batch of high-tech manufacturing companies, such as telecommunications and networks, smart phones, smart medical devices, smart instrumentation, smart cars, chips and electronic assembly industries.

We aim to penetrate into the above targeted new customers and projects both in Mainland China and overseas by adopting appropriate strategies. Emphasis will be on more complicated products with higher value-added and towards clients that served both the local and international markets.

In view of the continued soaring prices of the raw materials, we intend to source for substitutes from the local market, apply better manufacturing process and inventories control to reduce wastages and negotiate with suppliers to obtain a more competitive pricing to address these concerns.



Management Discussions and Analysis (cont'd)

REVIEW OF OPERATING ACTIVITIES

Discontinued Operations

Key Operation Highlights	2017	2016
Revenue		
- Local Mainland China (RM'000)	37,415	26,833
- Overseas (RM'000)	21,106	15,915
Local Sales to Overseas sales (%)	64:36	63:37
Units sold (000' units)	68,924	52,370
Average Selling Price per unit (RM)	0.85	0.82
Gross Profit Margin (%)	48.2	48.3
Research & Development Expenses over Sales (%)	4.1	4.4
Number of employees	207	200
Number of active customers	460	386

In 2017, the Group continued its Business Rationalisation Strategy that encompasses:

- The disposal of the Group's entire 51% equity interest in Lumimark Sdn Bhd to Muniandy A/L Gopal and Thirumagal A/P Raman for a total cash consideration of Ringgit Malaysia Two Only (RM2.00) ("the Disposal"); and
- The application to the Accounting and Corporate Regulatory Authority ("ACRA") in Singapore for its 51% owned subsidiary, Ideal Laminar Pte. Ltd. to be struck off from the Register of Companies.

The above exercises were completed in 2017.

Malaysia

During the year, there wasn't any activity carried out by Lumimark Sdn Bhd. The Group had disposed of its entire 51% equity interest in Lumimark Sdn Bhd on 1 November 2017.

China

Xiamen and Suzhou core operations remained resilient as evidenced by the improvement in Group's profitability. In order to remain competitive, we continue to offer value-add services to customers which include our participation in the early product design stage with the aim of simplifying the manufacturing process without compromising the quality and achieve cost saving. Meanwhile research and development activities will continue as and when customers require new products.

Our continued efforts to expand our capabilities and our reach into other regions are yielding positive results evidenced by the increased sales outside China and expanded clientele. Although faced with pricing pressures from customers and higher operating expenses, the Group managed to record comparable Gross Profit Margin of 48.2% against 48.3% as recorded in preceding financial year as a result of effective cost control by Management, improvement in our production efficiency and better product mix. We continued to spend significant amount in research and development activities to improve our technical capabilities.

In recognition of Ideal Jacobs (Xiamen) Corporation's continuous efforts on technology and product innovation, Ideal Jacobs (Xiamen) Corporation was awarded "National High-tech Enterprise" and "Xiamen City High-tech Enterprise" Certificates in 2017.

During the year, Ideal Jacobs (Xiamen) Corporation had established Printed Circuit Board Assembly ("PCBA") line and began to undertake assembly of PCBA products. New products launched in 2017 included Ideal Smart Metal Panel Solution, Capacitive Sensing Button Solution, Flexible Flat Cable and Glass Lens Solution.

Management Discussions and Analysis (cont'd)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

China (cont'd)

Ideal Jacobs (Xiamen) Corporation had successfully renewed its ISO 13485 Medical devices - Quality management systems Certification while Suzhou Ideal Jacobs Corporation had successfully obtained ISO 14001 Environmental management and ISO 18001 Occupational Health and Safety Management Certifications during the year.

ANTICIPATED OR KNOWN RISKS

Operational Risks

Discontinued Operations

In 2017, the Group's operational risk was the challenges in retaining the existing experienced staffs. Currently, the running of the new manufacturing facilities has been smooth without major disruptions and staffs turnover rate has been stabilised. Going forward, as part of Ideal Jacobs (Xiamen) Corporation and Suzhou Ideal Jacobs Corporation's strategic "localisation" policy, priority will be given to job seekers reside in surrounding areas in the recruitment process on top of continuous and systematic training for existing and newly recruited staffs.

Financial Risk

Financial Risk of the Group was mainly on the fluctuation of the local currency against the US Dollars which could potentially affect the profit margins of the Group or a global economy crisis that could have an impact on the demand for our products.

The Group guidelines are to minimise the exposure of overseas operating activities and transaction risk by natural hedge and hedging will be performed if required to minimise our exposures.

To be competitive in this challenging environment, the Group on-going strategy will be to continue to focus on increasing its production efficiency with better quality service and products.

FORWARD LOOKING STATEMENT

Discontinued Operations

While China is starting from a position of strength, with full-year growth in 2017 poised for its first acceleration since 2010, the expansion is seen slowing in 2018. Significant economic imbalances continue to create downside risk to the outlook for 2018 which may adversely affecting market demands of the Group's products and services. The continued weak and uncertain global economic outlook is also adversely affecting market demands across different geographical regions.

We anticipate the following key challenges to the Group in the coming year:

- i) **Economic conditions:** Soaring prices in metals, plastic, paper pulp and other upstream materials; Protectionist trade policy under the new United States Administration and Pressure from our end customers to reduce the sourcing price.
- ii) **Government policies:** Stricter environmental and Occupational Health, Safety and Environmental (HSE) requirements and demand for better working environment and escalation in labour cost.
- iii) **Market conditions:** Market sentiments for some of our key clients in the telecommunications industry remained subdued and increase competitions from our domestic competitors.

Management Discussions and Analysis (cont'd)

FORWARD LOOKING STATEMENT (CONT'D)

Discontinued Operations (cont'd)

Despite the challenging operating environment, we are hopeful that following activities and initiatives will enable the Group in achieving a satisfactory performance:

- i) Penetrating into targeted new customers and projects by adopting appropriate strategies;
- ii) Strengthen our production, procurement and technical capabilities and customer services;
- iii) Continuous development of new technologies or solutions to assist the customers to optimize cost;
- iv) Internal organization to continue to adapt to the market requirements; and
- v) Increasing the production capacities, improvement to operational efficiency and increasing the automation in order to reduce the reliance on manpower.

New Businesses

In view of the proposed venture into the Integrated Facility Management (“IFM”) and construction industries through the Proposed Acquisition, the secured contracts of the IFM and construction business, the positive outlook of both industries as a result of government-led initiatives and spending in infrastructure and construction projects and, the Board is looking forward for the Group to deliver a satisfactory financial result for the financial year ending 31 December 2018.

It is the Board of Directors’ intention to pay dividend to our shareholders in the future to allow them to participate in our profits. The Board has adopted a dividend pay-out policy of between 10% to 15% of its annual consolidated profit after tax (excluding exceptional items) as dividend to shareholders.

However, our ability to pay dividends or make other distributions to our shareholder will depend upon a number of factors, including our earnings, capital requirement, general financial conditions and our distribution reserves.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Ideal Jacobs (Malaysia) Corporation Bhd is dedicated to ensuring that good corporate governance practices is applied throughout the Group in order to safeguard stakeholders' interest as well as for enhancing shareholders' value.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board has the overall responsibility to protect and enhance shareholders' value. The Board is explicitly responsible, amongst others, for establishing and communicating the strategic plan and overseeing the proper conduct of the Group's businesses, and for supervising its affairs to ensure its success within a framework of acceptable risks and effective control and in compliance with relevant laws, regulations, guidelines and directives in the countries which it operates in.

The Board delegates and confers some of its authorities and discretion to the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/exclusively Non-Executive Directors.

The Executive Chairman is responsible for the Group's future business and strategy plan, setting goal to achieve the mission and vision. He provides leadership and governance of the Board, ensuring its effectiveness and assumes the formal role as the leader in chairing all Board meetings and shareholders' meetings. He leads the Board in overseeing Management and principally ensures that the Board fulfils its obligations and as required under the relevant legislations.

Some of the specific responsibilities of the Executive Chairman include:-

- i) Manage Board meetings and boardroom dynamics by promoting a culture of openness and debate where Directors are encouraged to provide their views;
- ii) Work closely with the Executive Directors to ensure provision of accurate, timely and clear information to facilitate the Board to perform effectively, able to make informed decisions and to monitor the effective implementation of the Board's decisions;
- iii) To provide his view and decision objectively;
- iv) Ensure meetings of the shareholders are conducted in an open and proper manner with appropriate opportunity for them to ask questions; and
- v) As Group's official spokesperson.

The duties of Executive Directors include implementation of decisions and policies approved by Board, overseeing and running the Group's day to day business, and also coordinating business and strategic decisions. Each Executive Director is responsible for the respective business unit that there is no overlapping of each role and duty.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee. The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with appropriate recommendations.

The Non-Executive Directors are independent from Management. Their roles are to provide a balance view, to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have direct access to the Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

Corporate Governance Overview Statement (cont'd)

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

BOARD RESPONSIBILITIES (CONT'D)

The Board assumes the following key responsibilities:

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

There is a clear division of responsibility between the Executive Chairman and the Chief Executive Officer/Managing Director ("CEO/MD") so as to ensure that there is a balance of power and authority. The Board is led by Mr. Andrew Conrad Jacobs who is the Executive Chairman, whilst the executive management of the Company is helmed by Dato' Meng Bin, the CEO/MD. The Chairman is primarily responsible for ensuring Board effectiveness whilst the CEO/MD is responsible for business plan and growth, operations and efficient management.

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social, health and safety, staff welfare and governance aspects are taken into consideration. The Board takes heed of go green and energy saving by implementing several measures on sustainability.

Qualified and competent Company Secretaries

The Directors have the unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

The Company Secretaries are qualified Chartered Secretaries, under the prescribed body as permitted by Companies Act 2016. The appointment and removal of the Company Secretaries are under the purview of the Board of Directors.

The Company Secretaries update the Board on the changes to the statutory and regulatory requirements from time to time at Board meetings. The Company Secretaries also notified the Directors and Principal Officers on the closed period for trading in the Company's securities, in accordance with Chapter 14 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The Company Secretaries play an important role in the annual general and extraordinary general meetings in ensuring that the due processes and proceedings are in place and properly managed. During the meeting, the Company Secretaries will assist the Chairman and the Board in the conduct of the meetings and ensure the minutes are properly recorded, particularly questions and issues raised by the shareholders.

Corporate Governance Overview Statement (cont'd)

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

BOARD RESPONSIBILITIES (CONT'D)

Access to information and advice

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs so as to enable them to discharge their responsibilities. Prior to the Board meetings, the Directors are provided with the agenda together with the Board papers on issues to be discussed in a timely manner. The Board papers are sent out via emails or physical copies to all Directors at least 5 days before the Board Meetings. Exceptions may be made for certain ad-hoc or urgent instances when Directors consent to shorter notice.

To ensure effective functioning of the Board, the Directors are given access to information through the following means:-

- Management may be invited to the Board and Board Committees' meetings to report or present areas within their responsibilities to ensure the Board is able to effectively discharge its responsibilities.
- Directors may obtain independent professional advice at the Company's expense, where necessary, after consulting with the Chairman, in furtherance of their duties.
- The Directors also have access to the advice and updates by the external auditors on any new Malaysian Financial Reporting Standards that would affect the Group's financial statements during the year.

A record of the Board's deliberation of issues discussed and conclusion reached are recorded in the minutes of the meeting by the company secretary.

Every Director has unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharge their duties effectively.

Board Charter

The Board has formalised and uploaded its Board Charter in the website of the Company at www.idealjacobs.com.my. The Board Charter sets out the Board roles and responsibilities. The Board Charter was last reviewed on 26 February 2018.

Directors' Code of Ethics and Whistleblowing Policy

The Board of Directors has conducted themselves in an ethical manner while executing their duties and functions and complied with the Company Directors' Code of Ethics recommended by the Companies Commission of Malaysia. The said Code establish a standard of ethical behaviour for the Directors to uphold such as the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating the Company.

The Company has also adopted Whistleblowing policy to safeguard the Company's interest and also to protect the whistleblower interest. The policy spells out the types of misconduct, malpractice and irregularity, and how the reporting and investigations will be carried out. The Company expects all employees to observe the policy in the conduct of day to day business.

The Directors' Code of Ethics and Whistleblowing policy are published at the Company's website at www.idealjacobs.com.my.

Corporate Governance Overview Statement (cont'd)

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

BOARD COMPOSITION

The Board currently has six (6) members, comprising four (4) Independent Non-Executive Directors and two (2) Executive Directors. The presence of majority Independent Directors allow Board's deliberations and decisions to be made objectively in the best interest of the Company. The composition of the Board complies with Rule 15.02 of the ACE Market Listing Requirements of Bursa Securities.

The Group is led by an effective Board which comprises members with skills from a diverse blend of professional backgrounds ranging from business, legal, finance and accounting experience. The Board views its current composition encompasses a balance mix of skills and strength in qualities which are relevant to enable the Board to discharge its responsibilities in an effective and competent manner.

The Board Committees comprises of Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). The Board Committees exercise transparency and full disclosure in their proceedings. Where necessary, issues deliberated by the Board Committees are presented to the Board with appropriate recommendations.

The NC is responsible for identifying and recommending new nominees to our Board as well as committees of the Board. For new appointments to the Board, the NC shall consider diversity of skills, expertise, background and experience in evaluating the appointment of Directors. The Company believes in providing equal opportunity to all candidates based on merit. The Company has its Board Diversity policy in place for this purpose. There was no new appointment of Director during the financial year.

In addition, the NC assesses the effectiveness of the Board as a whole and the Board Committees, and also the contribution of each Director. The evaluation process is conducted via questionnaires and is based on self-review and peer assessment. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. The NC reviews the outcome of the assessment and report to the Board, in particular, areas for improvement and also used as the basis of recommending relevant Director for re-election at the Annual General Meeting. This assessment is done on yearly basis.

In accordance with the Company's Articles of Association, an election of Directors shall take place each year at an Annual General Meeting ("AGM") and one-third (1/3) of the Directors are subject to retirement by rotation, in any event, each Director shall retire from office once in every three (3) years. The Directors to retire in each year are the Directors who have been longest in office since their last appointment or re-election. The Directors appointed by the Board during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election. The re-election of each Director is voted on separate resolution during the AGM of the Company.

Based on the schedule of rotation, the following Directors are subject to retirement by rotation pursuant to the Company's Articles of Association at the forthcoming Ninth AGM:-

- (1) Mr Hing Kim Tat (Article 83)
- (2) Mr Tan Kean Huat (Article 83)

The aforesaid Directors have expressed their intention to seek for re-election at the forthcoming AGM. The NC assessed and was satisfied and made recommendation to the Board for their re-elections at the forthcoming Ninth AGM.

Corporate Governance Overview Statement (cont'd)

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

BOARD COMPOSITION (CONT'D)

The NC is empowered by its terms of reference to carry out duties and responsibilities as follows:

- a) To examine the size of the Board to ensure its effectiveness in discharging its duties and responsibilities, and ensure every Directors shall be subject to retirement at least once in every 3 years;
- b) To review annually the Board's mix of skills and experience and other qualities including core competencies which Non-Executive Director should bring to the Board;
- c) To recommend suitable continuing educational training to existing and new Directors;
- d) To ensure the appointment of Executive Director or Managing Director shall be for a fixed term not exceeding three years at any time; and
- e) To recommend to the Board, suitable candidates to fill the Audit, Nomination, Remuneration and other Board Committee.

The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills and experience among the Board members.

The members of the Nomination Committee whom are Independent Non-Executive Directors are as follows:-

	Position
Koong Lin Loong	Chairman
Hing Kim Tat	Member
Tan Kean Huat	Member

The NC met one time during the financial year.

None of the Independent Non-Executive Directors had served the Company for more than 9 years.

Corporate Governance Overview Statement (cont'd)

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

FOSTER COMMITMENT

Time Commitment

All Board members are required to notify the Chairman or any new directorships notwithstanding that the Listing Requirements of Bursa Securities allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. During the financial year ended 2017, the Board met 8 times to deliberate on a variety of matters of the Company. Additional meetings may be convened on an ad-hoc basis when urgent and important decisions are required to be made in between scheduled meeting. The attendance record of each Director is as follows:

Name and Designation	Attendance
Andrew Conrad Jacobs Executive Chairman	7/8
Dato' Meng Bin CEO/MD	8/8
Chen Shien Yee Executive Director / Chief Finance Officer (Demised on 04/10/2017)	7/8
Koong Lin Loong Independent Non-Executive Director	5/8
Hing Kim Tat Independent Non-Executive Director	7/8
Tan Kean Huat Independent Non-Executive Director	6/8
Rizvi Bin Abd Halim Independent Non-Executive Director	8/8

The agenda for each Board meeting and papers relating to the agenda items are circulated to all Directors at least 5 days before the meeting so as to provide sufficient time for the Directors to review the Board papers and seek clarification, if any.

Corporate Governance Overview Statement (cont'd)

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

FOSTER COMMITMENT (CONT'D)

Directors' training

All the Directors have completed the Mandatory Accreditation Programme within the stipulated timeframe required in the Listing Requirements.

The training programmes and seminars attended by the Directors during the financial year are:

Name	Training Course	Date
Andrew Conrad Jacobs	CEO2CEO Summit	7 December 2017
Dato' Meng Bin	Improvement of Business Analysis Report	24 April 2017 & 25 April 2017
	Business Risk Assessment and Operation Decision Analysis	21 August 2017
	Integrating and Managing Acquisitions	21 September 2017 & 22 September 2017
Koong Lin Loong	National GST Conference 2017	28 February 2017 & 1 March 2017
	A Comprehensive Review of Latest Developments in MFRS	11 April 2017 12 April 2017
	The Companies Act 2016 – Transforming Companies & Business	13 April 2017
	National Tax Conference 2017	25 and 26 July 2017
	Seminar on Budget 2018 +GST	2 November 2017
	2018 Budget Seminar	9 November 2017
Hing Kim Tat	Being Financially Literate: An Introduction to Understanding Financial Statements	29 March 2017
Tan Kean Huat	None. Due to tight schedule	
Rizvi bin Abd Halim	The Velocity of Global Change & Sustainability	10 January 2017
	Release of The Malaysian Code on Corporate Governance	26 April 2017
	Effective Internal Audit Function for Chief Internal Auditor (CIA) Workshop	18 July 2017

The Directors are aware of their obligation and will continue to attend suitable training to equip and enhance themselves with the knowledge to facilitate themselves in discharging their duties and responsibilities diligently with integrity.

Corporate Governance Overview Statement (cont'd)

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

REMUNERATION

The RC reviews and proposes, subject to the approval of our Board the remuneration policy and term and conditions of service of each Director for his services as member of the Board as well as Committees of the Board. Nevertheless, the remuneration of Non-Executive Directors is a matter for the Board decision as a whole. Relevant Directors are required to abstain from deliberation and voting decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations by RC shall be reported to our Board for approval.

The members of the RC comprise of all Independent Non-Executive Directors as follows:-

	Position
Tan Kean Huat	Chairman
Hing Kim Tat	Member
Koong Lin Loong	Member

The Committee met one time during the financial year, attended by all its members.

Remuneration policy and procedures

The Executive Directors' remuneration package is linked to the experience, scope of duty and responsibility, seniority, performance and industrial practices. The remuneration of Executive Directors consists of basic salary, among others bonus whereby the Non-Executive Directors receive fixed director fees.

The RC reviews and recommends the Executive Directors' remuneration package by assessing their KPI and also refers to market of similar industry and its size as a benchmark. An appropriate remuneration package is designed to retain and attract calibre Directors to discharge their duty with integrity, to grow and lead the Company.

Details of the Directors' remuneration in aggregate for financial year ended 2017 are tabulated as below:

	Fees	Salaries	Bonus	Defined Contribution Plans	Others	Total
Executive Directors						
Andrew Conrad Jacobs	105,578	–	–	–	–	105,578
Dato' Meng Bin	38,167	1,267,758	168,790	14,523	352,560	1,841,798
Chen Shien Yee (Demised on 04/10/2017)	–	238,879	50,426	34,645	–	323,950
Independent Director						
Hing Kim Tat	36,000	–	–	–	–	36,000
Koong Lin Loong	36,000	–	–	–	–	36,000
Tan Kean Huat	36,000	–	–	–	–	36,000
Rizvi Bin Abd Halim	36,000	–	–	–	–	36,000
Lai Kian Huat	21,000	–	–	–	–	21,000
	308,745	1,506,637	219,216	49,168	352,560	2,436,326

The payment of Directors' fees will be subjected to the shareholders' approval at the AGM. The Company has sought mandate from shareholders' at the previous AGM to pay Directors' fees and any benefits to Directors up to a certain threshold.

Corporate Governance Overview Statement (cont'd)

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

Details of the remuneration of the top 5 Senior Management (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial year 2017, are as follows:

Category	Subsidiaries (RM'000)	Total (RM'000)
Fees	114	114
Salaries	482	482
Defined contribution plans	91	91
	687	687

Remuneration Band	No of Personnel
RM150,001 - RM 200,000	1
RM200,001 - RM250,001	1
RM300,001 - RM350,000	1
	3

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control process, review of related party transactions as well as conflict of interest situations. The AC also undertakes to provide oversight on the risk management processes/framework of the Group.

The AC is chaired by an Independent Director and consists of all Independent Directors. The Chairman of AC is not the Chairman of the board. None of the members of the AC were former key audit partners. The AC has included in its terms of reference in February 2018 the cooling off period of at least two (2) years for a former key audit partners before being appointed as a member of the AC.

The AC has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The role of the AC and the number of meetings held during the financial year as well as the attendance record of each member are set out in the AC Report in the Annual Report.

The AC is responsible for assessing the capabilities and independence of the external auditors and to also recommend to the Board on their appointment, re-appointment or termination of their services to the Company.

The External Auditors, Messrs. Grant Thornton Malaysia ("GTM") presented to the AC's its 2017 Audit Planning Memorandum in November 2017 which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters with reference to the approved standards on auditing issued by the Malaysian Institute of Accountants. Subsequently, GTM will brief the AC on its audit findings and the Audited Financial Statements. This formed part of the AC's assessment of the suitability, objectivity and independence of GTM on an annual basis.

GTM has confirmed their independence to the AC in accordance with the Malaysian Institute of Accountants' By-Laws, International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

The AC and the Board are satisfied with the performance, competence and independence of GTM and the Board had recommended their re-appointment for the shareholders' approval at the forthcoming AGM.

The Chairman and members of the AC are financially literate and have carried out their duties and responsibilities in accordance with the terms of reference of the AC.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

AUDIT COMMITTEE (CONT'D)

The Board is of the opinion that the AC has performed its functions satisfactorily as the Chairman and members have the required knowledge, experience and skills to understand and effectively deliberate on matters under the purview of the AC including the financial reporting process.

The AC assists the Board in overseeing the financial reporting process and ensuring that the results of the Company's operations are fairly presented in its financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of internal control and risk management that provide a reasonable assurance of effective and efficient operations, and compliance with the relevant laws and regulations as well as with internal procedures and guidelines. The Statement on Risk Management and Internal Control as included on pages 33 and 34 of this Annual Report provides the overview of the internal control framework adopted by the Company for the current financial year.

Due to the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The Board also recognises that a sound system of risk management and internal control can only reduce but not eliminate the possibility of poor judgement in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system provides only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The internal audit function has been outsourced to an independent professional service firm to provide an independent assurance to the Board on the effectiveness and adequacy of the Group's system of internal control. Details of the internal audit function is set out in the Statement on Risk Management and Internal Control and AC Report.

The Internal Auditor attends and reports at each AC meeting on reviews conducted during each quarter. The audit personnel are free from any relationships or conflicts of interest, which could impair the objectivity and independence.

The Board has obtained assurance from the Group Chief Executive Officer that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

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

COMMUNICATION WITH STAKEHOLDERS

The Company values dialogues with the investors and is constantly striving to improve the communication with the public. The Board believes that an effective investor relation is essential in enhancing shareholders' value and therefore ensures that shareholders are kept well informed of major development of the Company. Such information is disseminated via the Company's Annual Report, various disclosures and announcements to Bursa Securities and the Company's website at <http://www.idealjacobs.com.my/>.

The AGM is the principal forum for dialogue between the Company and the shareholders. The Board provides the opportunity for shareholders to raise questions pertaining issues in the financial performance and business plan. The Board takes the opportunity to present a comprehensive review of the progress and performance of the Company, and provides answers to the questions raised by the shareholders during the meeting.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

CONDUCT OF GENERAL MEETINGS

The Group is of the view that General Meetings are important platforms to engage with its shareholders as well as to address their concerns. The Group encourage shareholders to attend and participate in the AGM by providing adequate advance notice and holding the AGM at a readily accessible location. The location of the AGM is customarily nestled in one of the hotels in Klang Valley which is easily assessible through public transportation.

The Company do not have large number of shareholders and has less than 100 shareholders who attend their AGM. Shareholders who are unable to attend the AGM are allowed to vote via proxy. All resolutions set out in the notice of the General Meetings are conducted via poll voting.

The Board is satisfied that throughout the financial year ended 31 December 2017, the Company has applied the principles and recommendations of the corporate governance set out in the Malaysian Code on Corporate Governance, where necessary and appropriate.

The Corporate Governance Overview Statement was approved by the Board of Directors on 23 March 2018.

AUDIT COMMITTEE REPORT

The principle objective of the Audit Committee is to assist the Board in discharging certain of its statutory duties and responsibilities in relation to financial, accounting and reporting practices and to ensure proper disclosure to the shareholders of the Company.

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee ("the Committee") comprises of the following members:

Hing Kim Tat (<i>Appointed as Chairman on 29 August 2017</i>)	Chairman; Independent Non-Executive Director
Koong Lin Loong	Independent Non-Executive Director
Tan Kean Huat	Independent Non-Executive Director
Lai Kian Huat (<i>Resigned on 31 July 2017</i>)	Chairman; Independent Non-Executive Director

TERMS OF REFERENCE

The Terms of Reference for the Audit Committee can be viewed at the Group's website at www.idealjacobs.com.my.

AUTHORITY

The Committee shall have unlimited access to financial and other relevant information and documents, to the external and internal auditors and to senior management of the Company. The Committee shall also have the authority to investigate any matter within its term of reference.

MEETINGS

Meetings shall be held at least 4 times a year or a frequency to be decided by the Committee. The quorum for each meeting shall be at least 2 members. The Committee may invite the senior management or professionals to the meeting whenever deems fit, to present their findings and views.

There were five (5) meetings held during the financial year ended 31 December 2017 and the attendance record is as follows:

	Meetings attended
Hing Kim Tat	4/5
Koong Lin Loong	4/5
Tan Kean Huat	5/5
Lai Kian Huat (<i>Resigned on 31 July 2017</i>)	3/3

Audit Committee Report (cont'd)

KEY FUNCTIONS AND RESPONSIBILITIES

The key functions and responsibilities of the Committee are as follows:

- To review the quarterly and annual financial statements prior to submission to the Board, focusing on:
 - going concern assumption
 - compliance with the latest accounting standards, statutory and regulatory disclosure requirements
 - any changes in accounting policies and practices
 - significant adjustments arising from the audit
- To oversee matters relating to external audit including the reviews of the audit plan, auditor's management letter and the audit report;
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions;
- To review any related party transactions that may arise within the Company or the Group;
- To recommend to the Board the appointment of external auditors, review audit fee and any reasons of resignation or dismissal;
- To assess and review the capability and professionalism of the external auditors; and
- To consider other issues, as authorised by the Board.

SUMMARY OF ACTIVITIES DURING THE YEAR

The activities of the Committee for the financial year under review were as follows:

Financial Reporting

- Reviewed the unaudited quarterly reports and annual financial statements prior to submission to the Board for consideration and approval and subsequent release to Bursa Malaysia Securities Berhad; and
- Reviewed and assessed the appropriateness of the Group's accounting policies, adequacy of financial reporting and disclosure requirements and reasonableness of judgments and projections made in connection with the preparation of the financial statements.

External Audit

- Considered the appointment of the external auditors and audit fees by evaluating the external auditor's competence, independence, objectivity and the scope of work to be conducted;
- Reviewed the external auditor's audit plan and areas of audit emphasis for financial year prior to the commencement of audit; and
- Reviewed and discussed the auditing issues, where applicable the impact of material adjustments and recommendations arising from the final audit with the external auditors.

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES DURING THE YEAR (CONT'D)

Internal Audit

- Considered and approved the appointment of the outsourced internal audit function and their fees by evaluating their competency, independence and performance; and
- Reviewed the internal audit plan and internal audit reports and discussed the findings and recommendations by the internal auditors.

Other activities

- Reviewed the related party transactions and the basis of pricing entered into by the Group and the Company and the disclosure of such transactions in the annual report of the Company;
- Reviewed the circular to shareholders in connection with recurrent related party transactions of a revenue or trading nature; and
- Reviewed and recommended to the Board for approval of the Audit Committee Report, and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

EMPLOYEES' SHARE ISSUANCE SCHEME

The allocation of options was reviewed by the Audit Committee annually to ensure the basis of allocation is in compliance with the By-Laws of the ESOS.

The salient terms of the ESOS are set out in page 120 of this annual report. During the financial year under review, no options were granted.

There was no options being granted to the Directors and Chief Executive of the Group during the financial year under review.

The number of options outstanding for the Director and Chief Executive is 1,150,075.

The Company has granted 67% of ESOS to its Directors and senior management since commencement of the scheme.

The Company does not grant any options to the Non-Executive Directors pursuant to the ESOS.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION

The Company has outsourced the internal audit function of the Group to Axcelasia Columbus Sdn Bhd ("Axcelasia"). Axcelasia reports directly to the Committee. Its primary responsibility is to carry out periodic reviews of the systems of internal controls so as to provide reasonable assurance to the Audit Committee that such systems are adequate and effective.

During the financial year under review, a summary of the activities carried out by the internal audit function are as follows:

- (a) Prepared the risk based internal audit plan for the review and approval of the Audit Committee.
- (b) Carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the Audit Committee. Details of the reviews carried out are as follows:

Entity	Business Process
Ideal Jacobs (Malaysia) Corporation Berhad	Review of Recurrent Related Party Transactions
Ideal Jacobs (Suzhou) Corporation	Sales and Collection Treasury Management
Ideal Jacobs (Xiamen) Corporation	Research and Development Management Information System

Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the Audit Committee for their review and approval. The outsourced internal audit function also carries out follow up reviews and reports to the Audit Committee on the status of implementation of action plans committee by Management pursuant to the recommendations highlighted in the internal audit reports.

Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total cost incurred for the outsourcing of the internal audit function for the financial year ended 31 December 2017 was RM76,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of risk management and internal control of the Group and is pleased to present the following Risk Management and Internal Control Statement (the “Statement”), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2017 and up to the date of approval of this statement by the Board. For the purpose of disclosure, this Statement takes into account the Guidelines for Directors of Listed Issuers (“Guidelines”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) on the issuance of Risk Management and Internal Control Statement pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements.

BOARD’S RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group’s internal control and risk management system to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and effectiveness of the said system.

Due to the limitations inherent in any system of risk management and internal control, such system put into effect by Management is designed to manage rather than eliminate all risks that may impede the achievement of the Group’s business objectives. Therefore, such a system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Group has an on-going process for identifying, evaluating and managing the significant risks it faces. The Board regularly reviews the results of this process, including measures taken by Management to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement.

RISK MANAGEMENT

The Board is dedicated to strengthen the Group’s risk management by managing its key business risks within the Group and to implement appropriate processes and controls to manage these key business risks. During the year, Senior Management reviews the existence of new risks and assesses the relevance of the Group’s existing risk profile. Significant risks that may affect the Group’s business objectives have been continually monitored and any new significant risk identified are subsequently evaluated and managed.

Whilst the Board maintains ultimate control over risk and control matters, it has been delegated to the Executive Management the implementation of a system of risk management and internal control within an established framework. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. Monthly Management Meetings are held to discuss key risks and the appropriate mitigating control. Significant risks affecting the Group’s strategic and business plans are escalated to the Board at their scheduled meetings. This ongoing process is undertaken at all the major subsidiaries of the Group, as well as collectively at the Group level.

INTERNAL AUDIT FUNCTION

The Group’s Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group’s internal control system. Further details of the Internal Audit Function are set out in the Audit Committee Report on page 32 of this Annual Report.

Statement on Risk Management and Internal Control (cont'd)

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal control system are described below:

- **Organization Structure & Authorization Procedures**

The Group maintains a formal organization structure with clear lines of reporting to Board Committees and Senior Management including defined lines of accountability within which senior management operates, such as roles and responsibilities, authority limits, review and approval procedures, etc.

- **Written policies and procedures**

Formal internal policies and procedures are regularly updated to manage changing business risks or to address operational deficiencies.

- **Planning, monitoring and reporting**

- o The External Auditors and Audit Committee reviews the Group's quarterly financial performance together with Management. These are subsequently reported to the Board; and
- o Comprehensive information, which includes the monthly management reports covering all key financial and operational indicators, is provided to Senior Management for the monitoring of performance against strategic plan.

ASSURANCE PROVIDED BY THE GROUP CHIEF EXECUTIVE OFFICER AND FINANCE MANAGER

In line with the Guidelines, the Group Chief Executive Officer and Finance Manager have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

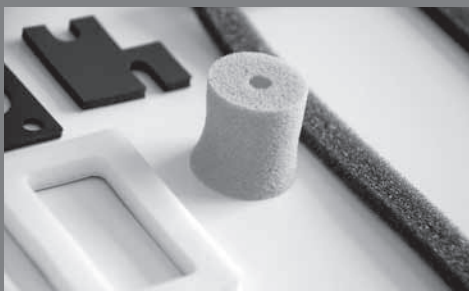
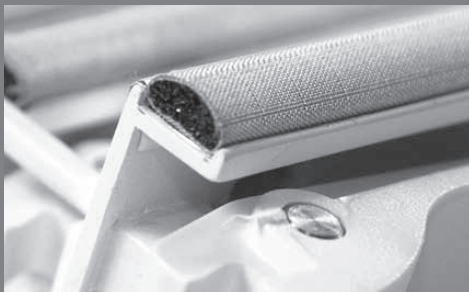
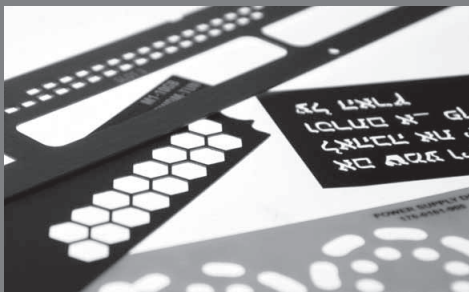
Pursuant to paragraph 15.23 of the ACE Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management internal control.

CONCLUSION

The Board is of the view that the risk management and internal control systems are adequate and effective and have not resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

This statement is made in accordance with the Board's resolution dated 23 March 2018.

FINANCIAL STATEMENTS



IDEAL JACOBS

M A L A Y S I A

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding.

The principal activities of its subsidiaries are disclosed in Note 9(a) to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year, attributable to equity holders of the Company		
(Loss)/Profit from continuing operations, net of tax	(4,669,625)	10,471,366
Profit from discontinued operations, net of tax	7,900,540	–
Profit for the financial year, net of tax	3,230,915	10,471,366
Attributable to:-		
Owners of the Company	3,069,354	10,471,366
Non-controlling interests	161,561	–
	3,230,915	10,471,366

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

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

Directors' Report (cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 1,150,000 new ordinary shares for cash arising from the exercise of employee's share options of a weighted average price of RM0.21 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting ("EGM") held on 28 February 2014, the Company's shareholders approved the establishment of ESOS for the eligible Directors and employees of the Group. The scheme which came into effect on 19 March 2014 is for a period of five years.

The option offered to take up unissued ordinary shares during the financial year is as follow:-

Grant date	Expiry date	Exercise price	Number of Share Option			
			Balance at 1.1.2017	Granted	Exercised	Balance at 31.12.2017
25 March 2014	24 March 2019	RM0.21	2,300,075	–	(1,150,000)	1,150,075

The salient features of the ESOS are disclosed in Note 38 to the financial statements.

DIRECTORS

The name of the Directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Andrew Conrad Jacobs (Executive Chairman)
 Dato' Meng Bin (Chief Executive Officer/Managing Director)
 Hing Kim Tat (Independent Non-Executive Director)
 Koong Lin Loong (Independent Non-Executive Director)
 Tan Kean Huat (Independent Non-Executive Director)
 Rizvi Bin Abd Halim (Independent Non-Executive Director)
 Lai Kian Huat (Independent Non-Executive Director) (Resigned on 30 June 2017)
 Chen Shien Yee (Chief Finance Officer/Executive Director) (Demised on 4 October 2017)

The Directors of the subsidiaries since the beginning of the financial year to the date of this report, not including those Directors listed above are:-

Du Xixi
 He Nali
 Zhao Hua

INDENMITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There is no indemnity coverage and insurance premium paid for the Directors and Officers of the Group and of the Company during the financial year.

Directors' Report (cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in ordinary shares of the Company and its related corporations of those who were Directors as at year end (including interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

	----- Number of ordinary shares -----				
	At 1.1.2017	Bought	Option exercised	Sold	At 31.12.2017
Andrew Conrad Jacobs					
- Deemed interest [#]	36,619,600	–	–	–	36,619,600
- Direct interest	1,289,900	–	–	–	1,289,900
Dato' Meng Bin					
- Direct interest	–	–	1,150,000	–	1,150,000
- Deemed interest [*]	17,436,400	–	–	–	17,436,400

	----- Number of Share Option -----			
	At 1.1.2017	Granted	Exercised	Balance at 31.12.2017
Dato' Meng Bin	2,300,075	–	(1,150,000)	1,150,075

[#]) deemed interest by virtue of the shareholdings in Ideal Jacobs Corporation

^{*}) deemed interest by virtue shares held by spouse

By virtue of his interests in shares of the Company, Andrew Conrad Jacobs is also deemed interested in shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016 in Malaysia.

Other than as disclosed above, none of the other Directors at the end of the financial year held any interest in shares of the Company or its related corporation during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

The Directors' remuneration is disclosed in Note 32 to the financial statements.

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

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

Directors' Report (cont'd)

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 action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision for doubtful debts had been provided; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

AUDITORS

There is no indemnity given to or insurance affected for the Auditors of the Company.

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

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

Kuala Lumpur
28 March 2018

DIRECTORS

New Jersey
26 March 2018

STATEMENT BY *DIRECTORS*

In the opinion of the Directors, the financial statements set out on pages 46 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

.....
DATO' MENG BIN

Kuala Lumpur
28 March 2018

.....
ANDREW CONRAD JACOBS

New Jersey
26 March 2018

STATUTORY *DECLARATION*

I, Yee Yih Phong, being the Officer primarily responsible for the financial management of Ideal Jacobs (Malaysia) Corporation Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 46 to 127 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by)
the above named at Kuala Lumpur in)
the Federal Territory this day of)
28 March 2018)

.....
YEE YIH PHONG

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IDEAL JACOBS (MALAYSIA) CORPORATION BHD. (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ideal Jacobs (Malaysia) Corporation Bhd., which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 127.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountant* ("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.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Discontinued operations and group held for sale treatment

The risk

Refer to Note 18 to the financial statements, the Group have offered for sale the Group's interest in all the subsidiaries. The subsidiaries should be presented as a disposal group and as a discontinued operation in accordance with Malaysian Financial Reporting Standards 5 Non-Current Assets Held for Sale and Discontinued Operations. The presentation of the subsidiaries as discontinued operations is a key focus area given the complexity of the accounting requirements and whether the assets are measured at the lower of the fair value less costs to sell or their carrying amounts.

Our response

We evaluated whether management had appropriately applied the requirements of Malaysian Financial Reporting Standards 5 by examining minutes of the Directors' board meetings, written correspondence between the Group and the potential purchasers and communications to the Group's investors to determine whether the assets and liabilities should be classified as held for sale and whether it represents a discontinued operation. We also evaluated the appropriateness of the assets and liabilities reflected as held for sale and the results presented as discontinued operations fairly present the financial position and results of the Group.

Independent Auditors' Report (cont'd)

Our response (cont'd)

In our view, the separate presentation of the subsidiaries as assets and liabilities classified as held for sale and a discontinued operation is appropriate and in accordance with the underlying accounting standards. Furthermore, the measurement of the assets and liabilities of the subsidiaries are appropriate with reference to the lower of fair value less costs to sell or carrying amount

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As at the date of our report, except for the Directors' Report, the remaining other information has not been made available to us for our reading and accordingly we are unable to report in this regard.

However, if after reading the other information when available and we conclude there is a material misstatement therein, we will communicate same to the Directors of the Company

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report (cont'd)

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

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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

*Independent Auditors' Report (cont'd)***Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that the subsidiaries of which we have not acted as auditors, which are indicated in Note 9(a) to the financial statements.

Other Matters

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

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

Kuala Lumpur
28 March 2018

FOO LEE MENG
(NO: 03069/07/2019(J))
CHARTERED ACCOUNTANT

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	11,929	20,175,594	11,929	39,844
Investment properties	7	–	1,461,266	–	–
Prepaid land lease payment	8	–	1,671,778	–	–
Investment in subsidiaries	9(a)	–	–	20,509,538	20,509,538
Other investment	10	–	108,821	–	108,821
Deferred tax assets	11	–	–	–	–
Total non-current assets		11,929	23,417,459	20,521,467	20,658,203
Current assets					
Inventories	12	–	4,743,879	–	–
Trade receivables	13	–	12,970,715	–	–
Other receivables	14	50,059	1,374,871	50,059	43,351
Amount due from subsidiaries	15	–	–	11,640	–
Amount due from a corporate shareholder	16	–	279,219	–	–
Fixed deposits with licensed banks	17	–	8,370,382	–	–
Cash and bank balances		247,744	9,362,490	247,744	403,676
Assets classified as held for sale	18	297,803 59,188,232	37,101,556 –	309,443 –	447,027 –
Total current assets		59,486,035	37,101,556	309,443	447,027
Total assets		59,497,964	60,519,015	20,830,910	21,105,230

Statements of Financial Position (cont'd)

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	19	21,189,342	13,570,108	21,189,342	13,570,108
Statutory reserve	20	4,618,663	3,713,093	–	–
Translation reserve	20	6,304,151	7,009,029	–	–
Share premium	21	–	7,262,734	–	7,262,734
ESOS reserve	22	115,007	230,007	115,007	230,007
Revaluation reserve	23	128,108	128,108	–	–
Accumulated losses		(2,223,867)	(4,387,651)	(1,325,258)	(11,796,624)
Equity attributable to owners of the Company		30,131,404	27,525,428	19,979,091	9,266,225
Non-controlling interests	9(b)	–	(170,765)	–	–
Total equity		30,131,404	27,354,663	19,979,091	9,266,225
LIABILITIES					
Non-current liabilities					
Borrowings	24	–	5,167,625	–	–
Deferred tax liabilities	11	–	36,457	–	–
Total non-current liabilities		–	5,204,082	–	–
Current liabilities					
Trade payables	25	–	5,380,287	–	–
Other payables	26	851,819	5,077,902	851,819	981,407
Amount due to subsidiaries	15	–	–	–	10,857,598
Borrowings	24	–	16,336,324	–	–
Tax payable		–	1,165,757	–	–
Liabilities classified as held for sale	18	851,819 28,514,741	27,960,270 –	851,819 –	11,839,005 –
Total current liabilities		29,366,560	27,960,270	851,819	11,839,005
Total liabilities		29,366,560	33,164,352	851,819	11,839,005
Total equity and liabilities		59,497,964	60,519,015	20,830,910	21,105,230

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
Continuing operations					
Revenue	27	–	–	20,904,219	698,590
Cost of sales		–	–	–	–
Gross profit		–	–	20,904,219	698,590
Other income		272,886	20,277	962,585	3,632,996
Administration expenses		(4,793,268)	(1,924,752)	(4,793,268)	(1,924,752)
Other expenses		(149,243)	(398,293)	(6,602,170)	(4,018,732)
Operating (loss)/profit		(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
Finance costs		–	–	–	–
(Loss)/Profit before tax	28	(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
Tax expense	29	–	–	–	–
(Loss)/Profit from continuing operations		(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
Discontinued operations					
Profit from discontinued operations, net of tax	30	7,900,540	3,649,838	–	–
Profit/(Loss) for the financial year		3,230,915	1,347,070	10,471,366	(1,611,898)
Other comprehensive loss					
<i>Item that will be reclassified subsequently to profit or loss</i>					
- Exchange differences on translating foreign entities, net of tax		(704,749)	(273,865)	–	–
Other comprehensive loss for the financial year		(704,749)	(273,865)	–	–
Total comprehensive income/(loss) for the financial year		2,526,166	1,073,205	10,471,366	(1,611,898)

Statements of Profit or Loss and Other Comprehensive Income (cont'd)

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
Profit/(Loss) for the financial year attributable to:-					
Owners of the Company					
- Continuing operations		(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
- Discontinued operations		7,738,979	3,897,740	–	–
Non-controlling interests		161,561	(247,902)	–	–
		3,230,915	1,347,070	10,471,366	(1,611,898)
Total comprehensive income/(loss) for the financial year attributable to:-					
Owners of the Company					
- Continuing operations		(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
- Discontinued operations		7,034,101	3,420,220	–	–
Non-controlling interests		161,690	(44,247)	–	–
		2,526,166	1,073,205	10,471,366	(1,611,898)
Earnings per share					
	31				
Basic earnings per share (sen)					
Loss from continuing operations		(3.44)	(1.69)		
Profit from discontinued operations		5.69	2.87		
		2.25	1.18		
Diluted earnings per share (sen)					
Loss from continuing operations		(3.42)	(1.70)		
Profit from discontinued operations		5.67	2.88		
		2.25	1.18		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Non-distributable	Translation reserve	Revaluation reserve	Distributable Accumulated losses		
Group	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2016	13,570,108	7,262,734	2,969,268	230,007	7,486,549	128,108	(5,238,798)	(126,518)	26,281,458
Foreign currency translation Profit/(Loss) for the financial year	-	-	-	-	(477,520)	-	-	203,655	(273,865)
	-	-	743,825	-	-	-	851,147	(247,902)	1,347,070
Total comprehensive income/(loss) for the financial year	-	-	743,825	-	(477,520)	-	851,147	(44,247)	1,073,205
Balance at 31 December 2016	13,570,108	7,262,734	3,713,093	230,007	7,009,029	128,108	(4,387,651)	(170,765)	27,354,663
Transition to no par value regime	7,262,734	(7,262,734)	-	-	-	-	-	-	-
Exercise of ESOS	356,500	-	-	(115,000)	-	-	-	-	241,500
Gain on disposal of subsidiary	-	-	-	-	-	-	-	9,075	9,075
Total transactions with owners	7,619,234	(7,262,734)	-	(115,000)	-	-	-	9,075	250,575
Foreign currency translation Profit for the financial year	-	-	-	-	(704,878)	-	-	129	(704,749)
	-	-	905,570	-	-	-	2,163,784	161,561	3,230,915
Total comprehensive income for the financial year	-	-	905,570	-	(704,878)	-	2,163,784	161,690	2,526,166
Balance at 31 December 2017	21,189,342	-	4,618,663	115,007	6,304,151	128,108	(2,223,867)	-	30,131,404

Statements of Changes in Equity (cont'd)

Company	Attributable to owners of the Company										
	Share capital RM	Share premium RM	Statutory reserve RM	Non - distributable		Translation reserve RM	Revaluation reserve RM	Distributable Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
Balance at 1 January 2016	13,570,108	7,262,734	-	-	230,007	-	-	(10,184,726)	10,878,123	-	10,878,123
Total comprehensive loss for the financial year	-	-	-	-	-	-	-	(1,611,898)	(1,611,898)	-	(1,611,898)
Balance at 31 December 2016	13,570,108	7,262,734	-	-	230,007	-	-	(11,796,624)	9,266,225	-	9,266,225
Transition to no par value regime	7,262,734	(7,262,734)	-	-	-	-	-	-	-	-	-
Exercise of ESOS	356,500	-	-	(115,000)	-	-	-	-	241,500	-	241,500
Total transactions with owners	7,619,234	(7,262,734)	-	(115,000)	-	-	-	-	241,500	-	241,500
Total comprehensive income for the financial year	-	-	-	-	-	-	-	10,471,366	10,471,366	-	10,471,366
Balance at 31 December 2017	21,189,342	-	-	115,007	-	-	-	(1,325,258)	19,979,091	-	19,979,091

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax from continuing operations		(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
Profit before tax from discontinued operations	30	9,480,749	5,073,547	–	–
Profit before tax total		4,811,124	2,770,779	10,471,366	(1,611,898)
Adjustments for:-					
Depreciation		1,375,156	1,292,702	12,254	10,743
Dividend income		–	–	(20,904,219)	(698,590)
Amortisation of prepaid land lease payment		35,278	34,570	–	–
Interest expenses		1,037,097	1,037,079	–	–
Interest income		(236,145)	(249,169)	–	–
Reversal of impairment loss on trade receivables		–	(592,963)	–	–
Reversal of impairment loss on amount due from subsidiaries		–	–	(321,580)	(3,512,719)
Reversal of impairment loss on investment in subsidiaries		–	–	(368,119)	(100,000)
Reversal of inventories written down		(148,518)	(5,766)	–	–
Impairment loss on amount due from subsidiaries		–	–	5,756,719	7,268
Impairment loss on other investment		108,821	–	108,821	–
Impairment loss on trade receivables		190,666	–	–	–
Gain on disposal of a subsidiary		(9,447)	–	(2)	–
Loss on disposal of property, plant and equipment		–	39,049	–	–
Loss on deconsolidation of subsidiaries		263,314	419,133	–	–
Bad debts written off		20,826	573,091	328,089	3,527,192
Property, plant and equipment written off		27,549	163,836	18,860	–
Unrealised loss/(gain) on foreign exchange		453,214	47,535	(272,884)	384,272
Investment in a subsidiary written off		–	–	368,119	100,000
Operating profit/(loss) before working capital changes		7,928,935	5,529,876	(4,802,576)	(1,893,732)
Changes in working capital:-					
Corporate shareholder		(536,261)	753,624	–	–
Inventories		(200,876)	(854,325)	–	–
Payables		4,222,304	1,693,348	(129,588)	(231,804)
Receivables		(8,902,968)	(1,176,715)	(6,706)	16,668
Subsidiaries		–	–	(16,394,837)	1,740,217
Cash from/(used in) operations		2,511,134	5,945,808	(21,333,707)	(368,651)
Tax paid		(1,443,085)	(837,090)	–	–
Interest received		236,145	249,169	–	–
Interest paid		(1,037,097)	(1,037,079)	–	–
Net cash from/(used in) operating activities		267,097	4,320,808	(21,333,707)	(368,651)

Statements of Cash Flows (cont'd)

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Drawdown/(Placement) of fixed deposits pledged to banks		8,287,578	(63,228)	–	–
Purchase of property, plant and equipment		(1,307,109)	(1,721,083)	(3,199)	(10,906)
Proceeds from disposal of property, plant and equipment		–	10,653	–	–
Net cash outflow from disposal of subsidiary		(2,628)	–	–	–
Dividend income		–	–	20,904,219	698,590
Net cash from/(used in) investing activities		6,977,841	(1,773,658)	20,901,020	687,684
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loans		13,994,392	12,494,536	–	–
Repayment of term loans		(20,926,914)	(12,825,191)	–	–
Proceed from issuance exercise of ESOS		241,500	–	241,500	–
Net cash (used in)/from financing activities		(6,691,022)	(330,655)	241,500	–
CASH AND CASH EQUIVALENTS					
Net change		553,916	2,216,495	(191,187)	319,033
Brought forward		9,445,294	7,385,479	403,676	87,634
Effects of exchange rate changes		(326,578)	(156,680)	35,255	(2,991)
Carried forward	A	9,672,632	9,445,294	247,744	403,676

*Statements of Cash Flows (cont'd)***NOTE TO THE STATEMENTS OF CASH FLOWS****A. CASH AND CASH EQUIVALENTS**

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits with licensed banks	3,203,716	8,370,382	–	–
Cash and bank balances	6,468,916	9,362,490	247,744	403,676
	9,672,632	17,732,872	247,744	403,676
Less: Fixed deposits pledged with licensed banks	–	(8,287,578)	–	–
	9,672,632	9,445,294	247,744	403,676
Cash and cash equivalents	9,672,632	9,445,294	247,744	403,676
Less: Transfer to assets classified as held for sale	(9,424,888)	–	–	–
	247,744	9,445,294	247,744	403,676

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Sheraton Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business is located at Suite 906 & 907, Block B, Pusat Dagangan Phileo Damansara 2, No. 15, Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in investment holding.

The principal activities of its subsidiaries are disclosed in Note 9(a) to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability. A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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

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

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

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

The Group and the Company have established control framework in respect to the measurement of fair values of financial instruments. The Board of Directors has overall responsibility for overseeing all significant fair value measurement. The Board of Directors regularly reviews significant unobservable inputs and valuation adjustments.

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

2.3 Functional and presentation currency

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

2.4 Adoption of Amendments to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 5 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2017.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

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

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have material impact on the Group's and the Company's financial statements.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt MFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement of financial assets

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment of financial assets

MFRS 9 requires the Group to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on its loans and receivables. The Group does not expect any impact on its statements of financial position or equity on record expected credit losses.

(c) Hedge accounting

The Group does not apply hedge accounting and have not expected any impact on the Group financial statements.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

MFRS 15 Revenue from Contracts with Customers

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

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

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

(a) Sale of goods

For contracts with customers in which the sale of industrial labels, nameplates and laser/die-cut products and fabrication of plastic products are generally expected to be the only performance obligation, adoption of MFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group has performed an initial assessment on sales of good and does not expect that there will be significant impact on the financial statements.

(b) Presentation and disclosure requirements

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

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 11

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

The Group plans to assess the potential effect of MFRS 16 on its consolidated financial statements in 2018.

2.6 Significant accounting estimates and judgements

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

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

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

2.6.1 Estimation uncertainty

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 30 years and reviews the useful lives of depreciable assets at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. The carrying amounts are analysed in Note 6 to the financial statements. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's and the Company's assets.

Fair value of investment properties

The Group measures its building at revalued amount with changes in fair value being recognised in profit or loss and other comprehensive income. The Group engaged independent valuation specialists to determine fair values as at the end of financial year.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical changes which may cause selling prices to change rapidly and the Group's profit to change.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Deferred tax assets

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

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

Income taxes

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

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

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.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Employees share option

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

The assumptions and model used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 38 to the financial statements.

2.6.2 Significant management judgement

The following items are significant management judgement in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

Classification between investment properties and owner-occupied properties

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

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

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

Leases

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

Notes to the Financial Statements (cont'd)

3. CAPITAL MANAGEMENT

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

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. No changes were made in the objective, policies or processes during the financial year ended 31 December 2017 and financial year ended 31 December 2016.

The subsidiaries in The People's Republic of China ("PRC") are required by the Foreign Enterprise Law of the PRC to contribute and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries in PRC for the financial year ended 31 December 2017 and financial year ended 31 December 2016.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1 Financial risks

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

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

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's and the Company's exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The Group and the Company do not require collateral in respect of financial assets.

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

Receivables

Concentration of credit risk

The Group and the Company have no significant concentration of credit risk with any single counterparty except for the following:-

Group

The Group has no significant concentration of credit risk with any single counterparty in current and prior financial year.

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Trade receivables ageing analysis

2017	Gross RM	Group Individually impaired RM	Net RM
Neither past due nor impaired	–	–	–
Past due 0 to 1 month but not impaired	–	–	–
Past due 1 to 2 months but not impaired	–	–	–
Past due 2 to 3 months but not impaired	–	–	–
Past due 3 to 4 months but not impaired	–	–	–
Past due 4 to 5 months but not impaired	–	–	–
Past due more than 6 months but not impaired	–	–	–
	–	–	–

2016	Gross RM	Group Individually impaired RM	Net RM
Neither past due nor impaired	9,322,419	–	9,322,419
Past due 0 to 1 month but not impaired	1,973,322	–	1,973,322
Past due 1 to 2 months but not impaired	792,928	–	792,928
Past due 2 to 3 months but not impaired	452,430	–	452,430
Past due 3 to 4 months but not impaired	350,922	–	350,922
Past due 4 to 5 months but not impaired	69,375	–	69,375
Past due more than 6 months but not impaired	9,319	–	9,319
	12,970,715	–	12,970,715

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Financial assets that are neither past due nor impaired

Group and Company

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

Financial assets that are past due but not impaired

Group

Total trade receivables of RMNil (2016: RM3,648,296) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default and Directors expect they are recoverable.

Financial assets that are impaired

Group and Company

Other receivables balance of RM3,838 (2016: RM3,838) was impaired.

Intercompany balances

Concentration of credit risk

Group

The Group has no significant concentration of credit risk with any single intercompany except for amount due from a corporate shareholder.

Company

The Company has no significant concentration of credit risk with any single intercompany except for amount due from subsidiaries.

Financial assets that are neither past due nor impaired

Company

Intercompanies that are neither past due nor impaired are creditworthy receivables with good payment records with the Company.

As at the reporting date, there was no indication that the intercompany balances are not recoverable.

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(a) Credit risk (cont'd)

Intercompany balances (cont'd)

Financial assets that are past due but not impaired

Company

There are no intercompany balances of the Company that are past due but not impaired.

Financial assets that are impaired

Company

Intercompany balances of RM6,251,052 (2016: RM815,913) were impaired.

Deposits with banks

Concentration of credit risk

Group and Company

The Group and the Company have no significant concentration of credit risk with any single bank.

Financial assets that are neither past due nor impaired

Group and Company

Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

As at the reporting date, there was no indication that the deposits with banks are not recoverable.

Financial assets that are past due but not impaired

Group and Company

There are no deposits with banks of the Group and of the Company that are past due but not impaired.

Financial assets that are impaired

Group and Company

There are no deposits with banks of the Group and of the Company that are impaired.

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk arises principally from its various payables, the Group and the Company maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by contractual maturities

The following table shows the areas where the Group and the Company are exposed to liquidity risk:-

Group	Repayable on demand/ Less than 1 year RM	2 to 5 years RM
2017		
<u>Non-derivative financial liabilities</u>		
Trade payables	–	–
Other payables	851,819	–
Borrowings	–	–
Total undiscounted financial liabilities	851,819	–
2016		
<u>Non-derivative financial liabilities</u>		
Trade payables	5,380,287	–
Other payables	5,001,341	–
Borrowings	17,223,527	6,422,564
Total undiscounted financial liabilities	27,605,155	6,422,564

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

Company

The liquidity risk arise principally from its payables and amount due to subsidiaries, and all are within 12 months.

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(c) Foreign currency risk

The Group and the Company are exposed to foreign currency risk as a result of their normal operating activities, both external and intra-group where the currency denominated in a currency other than the respective functional currencies of the Group's and of the Company's activities. The Group's and the Company's guidelines are to minimise the exposure of overseas operating activities to transaction risk by matching local currency income against local currency costs.

The Group is also exposed to currency translation risk arising from its net investment in foreign operation in PRC, Hong Kong and Singapore. The investments are not hedged as currency position in Renminbi ("RMB"), Hong Kong Dollar ("HKD") and Singapore Dollar ("SGD") are considered to be long – term in nature.

The Group carries out its business in Malaysia, Singapore, PRC and Hong Kong and most of the transactions are mainly denominated in RM, United States Dollars ("USD"), HKD, SGD and RMB. The Group monitors its foreign currency exposure closely and where necessary only considers hedging significant foreign currency exposure.

RMB is not freely convertible into foreign currencies under the PRC Foreign Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations. The Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Group	RM	SGD RM	USD RM	RMB RM	HKD RM	Total RM
2017						
Financial assets						
Cash and cash equivalents	164,856	289	82,036	563	–	247,744
Other receivables	50,059	–	–	–	–	50,059
	214,915	289	82,036	563	–	297,803
Financial liability						
Other payables	(851,819)	–	–	–	–	(851,819)
	(851,819)	–	–	–	–	(851,819)
Less: Net financial (liabilities)/assets denominated in functional currency	(636,904)	–	–	–	–	(636,904)
Net currency exposure on assets/(liabilities)	–	289	82,036	563	–	82,888

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(c) Foreign currency risk (cont'd)

Group (cont'd)	RM	SGD RM	USD RM	RMB RM	HKD RM	Total RM
2016						
Financial assets						
Other investment	–	–	–	108,821	–	108,821
Amount due from a corporate shareholder	–	–	279,219	–	–	279,219
Cash and cash equivalents	122,483	23,371	4,304,353	13,281,414	1,251	17,732,872
Trade and other receivables	43,884	–	6,238,720	8,062,982	–	14,345,586
	166,367	23,371	10,822,292	21,453,217	1,251	32,466,498
Financial liabilities						
Trade and other payables	(983,967)	(6,280)	(371,398)	(9,070,514)	(26,030)	(10,458,189)
Borrowings	–	–	(8,132,720)	(13,371,229)	–	(21,503,949)
	(983,967)	(6,280)	(8,504,118)	(22,441,743)	(26,030)	(31,962,138)
Less: Net financial (liabilities)/assets denominated in functional currency	(817,600)	16,796	–	(924,530)	(24,779)	(1,750,113)
Net currency exposure on assets/(liabilities)	–	295	2,318,174	(63,996)	–	2,254,473

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(c) Foreign currency risk (cont'd)

Company	RM	USD RM	RMB RM	SGD RM	Total RM
2017					
Financial assets					
Cash and cash equivalents	164,856	82,036	563	289	247,744
Other receivables	50,059	–	–	–	50,059
Amount due from subsidiaries	11,640	–	–	–	11,640
	226,555	82,036	563	289	309,443
Financial liability					
Other payables	(851,819)	–	–	–	(851,819)
	(851,819)	–	–	–	(851,819)
Less: Net financial liabilities denominated in functional currency	(625,264)	–	–	–	(625,264)
Net currency exposure on financial assets	–	82,036	563	289	82,888

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(c) Foreign currency risk (cont'd)

Company (cont'd)	RM	USD RM	RMB RM	SGD RM	Total RM
2016					
Financial assets					
Cash and cash equivalents	119,855	282,963	563	295	403,676
Other investment	–	–	108,821	–	108,821
Other receivables	43,351	–	–	–	43,351
	163,206	282,963	109,384	295	555,848
Financial liabilities					
Amount due to subsidiaries	–	(8,087,106)	(2,770,492)	–	(10,857,598)
Other payables	(981,407)	–	–	–	(981,407)
	(981,407)	(8,087,106)	(2,770,492)	–	(11,839,005)
Less: Net financial (liabilities)/ assets denominated in functional currency	(818,201)	–	–	–	(818,201)
Net currency exposure on financial (liabilities)/assets	–	(7,804,143)	(2,661,108)	295	(10,464,956)

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(c) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's and of the Company's profit/(loss) net of tax for the financial year to a reasonably possible change in the USD, RMB and HKD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2017 RM Increase/ (Decrease) Profit net of tax	Company 2017 RM (Increase)/ Decrease Loss net of tax
RM/RMB	- strengthened 1%	6	6
	- weakened 1%	(6)	(6)
RM/USD	- strengthened 1%	820	820
	- weakened 1%	(820)	(820)
<hr/>			
		Group 2016 RM Increase/ (Decrease) Profit net of tax	Company 2016 RM (Increase)/ Decrease Loss net of tax
RM/RMB	- strengthened 1%	(640)	(26,611)
	- weakened 1%	640	26,611
RM/USD	- strengthened 1%	23,182	(78,041)
	- weakened 1%	(23,182)	78,041
RMB/USD	- strengthened 1%	150,430	—
	- weakened 1%	(150,430)	—
HKD/USD	- strengthened 1%	(86,249)	—
	- weakened 1%	86,249	—

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

The exposure to foreign exchange risk varies during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and of the Company's exposure to foreign currency risk.

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.1 Financial risks (cont'd)

(d) Interest rate risk

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

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

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amount as at the end of the reporting year are as follows:-

	2017 RM	Group 2016 RM
Fixed rate instruments		
Fixed deposits with licensed banks	–	8,370,382
Borrowings	–	8,132,720
Floating rate instrument		
Borrowings	–	13,371,229

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 50 basis point ("b/p"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group Effect on profit/(loss) for the year	
	+50bp RM	-50bp RM
31 December 2017	–	–
31 December 2016	(66,856)	66,856

Notes to the Financial Statements (cont'd)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

4.2 Fair values of financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company at reporting date approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of the Group's and the Company's investment in club membership due to lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group and the Company do not intend to dispose of this investment in the near future and intends to hold for long term.

4.3 Fair values hierarchy

No fair value hierarchy had been disclosed for financial assets and financial liabilities as the Group and the Company do not have financial instruments measured at fair value.

5. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profit and losses resulting from intragroup transactions will be treated in accordance to Note 5(f) of the financial statements.

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of existing equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRSs.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 5(d) to the financial statements.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income at the date of acquisition.

Subsidiaries are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

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

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

Non-controlling interests at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interests even if that results in a deficit balance.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

All other repair and maintenance are charged to the profit or loss during the financial year in which they incurred.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:-

	Rate	Residual value
Factory buildings	3.33%	10%
Furniture and fitting	10%	—
Office equipment	10% - 33%	10%
Plant and machinery	10% - 33%	10%
Renovation	8% - 33%	—
Motor vehicles	10% - 25%	10%
Computer and accessories	20%	—

Certain depreciated property, plant and equipment are retained in the financial statements at net carrying value of 10% of the cost until they are no longer in use.

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

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

(c) Capital work in progress

Capital work in progress is property, plant and equipment under construction or installation for intended use as facilities. The amount is stated at cost. Property, plant and equipment under construction are not depreciated until they are completed and ready for their intended use.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill arising on the acquisition of a subsidiary is presented separately in the consolidated statements of financial position.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

A cash-generating unit to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill should not be reversed in subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where goodwill forms part of a cash-generating unit and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in these circumstances are measured based on the relative values of the operations disposed off and portion of the cash-generating unit retained.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group and the Company. Control exists when the Group 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 circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements, or by holding substantive potential voting rights.

Investment in subsidiaries are stated at cost in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiaries are assessed and written down immediately to their recoverable amount.

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

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Tax expense

Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax liabilities and assets are provided for under liability method in respect of all temporary differences at reporting date between carrying amount of an asset or liability in the statements of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax are recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Deferred tax is 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 tax rates that have been enacted or substantively enacted by the reporting date.

Direct tax

The Group's sale of goods in the PRC and Malaysia are subjected to value-added tax ("VAT") and goods and services tax ("GST") at the applicable tax rate of 17% and 6% for PRC and Malaysia domestic sales respectively. Input GST/VAT on purchases can be deducted from output GST/VAT. The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- where the GST/VAT incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST/VAT included.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value after adequate write down has been made by Director for deteriorated, obsolete and slow-moving inventories.

Inventories are measured using the weighted average method.

Cost of raw material includes transportation changes and purchase price.

Cost of finished goods and work in progress includes direct materials, labour and an appropriate proportion of manufacturing overheads.

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

(h) Impairment of non-financial assets

At each reporting date, the Group and the Company review the carrying amounts of their assets to determine whether there is any indication of impairment.

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

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

An impairment loss is recognised as an expense in the profit or loss immediately.

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

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

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments

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

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

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial assets and financial liabilities are measured subsequently as described below:-

Financial assets

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

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

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

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

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or when the financial assets and all substantial risks and rewards are transferred.

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

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss and held to maturity investments. The Group and the Company carry only loans and receivables and available-for-sale financial assets on their statements of financial position.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group's and the Company's trade and most of the other receivables, amount due from a corporate shareholders and subsidiaries and cash and cash equivalents fall into this category of financial instruments.

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

Available-for-sale financial assets

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

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

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

Investment in club membership whose fair value cannot be reliably measured is measured at cost less impairment loss.

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

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial liabilities

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss or other financial liabilities measured at amortised cost using the effective interest method or financial guarantee contract.

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

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss. The Group and the Company carry only other financial liabilities on their statements of financial position.

Other financial liabilities

The Group's and the Company's financial liabilities include borrowings, trade and other payables and amount due to subsidiaries.

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

Financial guarantee contracts

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

Offsetting of financial instruments

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

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

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

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of financial assets

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

Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial assets

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

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

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

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Equity, reserves and dividend payments

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

The transaction cost of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from share premium, net of tax from the proceeds.

With the Companies Act, 2016 ("New Act") coming into effect in 31 January 2017, the credit standing in the share premium account has been transferred to the share capital account pursuant to subsection 618(3) and 618(4) of the New Act, the Company may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act.

Accumulated losses include all current and prior period accumulated losses.

The revaluation reserve within equity comprises gains and losses due to the revaluation of investment property.

Translation reserve consists of foreign currency translation differences arising from the translation of Group's net investment in foreign entities.

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

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

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

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

(m) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC is required to transfer 10% of its profit after tax prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the registered capital. Such reserve may be used to offset unappropriated profit or increase the registered capital of the subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign currency transactions and balances

The financial statements are presented in RM, which is also the functional currency of the Company.

Transactions in foreign currencies are recorded in RM at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at exchange rates ruling at reporting date.

The assets and liabilities of the foreign entities, including goodwill and fair value adjustments arising on the acquisitions, are translated to RM at the closing rates at the reporting date. The operating results are translated to RM at the exchange rates at the average rates during the financial year.

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

Financial statements of foreign subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities. All resulting translation differences are included in the foreign exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

On disposal of a foreign entity, the cumulative amount of exchange differences deferred in equity relating to that foreign entity is recognised in the profit or loss as a component of the gain or loss on disposal.

All other foreign exchange differences are taken to profit or loss in the financial year in which they arise.

(o) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

Leasehold land which in substance is an operating lease is classified as prepaid land lease payment and amortised over the lease term of 50 years.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to accumulated losses, the transfer is not made through profit or loss.

(q) Provisions

Provisions are recognised when there is a present, legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group and the Company maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

Dividend income from investment is recognised when the shareholder's right to receive payment has been established provided it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably.

Rental income is accounted on a straight-line basis over the lease terms.

(s) Employees benefits

(i) Short term benefits

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

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

(ii) Defined contribution plans

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

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

Obligations for contributions to defined contribution plans are recognised as expenses in the profit or loss as incurred.

(iii) Retirement benefits scheme

Pursuant to the relevant regulations of PRC government, the subsidiaries established in PRC participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There is no provision under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employees benefits (cont'd)

(iv) Employees' share option scheme

Eligible employees of the Group and of the Company received remuneration in the form of share option as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the option at the date on which the option is granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of option that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for option that do not ultimately vest, except for option where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to accumulated losses upon expiry of the share option.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the option is exercised.

(t) Government grants

Government grants used for financial support, assistance or to reimburse costs incurred by the Group and the Company are recognised in the profit or loss of the financial year in which they become receivable.

(u) Borrowings costs

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

(v) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(w) Segment reporting

In identifying its operating segments, the management generally follows the Group's internal reports regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the respective segments and to assess their performance.

(x) Intersegment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at a negotiated transaction. These transfers are eliminated on consolidation.

Notes to the Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Non-current assets (and disposal group) held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

(z) Discontinued operation

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

(aa) Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

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

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

- (i) The entity and the Group are members of the same group; or
- (ii) One entity is an associate or joint venture of the other entity; or
- (iii) Both entities are joint ventures of the same third party; or
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group; or
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above; or
- (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group; or
- (viii) The entity, or any member of a group which it is a part, provides key management personnel services to the Group.

Notes to the Financial Statements (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

Group	Factory building RM	Furniture and fitting RM	Office equipment RM	Plant and machinery RM	Renovation RM	Motor vehicles RM	Computer and accessories RM	Capital work in progress RM	Total RM
Cost									
At 1 January 2016	16,184,033	26,913	975,151	4,035,845	514,422	1,413,775	29,714	1,515,876	24,695,729
Additions	124,475	-	322,043	355,120	57,970	110,579	8,107	742,789	1,721,083
Written off	-	-	(21,644)	-	(162,055)	-	-	-	(183,699)
Disposals	-	-	-	-	-	(97,323)	-	-	(97,323)
Transferred from/(to)	-	-	-	-	1,280,362	-	-	(1,280,362)	-
Translation differences	(406,331)	-	(11,410)	(81,272)	30,474	(33,597)	-	(57,988)	(560,124)
At 31 December 2016	15,902,177	26,913	1,264,140	4,309,693	1,721,173	1,393,434	37,821	920,315	25,575,666
Additions	310,602	-	265,947	159,913	116,726	453,921	-	-	1,307,109
Written off	-	(26,913)	(38,137)	(2,338)	(33,478)	-	-	(4,562)	(105,428)
Transfer to assets classified as held for sale	(15,677,810)	-	(1,011,797)	(4,750,202)	(1,746,110)	(1,795,035)	-	(67,112)	(25,048,066)
Transferred (to)/from	-	-	(426,193)	426,193	-	-	-	-	-
Transfer to investment properties	-	-	-	-	-	-	-	(833,362)	(833,362)
Translation differences	(534,969)	-	(35,047)	(143,259)	(58,311)	(52,320)	-	(15,279)	(839,185)
At 31 December 2017	-	-	18,913	-	-	-	37,821	-	56,734

Notes to the Financial Statements (cont'd)

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

Group	Factory building RM	Furniture and fitting RM	Office equipment RM	Plant and machinery RM	Renovation RM	Motor vehicles RM	Computer and accessories RM	Capital work in progress RM	Total RM
Accumulated depreciation									
At 1 January 2016	-	17,566	608,070	2,884,342	358,721	326,470	23,128	-	4,218,297
Charge for the financial year	457,899	2,691	158,631	345,598	178,345	146,391	3,147	-	1,292,702
Written off	-	-	(19,863)	-	-	-	-	-	(19,863)
Disposals	-	-	-	-	-	(47,621)	-	-	(47,621)
Translation differences	16,616	-	(9,344)	(44,992)	(2,429)	(3,294)	-	-	(43,443)
At 31 December 2016	474,515	20,257	737,494	3,184,948	534,637	421,946	26,275	-	5,400,072
Charge for the financial year	474,204	2,691	150,575	359,857	184,493	199,845	3,491	-	1,375,156
Written off	-	(22,948)	(33,475)	(1,838)	(19,618)	-	-	-	(77,879)
Transfer to assets classified as held for sale	(924,237)	-	(786,424)	(3,482,701)	(678,940)	(605,934)	-	-	(6,478,236)
Transferred (to)/from	-	-	(28,444)	28,444	-	-	-	-	-
Translation differences	(24,482)	-	(24,687)	(88,710)	(20,572)	(15,857)	-	-	(174,308)
At 31 December 2017	-	-	15,039	-	-	-	29,766	-	44,805
Net carrying amount									
At 31 December 2017	-	-	3,874	-	-	-	8,055	-	11,929
At 31 December 2016	15,427,662	6,656	526,646	1,124,745	1,186,536	971,488	11,546	920,315	20,175,594

The factory building of the Group is located in PRC and is pledged for banking facilities granted to a subsidiary.

Notes to the Financial Statements (cont'd)

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

Company	Furniture and fitting RM	Office equipment RM	Renovations RM	Computer and accessories RM	Total RM
Cost					
At 1 January 2016	26,913	18,184	33,478	29,714	108,289
Additions	–	2,799	–	8,107	10,906
At 31 December 2016	26,913	20,983	33,478	37,821	119,195
Additions	–	3,199	–	–	3,199
Written off	(26,913)	(5,269)	(33,478)	–	(65,660)
At 31 December 2017	–	18,913	–	37,821	56,734
Accumulated depreciation					
At 1 January 2016	17,566	14,992	12,922	23,128	68,608
Charge for the financial year	2,691	1,557	3,348	3,147	10,743
At 31 December 2016	20,257	16,549	16,270	26,275	79,351
Charge for the financial year	2,691	2,724	3,348	3,491	12,254
Written off	(22,948)	(4,234)	(19,618)	–	(46,800)
At 31 December 2017	–	15,039	–	29,766	44,805
Net carrying amount					
At 31 December 2017	–	3,874	–	8,055	11,929
At 31 December 2016	6,656	4,434	17,208	11,546	39,844

7. INVESTMENT PROPERTIES

	2017 RM	Group 2016 RM
Fair value:-		
At 1 January	1,461,266	1,489,031
Transfer from property, plant and equipment	833,362	–
Translation differences	(48,745)	(27,765)
Transfer to assets classified as held for sale	(2,245,883)	–
At 31 December	–	1,461,266

Notes to the Financial Statements (cont'd)

7. INVESTMENT PROPERTIES (CONT'D)

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

	2017 RM	Group 2016 RM
Rental income	104,958	89,716
Direct operating expenses: - income generating investment properties	36,882	34,691

Fair value basis of investment properties

Investment properties comprised of leasehold buildings leased to third party. The leases contain a cancellable period of 1 (2016: 1) years with renewal period of 3 (2016: 3) years. No contingent rent is charged.

Investment properties are stated at fair value, which has been determined based on valuations at the date transfer from property, plant and equipment and at the end of the reporting period. The fair values of the investment property are based on valuations performed by The University Assets Appraisal Co. Ltd in Xiamen, an accredited independent valuers with appropriate professional qualifications and recent experience in the location and category of property being valued. In estimating the fair values of the properties, the highest and best use of the properties are its current use. There has been no change to the valuation technique during the financial year.

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

	Level 1 RM	Level 2 RM	Group 2017 Level 3 RM	Total RM
Recurring fair value measurements:-				
Building	-	-	-	-

	Level 1 RM	Level 2 RM	Group 2016 Level 3 RM	Total RM
Recurring fair value measurements:-				
Building	-	1,461,266	-	1,461,266

Level 2 Fair Value

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

Notes to the Financial Statements (cont'd)

8. PREPAID LAND LEASE PAYMENT

	Group	
	2017 RM	2016 RM
Cost		
At 1 January	1,791,191	1,837,846
Transfer to assets classified as held for sale	(1,731,574)	–
Translation differences	(59,617)	(46,655)
At 31 December	–	1,791,191
Accumulated amortisation		
At 1 January	119,413	85,766
Amortisation during the financial year	35,278	34,570
Translation differences	(4,621)	(923)
Transfer to assets classified as held for sale	(150,070)	–
At 31 December	–	119,413
Net carrying amount	–	1,671,778
Amount to be amortised		
Not later than one year	–	34,570
Later than one year but not later than five years	–	138,278
Later than five years	–	1,498,930
	–	1,671,778

The prepaid land lease payment of the Group is located in PRC and is pledged for banking facilities granted to a subsidiary.

9. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries

	Company	
	2017 RM	2016 RM
Unquoted investment - at cost	20,302,538	20,670,657
ESOS granted to employees of subsidiaries	207,000	207,000
Less: Impairment loss	–	(368,119)
	20,509,538	20,509,538

Notes to the Financial Statements (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (cont'd)

The movement of impairment loss during the financial year is as follows:-

	Company	
	2017 RM	2016 RM
Balance at 1 January	368,119	468,119
Less: Reversal of impairment loss	(368,119)	(100,000)
Balance at 31 December	–	368,119

Details of subsidiaries are as follows:-

Name	Country of incorporation	Effective interest		Principal activities
		2017	2016	
Direct interest:				
Ideal Jacobs (Xiamen) Corporation ("IJX") *	PRC	100%	100%	^
Ideal Jacobs (HK) Corporation Limited ("IJHK") #	Hong Kong	100%	100%	@
Ideal Laminar Pte. Ltd. ("ILPL") #	Singapore	–	51%	@@\$
Lumimark Sdn. Bhd. ("LMM")	Malaysia	–	51%	Δ
Indirect interest				
Xiamen Ideal Jacobs International Limited Company ("XIJ") */+	PRC	100%	100%	@
Suzhou Ideal Jacobs Corporation ("SIJ") */+	PRC	100%	100%	^^

Notes to the Financial Statements (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (cont'd)

- ^ The principal activities of this subsidiary is engaged in research and development and manufacturing of components in industrial equipment and designing and manufacturing of Industrial Labels, Nameplates, and Laser/Die-Cut Products and fabrication of plastic parts.
- ^^ The principal activities of this subsidiary is engaged in designing and manufacturing of Industrial Labels, Nameplates, and Laser/Die-Cut Products and fabrication of plastic parts.
- @@ The principal activity of this subsidiary is trading of die cut materials.
- @ The principal activities of these subsidiaries are trading in general products.
- Δ The principal activities of this subsidiary is engaged in carrying out of research and development activity, producing and trading in photoluminescent products and services.
- * Subsidiaries audited by Grant Thornton International's member firm.
- # Subsidiaries not audited by Grant Thornton Malaysia.
- + Direct subsidiaries of IJX.
- \$ The subsidiary was struck off from the official list of companies in the country during the financial year.

(b) Non-controlling interests in subsidiaries

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests. The amounts disclosed below do not reflect the elimination of intragroup transaction.

Name	Country of incorporation and operation	2017 % of holding	2016
ILPL/ILPL Group	Singapore	–	49%
LMM	Malaysia	–	49%
		2017 RM	2016 RM
Accumulated non-controlling interests			
ILPL/ILPL Group		–	(3,123)
LMM		–	(167,642)
		–	(170,765)
Profit/(Loss) allocated to non-controlling interests			
ILPL/ILPL Group		2,994	(244,633)
LMM		158,567	(3,269)
		161,561	(247,902)

Notes to the Financial Statements (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Non-controlling interests in subsidiaries (cont'd)

	2017 RM	2016 RM
Other comprehensive income allocated to non-controlling interests		
ILPL/ILPL Group	129	203,655
Total comprehensive income/(loss) allocated to non-controlling interests		
ILPL/ILPL Group	3,123	(40,978)
LMM	158,567	(3,269)
	161,690	(44,247)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ILPL/ILPL Group**Summary of financial position as at 31 December**

	2017 RM	2016 RM
Current assets/Total assets	–	23,076
Current liabilities/Total liabilities	–	(29,450)
Net liabilities	–	(6,374)
Equity attributable to owners of the Company	–	(3,251)
Non-controlling interests	–	(3,123)

Summary of financial performance for the financial year ended 31 December

	2017 RM	2016 RM
Other income	17,868	8
Expenses	(11,757)	(499,260)
Profit/(Loss) for the financial year	6,111	(499,252)
Profit/(Loss) attributable to owners of the Company	3,117	(254,619)
Profit/(Loss) attributable to the non-controlling interests	2,994	(244,633)
	6,111	(499,252)

Notes to the Financial Statements (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Non-controlling interests in subsidiaries (cont'd)

ILPL/ILPL Group (cont'd)

Summary of financial performance for the financial year ended 31 December (cont'd)

	2017 RM	2016 RM
Other comprehensive income	263	415,622
Other comprehensive income attributable to owners of the Company	134	211,967
Other comprehensive income attributable to non-controlling interests	129	203,655
Total comprehensive income/(loss) attributable to owners of the Company	3,251	(42,652)
Total comprehensive income/(loss) attributable to non-controlling interests	3,123	(40,978)
	6,374	(83,630)

Summary of cash flows for the financial year ended 31 December

	2017 RM	2016 RM
Net cash used in operating activities	–	(51,152)
Net cash from investing activities	–	–
Net cash outflow	–	(51,152)

LMM

Summary of financial position as at 31 December

	2017 RM	2016 RM
Current assets/Total assets	–	3,161
Current liabilities/Total liabilities	–	(345,288)
Net liabilities	–	(342,127)
Equity attributable to owners of the Company	–	(174,485)
Non-controlling interest	–	(167,642)

Notes to the Financial Statements (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Non-controlling interests in subsidiaries (cont'd)

LMM (cont'd)

Summary of financial performance for the financial year ended 31 December

	2017 RM	2016 RM
Other income	328,089	500
Expenses	(4,482)	(7,172)
Profit/(Loss) for the financial year	323,607	(6,672)
Profit/(Loss) attributable to owners of the Company	165,040	(3,403)
Profit/(Loss) attributable to the non-controlling interest	158,567	(3,269)
	323,607	(6,672)
Profit/(Loss) for the financial year/Total comprehensive income/(loss) attributable to owners of the Company	165,040	(3,403)
Profit/(Loss) for the financial year/Total comprehensive income/(loss) attributable to the non-controlling interest	158,567	(3,269)
	323,607	(6,672)

Summary of cash flows for the financial year ended 31 December

	2017 RM	2016 RM
Net cash from operating activities/Net cash inflow	–	730

(c) Significant restrictions

Cash and bank balances of RMNil (2016: RM8,229,093) are held by subsidiaries in the PRC and are subject to local exchange control regulations. These local exchange control regulations imposed restriction on exporting capital from the country, other than through normal dividends.

Notes to the Financial Statements (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Struck off subsidiaries

Disposal of a subsidiary

On 30 November 2017, the Company disposed of its 51% equity interest in LMM. for a cash consideration of RM2.

The disposal of LMM gave rise to a gain of RM9,447 in the Group's financial statements.

The effect of the disposal of LMM on the financial position of the Group as at the date of disposal was as follows:

	RM
Cash and bank balances	2,628
Other payables	(21,148)
Net liabilities	(18,520)
Less: Non-controlling interest	9,075
	(9,445)
Gain on disposal	9,447
Proceeds from disposal (receivables)	2
Cash and cash balances disposed/Net cash outflows from disposal	(2,628)

10. OTHER INVESTMENT

	Group and Company 2017 RM	2016 RM
Available-for-sale investment		
At cost	108,821	108,821
Less: Impairment loss		
At 1 January	–	–
Addition	108,821	–
At 31 December	108,821	–
	–	108,821

This represents investment in club membership and is stated at cost less impairment and denominated in RMB. This investment is held in trust by a Director.

Notes to the Financial Statements (cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets

	2017 RM	Group 2016 RM
At 1 January	–	–
Recognised in profit or loss	241,116	–
Translation differences	(10,361)	–
Transfer to assets classified as held for sale	(230,755)	–
	–	–

Under the Enterprise Income Tax Law ("EIT") of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences associated with undistributed earnings of the PRC subsidiaries amounting to approximately RM9,208,488 (2016: RM8,396,800) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The tax effect of timing differences that would give rise to future tax benefits are generally recognised only where there is reasonable expectation of realisation. The estimated amounts of deferred tax benefits, which have not been recognised in the financial statements are as follow:-

	2017 RM	Group 2016 RM
Unutilised business losses	9,208,488	8,396,800

The potential future tax benefits of the Group are not provided for in the financial statements as it is anticipated that the tax effects of such benefits will not reverse in the foreseeable future.

Deferred tax liabilities

	2017 RM	Group 2016 RM
At 1 January	36,457	36,457
Transfer to liabilities classified as held for sale	(36,457)	–
	–	36,457

*Notes to the Financial Statements (cont'd)***11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)****Deferred tax liabilities (cont'd)**

The components of deferred tax liabilities are made up of temporary differences arising from:-

	2017 RM	Group 2016 RM
Revaluation of property, plant and equipment upon transfer to investment property	–	20,789
Fair value gain adjustment on investment property	–	15,668
	–	36,457

12. INVENTORIES

	2017 RM	Group 2016 RM
Raw materials	–	1,587,129
Work-in-progress	–	2,848,205
Finished goods	–	308,545
	–	4,743,879

Recognised in profit or loss:-

Reversal of inventories written down	(148,518)	(5,766)
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The reversal of inventories written down was made when the related inventories were subsequently used or sold above their carrying amounts.

Notes to the Financial Statements (cont'd)

13. TRADE RECEIVABLES

	2017 RM	Group 2016 RM
Trade receivables	–	12,970,715
Less : Impairment loss on trade receivables recognised		
At 1 January	–	(592,963)
Reversal	–	592,963
At 31 December	–	–
	–	12,970,715

Trade receivables are bear no interest and the normal trade credit terms granted by the Group to the trade receivables ranging from cash term to 120 days (2016: cash term to 120 days).

14. OTHER RECEIVABLES

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Non-trade receivables	15,165	16,179	15,165	8,988
Less: Impairment loss	(3,838)	(3,838)	(3,838)	(3,838)
	11,327	12,341	11,327	5,150
Advances to employees	529	51,884	529	529
Advances to suppliers	–	868,160	–	–
Deposits	29,325	144,257	29,325	22,540
GST/VAT recoverable	–	767	–	–
Prepayments	8,878	297,462	8,878	15,132
	50,059	1,374,871	50,059	43,351

The movement of impairment loss during the financial year is as follows:-

	2017 RM	Group 2016 RM	2017 RM	Company 2016 RM
Balance at 1 January/31 December	3,838	3,838	3,838	3,838

Group and Company

Included in non-trade receivables is amount due from a company in which a Director has interest amounting to RM5,854 (2016: RM5,150) which is unsecured, bears no interest and repayable on demand.

Notes to the Financial Statements (cont'd)

15. AMOUNT DUE FROM/(TO) SUBSIDIARIES

Amount due from/(to) subsidiaries are unsecured, bears no interest and repayable on demand.

Included in amount due from/(to) subsidiaries are non-trade in nature as below:-

	Company	
	2017 RM	2016 RM
Amount due from subsidiaries		
Non-trade balance due from	6,262,692	815,913
Less: Impairment loss	(6,251,052)	(815,913)
	11,640	–

The movement of impairment loss during the financial year is as follow:-

	Company	
	2017 RM	2016 RM
Balance at 1 January	815,913	4,321,364
Add: Impairment loss	5,756,719	7,268
Less: Reversal of impairment loss	(321,580)	(3,512,719)
Balance at 31 December	6,251,052	815,913

Amount due to subsidiaries

Non-trade balances due to	–	10,857,598
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16. AMOUNT DUE FROM A CORPORATE SHAREHOLDER

Group

Amount due from a corporate shareholder is trade in nature, unsecured, bears no interest and repayable on demand.

17. FIXED DEPOSITS WITH LICENSED BANKS

Group

Fixed deposits totalling RMNil (2016: RM8,287,578) have been pledged to banks for banking facilities granted to a subsidiary, and hence, are not available for general use.

The average effective interest rates for fixed deposits with licensed banks are ranging from 2.75% to 4.10% (2016: 2.50% to 2.75%) per annum.

Notes to the Financial Statements (cont'd)

18. DISPOSAL GROUP HELD FOR SALE

IJHK and IJX (including its subsidiaries) are presented as a disposal group held for sale following the conditional share sale agreement entered by the Company with Oriental Dragon Incorporation Limited ("ODIL") on 18 August 2017.

As at 31 December 2017, the assets and liabilities of the disposal group are as follows:-

	Note	2017 RM
<u>Non-current assets</u>		
Property, plant and equipment	6	18,569,830
Investment property	7	2,245,883
Prepaid land lease payments	8	1,581,504
Deferred tax assets	a	230,755
Total non-current assets		22,627,972
<u>Current assets</u>		
Inventories	b	4,928,979
Trade receivables		18,812,356
Other receivables		2,570,528
Amount due from a corporate shareholder		823,509
Fixed deposits with licensed banks		3,203,716
Cash and bank balances		6,221,172
Total current assets		36,560,260
Total assets/Assets classified as held for sale		59,188,232
<u>Non-current liability</u>		
Deferred tax liabilities	c	36,457
Total non-current liability		36,457

Notes to the Financial Statements (cont'd)

18. DISPOSAL GROUP HELD FOR SALE (CONT'D)

As at 31 December 2017, the assets and liabilities of the disposal group are as follows (cont'd):-

	Note	2017 RM
<u>Current liabilities</u>		
Trade payables		7,917,249
Other payables		5,324,442
Borrowings	d	13,737,979
Tax payable		1,498,614
Total current liabilities		28,478,284
Total liabilities/Liabilities classified as held for sale		28,514,741
Total net disposal group held for sale		30,673,491
<u>Reserves</u>		
Statutory reserve		4,618,663
Translation reserve		6,304,151
Revaluation reserve		128,108
Total current liabilities		11,050,922

The carrying value of property, plant and equipment, investment properties and prepaid land lease payment of the disposal group is the same as its carrying value before it was being reclassified to current asset.

Note a

The net deferred tax assets represent the tax effects of the following:-

	2017 RM
Temporary differences arising from:-	
Provision for slow moving inventories	198,094
Impairment loss on trade receivables	32,661
	230,755

Notes to the Financial Statements (cont'd)

18. DISPOSAL GROUP HELD FOR SALE (CONT'D)

Note b

The inventories held for sale comprise of the following:-

	2017 RM
Raw materials	1,555,130
Work-in-progress	354,237
Finished goods	2,843,931
Goods in transit	175,681
	<hr/> 4,928,979
Recognised in profit or loss:-	
Reversal of inventories written down	(148,518)

The reversal of inventories written down was made when the related inventories were subsequently used or sold above their carrying amounts.

Note c

The net deferred tax liabilities represent the tax effects of the following:-

	2017 RM
Temporary differences arising from:-	
Revaluation of property, plant and equipment upon transfer to investment property	20,789
For value gain adjustment on investment property	15,668
	<hr/> 36,457

Note d

The disposal Group have borrowings facilities totaling RM13,737,979.

The term loans are secured by the followings:-

- (a) First party legal charge over the factory building and prepaid land lease payment of a subsidiary;
- (b) Corporate guarantee by two subsidiaries, Suzhou Ideal Jacobs Corporation and Ideal Jacobs (Xiamen) Corporation; and
- (c) Jointly and severally guaranteed by a Director and his spouse of the Company.

The effective interest rates are ranging from 5.22% to 6.41% per annum.

Notes to the Financial Statements (cont'd)

19. SHARE CAPITAL

	No. of ordinary shares		Amount	
	2017	2016	2017	2016
	Unit	Unit	RM	RM
Issued and fully paid:-				
At 1 January	135,701,075	135,701,075	13,570,108	13,570,108
Shares issued at 20 October 2017 pursuant to exercise of ESOS	1,150,000	–	356,500	–
Transition to no par value regime (Note 21)	–	–	7,262,734	–
At 31 December	136,851,075	135,701,075	21,189,342	13,570,108

During the financial year, the issued and paid-up ordinary share capital was increased from RM13,570,108 to RM21,189,342 by way of transaction of share premium reserves to share capital of RM7,262,734 as an effect of changes in Company Act, 2016 in Malaysia and issuance of 1,150,000 new ordinary shares for cash pursuant to exercise of option under ESOS at an exercise price of RM0.21 per share.

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 restriction and rank equally to the Company's residual assets.

20. RESERVES

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to transfer 10% of its profits after tax prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

Translation reserve

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign entities whose functional currencies are different from that of the Group's presentation currency.

These reserves are not available for distribution as dividend.

Notes to the Financial Statements (cont'd)

21. SHARE PREMIUM

	Group and Company	
	2017	2016
	RM	RM
At 1 January	7,262,734	7,262,734
Transfer to no par value regime	(7,262,734)	–
	–	7,262,734

The new Companies Act 2016 ("The Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM7,262,734 for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

22. ESOS RESERVE

	Group and Company	
	2017	2016
	RM	RM
At 1 January	230,007	230,007
Share based compensation pursuant to ESOS exercised	(115,000)	–
At 31 December	115,007	230,007

The ESOS reserve represents the equity-settled share option granted to employees of certain subsidiaries and the Company's Directors. The share option reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share option and is reduced by the expiry or exercise of the share option. The salient terms and key assumptions in deriving the fair value of the ESOS are disclosed in Note 38 to the financial statements.

23. REVALUATION RESERVE

	Group	
	2017	2016
	RM	RM
At 1 January/31 December	128,108	128,108

Revaluation reserve consists of surplus from revaluation of investment property and are not available for distribution for dividend.

*Notes to the Financial Statements (cont'd)***24. BORROWINGS**

	2017 RM	Group 2016 RM
<u>Secured - Term loans</u>		
Non-current	–	5,167,625
Current	–	13,946,298
	–	19,113,923
<u>Unsecured - Term loans</u>		
Current	–	2,390,026
Total	–	21,503,949
<u>Presented as:</u>		
Current	–	16,336,324
Non-current	–	5,167,625
Total	–	21,503,949

The term loans are secured by the followings:-

- (a) First party legal charge over the factory building and prepaid land lease payment of a subsidiary;
- (b) Corporate guarantee by two subsidiaries, Suzhou Ideal Jacobs Corporation and Ideal Jacobs (Xiamen) Corporation;
- (c) Jointly and severally guaranteed by a Director and his spouse of the Company; and
- (d) Fixed deposits of a subsidiary as disclosed in Note 17 to the financial statements.

The effective interest rates are ranging from 5.22% to 6.41% (2016: 5.66% to 6.41%) per annum.

25. TRADE PAYABLES

The normal credit terms granted by the trade payables ranging from cash term to 90 days (2016: cash term to 90 days).

Notes to the Financial Statements (cont'd)

26. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-trade payables	–	609,615	–	–
Accrual of expenses	851,819	4,158,273	851,819	981,407
Advance from customers	–	225,702	–	–
GST/VAT payable	–	76,561	–	–
Deposit	–	7,751	–	–
	851,819	5,077,902	851,819	981,407

27. REVENUE

Revenue for the Company consists of dividend income.

28. (LOSS)/PROFIT BEFORE TAX

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

Discontinued operations

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Audit fees				
- Holding company's auditors				
- Statutory audit	–	2,000	–	–
- Other auditors	119,010	49,187	–	–
Bad debts written off	20,826	559,070	–	–
Depreciation	1,362,902	1,281,959	–	–
Gain on disposal of a subsidiary	(9,445)	–	–	–
Impairment loss on trade receivables	190,666	–	–	–
Interest expenses - term loans	1,037,097	1,037,079	–	–
Loss on disposal of property, plant and equipment	–	39,049	–	–
Loss on deconsolidation of subsidiaries	263,314	419,133	–	–
Property, plant and equipment written off	8,689	163,836	–	–
Rental expenses	141,087	430,339	–	–
Loss/(Gain) on foreign exchange				
- realised	97,725	(6,291)	–	–
- unrealised	726,098	(336,737)	–	–
Government grant received	(767,749)	(445,517)	–	–
Interest income	(236,145)	(249,169)	–	–
Rental income	(104,958)	(89,716)	–	–
Reversal of inventories written down	(148,518)	(5,766)	–	–

Notes to the Financial Statements (cont'd)

28. (LOSS)/PROFIT BEFORE TAX (CONT'D)

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

Continuing operations

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Audit fees				
- Holding company's auditors				
- Statutory audit	68,000	158,000	68,000	158,000
- Other services	14,800	10,000	14,800	10,000
- Other auditors				
- Other services	76,000	76,000	76,000	76,000
Bad debts written off	-	14,021	328,089	3,527,192
Depreciation	12,254	10,743	12,254	10,743
Gain on disposal of a subsidiary	(2)	-	(2)	-
Impairment loss on amount due from subsidiaries	-	-	5,756,719	7,268
Impairment loss on other investment	108,821	-	108,821	-
Investment in a subsidiary written off	-	-	368,119	100,000
Property, plant and equipment written off	18,860	-	18,860	-
Rental expenses	55,543	54,610	55,543	54,610
Dividend income	-	-	(20,904,219)	(698,590)
Loss/(Gain) on foreign exchange				
- realised	21,562	(20,277)	21,562	(20,277)
- unrealised	(272,884)	384,272	(272,884)	384,272
Reversal of impairment loss on				
- amount due from subsidiaries	-	-	(321,580)	(3,512,719)
- investment in a subsidiary	-	-	(368,119)	(100,000)

29. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Outside Malaysia				
Current year provision	1,813,962	1,363,062	-	-
Underprovision in prior years	7,363	60,647	-	-
Deferred tax recognised in profit or loss	(241,116)	-	-	-
Total tax expenses	1,580,209	1,423,709	-	-
Tax expense attributable to continuing operations	-	-	-	-
Tax expense attributable to discontinued operations	1,580,209	1,423,709	-	-
	1,580,209	1,423,709	-	-

Notes to the Financial Statements (cont'd)

29. TAX EXPENSE (CONT'D)

Reconciliation between the statutory and effective tax expense is as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before tax from continuing operations	(4,669,625)	(2,302,768)	10,471,366	(1,611,898)
Profit before tax from discontinued operations	9,480,749	5,073,547	–	–
Profit/(Loss) before tax	4,811,124	2,770,779	10,471,366	(1,611,898)
Income tax on rate of 24% (2016: 24%)	1,154,670	664,987	2,513,128	(386,856)
Tax effect in respect of:-				
Change in tax rate for first tranche of chargeable income	(45,864)	(26,893)	–	–
Income not taxable	(2,075,513)	(973,057)	(5,248,032)	(1,039,581)
Non-allowable expenses	3,395,721	1,835,367	2,734,904	1,426,437
Underprovision in prior years	7,363	60,647	–	–
Underprovision of deferred tax assets in prior years	(221,929)	–	–	–
Movement of deferred tax assets not recognised	194,805	630,947	–	–
Permanent loss due to unutilise tax losses	–	16,118	–	–
Different tax rate in other countries of overseas subsidiaries	(829,044)	(784,407)	–	–
Tax expense for the financial year	1,580,209	1,423,709	–	–

The Group's unutilised business losses which can be carried forward to offset against future taxable profit amounted to RM9,208,488 (2016: RM8,396,800).

PRC tax

The provision for PRC income tax is calculated based on statutory income tax rate of 25% (2016: 25%) in accordance with the relevant PRC income tax rules.

On 30 June 2011, a subsidiary in PRC had received a tax incentive from the authority in relation to the high technology whereby the subsidiary's statutory income tax rate reduced from 24% to 15% for 3 years until 29 June 2014.

On 27 June 2014, the subsidiary had received an extension of tax incentive from the authority in relation to the high technology whereby the subsidiary's statutory income tax rate remained at 15% for another 3 years until 26 June 2017.

On 10 October 2017, the subsidiary had received on extension of tax incentive from the authority in relation to the high technology whereby the subsidiary's statutory income tax rate remained at 15% for another 3 years until 9 October 2020.

Notes to the Financial Statements (cont'd)

30. DISCONTINUED OPERATIONS

As disclosed in Note 18 to the financial statement, the Company has entered into a conditional share sale agreement dated 18 August 2017 to dispose of its subsidiaries, IJHK and IJX (including its subsidiaries) to ODIL for a cash consideration of RM28,000,000.

IJHK and IJX (including its subsidiaries) has been classified as held for sale as at 31 December 2017 and the comparative information presented in statements of profit or loss and other comprehensive income has been represented to show the discontinued operation separately from the continuing operations.

Profit attributable to the discontinuing operation was as follows:-

Results of discontinued operations

	Note	2017 RM	Group 2016 RM
Revenue		58,520,636	42,748,098
Cost of sales		(30,323,533)	(22,107,392)
Other income		1,210,666	1,482,449
Selling and distribution expenses		(1,910,073)	(1,653,243)
Administration expenses		(16,059,963)	(13,512,830)
Other expenses		(919,887)	(846,456)
Finance cost		(1,037,097)	(1,037,079)
Profit before tax	28	9,480,749	5,073,547
Tax expense		(1,580,209)	(1,423,709)
Profit for the financial year		7,900,540	3,649,838

The profit from discontinued operation of RM7,738,979 (2016: RM3,897,740) is attributable entirely to the owners of the Company.

Cash flows from/(used in) discontinued operations

	2017 RM
Net cash from operating activities	4,933,083
Net cash used in investing activities	6,981,040
Net cash from financing activities	(6,932,522)
Effect on cash flows	4,981,601

Notes to the Financial Statements (cont'd)

31. EARNINGS/(LOSSES) PER SHARE**Basic earnings/(losses) per ordinary share**

The calculation of basic earnings/(losses) per share was based on the loss attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued calculated as follows:-

	2017	Group 2016
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM):-		
- from continuing operations	(4,669,625)	(2,302,768)
- from discontinued operations	7,738,979	3,897,740
	3,069,354	1,594,972
Weighted average number of ordinary shares at 1 January	108,189,076	135,701,075
Effects of ordinary shares issued during the year	27,745,149	-
Weighted average number of ordinary shares at 31 December	135,934,226	135,701,075
Basic earnings/(losses) per share (sen):-		
- from continuing operations	(3.44)	(1.69)
- from discontinued operations	5.69	2.87
	2.25	1.18

*Notes to the Financial Statements (cont'd)***31. EARNINGS/(LOSSES) PER SHARE (CONT'D)****Diluted earnings/(losses) per ordinary share**

The calculation of diluted earnings/(losses) per share was based on profit/(loss) attributable to owners of the Company and on the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:-

	2017	Group 2016
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM):-		
- from continuing operations	(4,669,625)	(2,302,768)
- from discontinued operations	7,738,979	3,897,740
	3,069,354	1,594,972
Weighted average number of ordinary shares as above	135,934,226	135,701,075
Effects of ESOS outstanding	452,859	(484,400)
Weighted average number of shares assumed to be in issue at 31 December	136,387,085	135,216,675
Diluted earnings/(losses) per share (sen):-		
- from continuing operations	(3.42)	(1.70)
- from discontinued operations	5.67	2.88
	2.25	1.18

Notes to the Financial Statements (cont'd)

32. EMPLOYEES BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries	13,154,099	10,749,451	322,485	404,681
Social security contributions	1,451	1,794	1,451	1,794
Contribution to defined contribution plans	1,308,066	1,202,255	48,040	56,077
Others	853,776	1,178,232	86,089	68,847
	15,317,392	13,131,732	458,065	531,399

Included in the employees benefits expense are Directors' remuneration.

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

	2017 RM	2016 RM
Group		
<u>Existing Directors</u>		
Directors of the Company		
Directors' fee	249,578	258,073
Salaries, wages and other emoluments	-	351,322
Defined contribution plans	-	42,075
Directors of the subsidiaries		
Directors' fee	152,667	149,600
Salaries, wages and other emoluments	2,270,572	2,102,229
Defined contribution plans	105,645	101,600
	2,778,462	3,004,899
Past Director		
Director's fee	21,000	5,276
Salaries, wages and other emoluments	289,305	-
Defined contribution plans	34,645	-
	3,123,412	3,010,175
Company		
<u>Existing Directors</u>		
Directors' fee	249,578	258,073
Salaries, wages and other emoluments	-	351,322
Defined contribution plans	-	42,075
	249,578	651,470
Past Director		
Directors' fee	21,000	5,276
Salaries, wages and other emoluments	289,305	-
Defined contribution plans	34,645	-
	594,528	656,746

Notes to the Financial Statements (cont'd)

33. RELATED PARTY DISCLOSURES

(a) Related party transactions

The Group and the Company have the following transactions with the following related parties at negotiated terms agreed between the parties during the financial year:-

Group	2017 RM	2016 RM
Sales to a corporate shareholder	2,832,341	1,491,547
Purchases from a corporate shareholder	138,968	95,121
Licensing fee paid to a corporate shareholder	405,837	446,490
Commission fee paid to a corporate shareholder	43,585	20,432
<hr/>		
Company		
Dividend received from a subsidiary	20,904,219	698,590
Licensing fee paid to a corporate shareholder	405,837	446,490
<hr/>		

(b) Related party balances

The outstanding balances arising from related party transactions as at the reporting date were disclosed in Notes 9, 14, 15 and 16 to the financial statements.

(c) Compensation of key management personnel

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

Key management includes all the Directors of the Company and its subsidiaries and certain members of senior management of the Group and of the Company.

The Group and the Company have no other members of key management personnel other than the Board of Directors. Remuneration of key management personnel is disclosed as Directors' remuneration in Note 32 to the financial statements.

Notes to the Financial Statements (cont'd)

34. SUMMARY OF EFFECT ON DECONSOLIDATION OF SUBSIDIARIES

The Company had liquidated its subsidiaries, ILPL (2016: Ideal Jacobs Rangkuman Sdn Bhd and Ideal Laminar Suzhou Corporation).

The deconsolidation had the following effects on the financial position of the Group as the end of the financial year:-

	Group	
	2017 RM	2016 RM
Translation reserve	263,314	419,133
Net assets deconsolidated/Loss on deconsolidation	263,314	419,133

35. RENTAL COMMITMENTS

The future contractual rental commitments are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Within one year	–	273,661	–	–
Later than one year but not more than 5 years	–	379,219	–	–
	–	652,880	–	–

Operating lease commitments represent rental payables for rent of a subsidiary's factory building. In prior financial year, leases are negotiated for a term of 2 years.

36. LICENSING FEES COMMITMENTS

In prior financial year, the Company enters into a licensing agreement with its corporate shareholder, Ideal Jacobs Corporation, and an annual payment of USD100,000 shall be made before 31 October of each year until the licensing agreement has been terminated.

37. CAPITAL COMMITMENT

Commitment not provided for in the financial statements is as follows:-

	Group	
	2017 RM	2016 RM
Capital expenditure		
-Authorised and contracted for:		
- Property, plant and equipment	–	523,514

Notes to the Financial Statements (cont'd)

38. ESOS

At an EGM held on 28 February 2014, the Company's shareholders approved the establishment of ESOS for the eligible Directors and employees of the Group. The scheme which came into effect on 19 March 2014 is for a period of five years.

The salient features of the ESOS are as follows:-

- (a) The total number of new ordinary shares which are available to be issued under the ESOS shall not exceed fifteen percent (15%) of the total issued and fully paid-up share capital of the Company at any time throughout the duration of the ESOS.
- (b) Any employee or Director of any company comprised in the Group shall be eligible to participate in the ESOS if, as at the date to offer, the employee is at least eighteen (18) years of age or above; and is employed on a continuous full-time basis for a period of not less than two (2) years and must be a confirmed employee.
- (c) The option price shall be determined at a discount of not more than ten percent (10%) from the weighted average market quotation of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of the offer or at par, whichever is higher.
- (d) The shares under option shall remain unissued until the option is exercised and shall, on allotment, rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at the date which precedes the date of the exercise of the option.
- (e) The Board of Directors has the absolute discretion, without the approval of the Company's shareholders in the general meeting to extend the duration of the ESOS for up to further five (5) years.

The option offered to take up unissued ordinary shares of RM0.10 each during the financial year are as follows:-

Grant date	Expiry date	Exercise price	Number of Share Option			
			Balance at 1.1.2017	Granted	Exercised	Balance at 31.12.2017
25 March 2014	24 March 2019	RM0.21	2,300,075	–	(1,150,000)	1,150,075
			Balance at 1.1.2016	Granted	Exercised	Balance at 31.12.2016
			2,300,075	–	–	2,300,075

The fair value of the share option granted was RM0.10 and was estimated at the grant date using Black-Scholes Model, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the Black Scholes Model for the ESOS granted on 25 March 2014:-

Weighted average share price (RM)	0.23
Weighted average exercise price (RM)	0.21
Expected volatility (%)	41
Risk-free interest rate (%) p.a.	3.60
Expected life of option (years)	5

The exercise life of the option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over period similar to the life of the option is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Financial Statements (cont'd)

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed Disposal of IJHK and IJX (including its subsidiaries)

On 18 August 2017, the Company entered into a conditional Share Sale Agreement to sell its entire equity interest in IJHK and IJX (including its subsidiaries) to ODIL for a cash consideration of RM28,000,000.

(b) Proposed Acquisition of Widad Builders Sdn. Bhd. ("WIDAD")

On 18 August 2017, the Company entered into a conditional sale and purchase agreement with Widad Business Group Sdn. Bhd. to acquire 10,000,000 ordinary shares in WIDAD for a purchase consideration of RM520 million ("purchase consideration").

The purchase consideration will be satisfied through a combination of cash and the issuance of 1,782,608,695 new Company shares ("consideration shares") at an issue price of RM0.23 per share with the remaining pay in cash (RM110 million).

(c) Proposed private placement

The Company proposes to issue and allot up to 534,032,115 placement shares to 3rd party placees to be identified later in order to:-

- (i) Raise funds to finance the cash portion on the purchase consideration; and
- (ii) Ensure that the Company complies with the Public Spread Requirement following the issuance of the consideration shares.

The proposed placement will be implemented under Paragraph 6.06 of the Listing Requirements, i.e. with specific approval of the Company's shareholders to be sought at an extraordinary general meeting to be convened.

The proposed placement will be implemented through a bookbuilding exercise. As such, the issue price of the placement shares will be determined upon the completion of the bookbuilding exercise.

(d) Proposed issuance of free warrants

The Company proposes to issue free warrants on the basis of 1 warrant for every 5 existing Company shares held by the Company's shareholders whose names appear in the Company's Record of Depositors as at the close of business on an entitlement date to be determined later.

On 28 September 2017, on behalf of the Board, Kenanga Investment Bank Berhad announced that the relevant applications in relation to the proposals mentioned in (a) - (d) had been submitted to Bursa Securities.

On 13 December 2017, the relevant applications had been approved by Bursa Securities.

Upon completion of the proposed acquisition and proposed disposal, the Group will no longer be involved in manufacturing, fabrication and trading businesses, and will instead be principally involved in integrated facilities management and construction activities. Upon completion of the proposed acquisition, WIDAD will emerge as the Company's new controlling shareholder.

Notes to the Financial Statements (cont'd)

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

At the EGM held on 29 January 2018, the Company's shareholder approved the proposed acquisition, proposed disposal, proposed placement and proposed free warrant and therefore, the sale and purchase agreement became unconditional on 12 February 2018.

40. OPERATING SEGMENT

Business Segment

For management purposes, the Group is organised into business units based on their products, and has four reportable products segments as follows:-

- | | |
|---|---|
| (a) Industrial labels
(including nameplates
and overlays) | Labels are referred to a function portion of a pressure sensitive construction consisting of the face material and adhesive, and die-cut into various shapes |
| (b) Laser/die-cut products | Laser/die-cut are referred to perform die-cut and laser cut process on various materials |
| (c) Fabrication of plastic parts | Fabrication of plastic parts are referred to complement the core business of the Company in manufacture of industrial labels and nameplates and die-cut products. |
| (d) Trading of non-core products | Trading of non-core products are mainly the supply of metal parts that are manufactured by third parties, trading of information technologies ("IT") products, electric vehicles and photoluminescent products/ services. |
| (e) Other | Other non-reportable segments comprise operations related to investment holding |

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

Notes to the Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Business Segment (cont'd)

Transfer prices between operating segments are on negotiated basis.

2017	Industrial labels RM	Laser/ die-cut products RM	Fabrication of plastic parts RM	Trading of non-core products RM	Other RM	Elimination RM	Total RM
Revenue (discontinued operations):-							
External customers	17,334,264	23,190,776	17,687,297	308,299	-	-	58,520,636
Inter-segment	369,316	2,335,351	2,273,651	90,966	-	(5,069,284)	-
	17,703,580	25,526,127	19,960,948	399,265	-	(5,069,284)	58,520,636
Revenue (continuing operations):-							
External customers	-	-	-	-	-	-	-
Inter-segment	-	-	-	-	20,904,219	(20,904,219)	-
	-	-	-	-	20,904,219	(20,904,219)	-
Results:							
Interest income				427,614	-	(191,469)	236,145
Finance costs				(1,228,566)	-	191,469	(1,037,097)
Depreciation and amortisation				(1,398,180)	(12,254)	-	(1,410,434)
Other non-cash expense (a)				1,085,802	(182,884)	(1,791,475)	(888,557)
Taxation				(1,580,209)	-	-	(1,580,209)
Segment profit				8,078,529	10,471,366	(15,318,980)	3,230,915
Assets:-							
Additions to non-current assets (b)				1,303,910	3,199	-	1,307,109
Unallocated corporate assets				67,092,364	20,830,910	(28,425,310)	59,497,964
Liabilities:-							
Unallocated corporate liabilities				46,934,889	851,819	(18,420,148)	29,366,560

Notes to the Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Business Segment (cont'd)

Transfer prices between operating segments are on negotiated basis.

2016	Industrial labels RM	Laser/ die-cut products RM	Fabrication of plastic parts RM	Trading of non-core products RM	Other RM	Elimination RM	Total RM
Revenue (discontinued operations):-							
External customers	14,687,325	15,759,687	11,964,086	337,000	–	–	42,748,098
Inter-segment	351,642	1,809,960	1,961,862	17,691	–	(4,141,155)	–
	15,038,967	17,569,647	13,925,948	354,691	–	(4,141,155)	42,748,098

Revenue (continuing operations):-							
External customers	–	–	–	–	–	–	–
Inter-segment	–	–	–	–	698,590	(698,590)	–
	–	–	–	–	698,590	(698,590)	–

	Discontinued operations RM	Continuing operations RM	Elimination RM	Total RM
Results:				
Interest income	436,793	–	(187,624)	249,169
Finance costs	(1,224,703)	–	187,624	(1,037,079)
Depreciation and amortisation	(1,316,529)	(10,743)	–	(1,327,272)
Other non-cash expense (a)	51,679	(3,911,464)	3,215,870	(643,915)
Taxation	(1,423,709)	–	–	(1,423,709)
Segment profit	4,447,763	(1,611,898)	(1,488,795)	1,347,070

Assets:-				
Additions to non-current assets (b)	1,710,177	10,906	–	1,721,083
Unallocated corporate assets	83,013,223	21,105,230	(43,599,438)	60,519,015

Liabilities:-				
Unallocated corporate liabilities	46,029,033	11,839,005	(24,703,686)	33,164,352

Notes to the Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Notes:

- (a) Other non-cash (expense)/income consist of the following items:-

	2017 RM	Group 2016 RM
Reversal of impairment loss on trade receivables	–	592,963
Impairment loss on trade receivables	(190,666)	–
Impairment loss on other investment	(108,821)	–
Gain on disposal of subsidiary	9,447	–
Unrealised loss on foreign exchange	(453,214)	(47,535)
Property, plant and equipment written off	(27,549)	(163,836)
Loss on disposal of property, plant and equipment	–	(39,049)
Loss on deconsolidation of subsidiaries	(263,314)	(419,133)
Bad debts written off	(20,826)	(573,091)
Reversal of inventories written down	148,518	5,766
Waiver of debt by a corporate shareholder	17,868	–
	(888,557)	(643,915)

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

	2017 RM	Group 2016 RM
Property, plant and equipment	1,307,109	1,721,083

- (c) It was not practicable to separate out the segment results for its business segments as the Directors of the Company are of the opinion that excessive costs would be incurred.
- (d) Unallocated assets and liabilities were jointly used by four products segments.
- (e) Inter-segment revenues are eliminated on consolidation.

Notes to the Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Geographical information

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

	Group			
	Revenue RM	2017 Non-current assets RM	Revenue RM	2016 Non-current assets RM
PRC	37,415,369	22,397,217	26,833,492	23,377,615
Hong Kong	1,442,404	–	1,979,866	–
United States of America	7,203,412	–	4,228,498	–
England	527,842	–	399,357	–
Thailand	4,423,314	–	4,669,272	–
Malaysia	1,373,408	11,929	1,205,802	39,844
Netherlands	819,809	–	358,223	–
Taiwan	1,635,064	–	367,639	–
Philippines	74,225	–	61,659	–
Singapore	113,707	–	57,640	–
India	40,079	–	57,456	–
Canada	162,977	–	168,077	–
Germany	12,591	–	17,677	–
France	24,499	–	19,447	–
Japan	48,652	–	22,479	–
Korea	6,602	–	–	–
Brazil	73,436	–	–	–
Denmark	4,861	–	–	–
Slovakia	109,079	–	–	–
Australia	6,706	–	1,633	–
New Zealand	136,890	–	160,079	–
Israel	916,138	–	896,089	–
Poland	12,539	–	51,160	–
Mexico	262,664	–	168,633	–
Finland	1,754	–	4,740	–
Vietnam	139,925	–	105,184	–
Lithuania	91,841	–	28,579	–
Hungary	–	–	9,157	–
Sweden	1,438,213	–	839,723	–
Romania	2,636	–	29,900	–
Switzerland	–	–	1,632	–
Spain	–	–	5,005	–
Less: Assest reclassified as held for sale	–	(22,397,217)	–	–
Less: Revenue under discontinued operations	(58,520,636)	–	(42,748,098)	–
	–	11,929	–	23,417,459

Notes to the Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Geographical information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:-

	Group	
	2017 RM	2016 RM
Property, plant and equipment	18,581,759	20,175,594
Prepaid land lease payment	1,581,504	1,671,778
Investment property	2,245,883	1,461,266
Other investment	–	108,821
Less: Assets reclassified as held for sale	(22,397,217)	–
	11,929	23,417,459

Information about major customer

The following is major customer with revenue (discontinued operations) equal or more than 10% of the Group's total revenue:

	Revenue		Segments
	2017 RM	2016 RM	
- Customer A	9,002,555	5,914,793	Industrial labels

ANALYSIS OF SHAREHOLDINGS

AS AT 17 APRIL 2018

Total number of Issued Shares	:	138,001,150
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

SIZE OF SHAREHOLDINGS

as at 17 April 2018

Size of Holdings	No. of Shareholders	Total Holdings	%
Less than 100 shares	8	167	0.00
100 – 1,000 shares	232	180,008	0.13
1,001 – 10,000 shares	480	3,375,800	2.45
10,001 – 100,000 shares	642	24,090,300	17.46
100,001 – below 5% of issued shares	151	56,463,875	40.91
5% and above of issued shares	3	53,891,000	39.05
	1,516	138,001,150	100.00

DIRECTORS' SHAREHOLDINGS

as at 17 April 2018

No.	Name	No. of Shares Held			
		Direct	%	Indirect	%
1.	Andrew Conrad Jacobs	1,289,900	0.93	36,619,600 ⁽¹⁾	26.54
2.	Dato' Meng Bin	2,300,075	1.67	17,436,400 ⁽²⁾	12.63
3.	Hing Kim Tat	–	–	–	–
4.	Koong Lin Loong	–	–	–	–
5.	Tan Kean Huat	–	–	–	–
6.	Rizvi Bin Abd Halim	–	–	–	–

Notes

⁽¹⁾ Deemed interest via Ideal Jacobs Corporation and BAK Investment LLC pursuant to Section 8 of the Companies Act 2016 ("Act")

⁽²⁾ Deemed interest by virtue of the shareholding of his spouse, Foo Chong Lee pursuant to Section 59(11)(c) of the Act

SUBSTANTIAL SHAREHOLDERS

as at 17 April 2018

No.	Name	No. of Shares Held			
		Direct	%	Indirect	%
1.	Ideal Jacobs Corporation	36,454,600	26.42	–	–
2.	Andrew Conrad Jacobs	1,289,900	0.93	36,619,600 ⁽¹⁾	26.54
3.	Foo Chong Lee	17,436,400	12.63	–	–
4.	Dato' Meng Bin	2,300,075	1.67	17,436,400 ⁽²⁾	12.63

Notes

⁽¹⁾ Deemed interest via Ideal Jacobs Corporation and BAK Investment LLC pursuant to Section 8 of the Act

⁽²⁾ Deemed interest by virtue of the shareholding of his spouse, Foo Chong Lee pursuant to Section 59(11)(c) of the Act

Analysis of Shareholdings (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

as at 17 April 2018

NO.	NAME	NO. OF SHARES HELD	PERCENTAGE (%)
1.	IDEAL JACOBS CORPORATION	25,654,510	18.59
2.	FOO CHONG LEE	17,436,400	12.63
3.	IDEAL JACOBS CORPORATION	10,800,090	7.83
4.	DATO' MENG BIN	2,300,075	1.67
5.	GAM TONG KEONG	1,900,000	1.38
6.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY SMITH BARNEY LLC	1,749,900	1.27
7.	CHIN KEAN PING	1,585,100	1.15
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHIN LOONG	1,553,500	1.13
9.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN KEAN PING	1,454,600	1.05
10.	ONG YEW BENG	1,400,000	1.01
11.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YIP TUCK LEONG	1,300,000	0.94
12.	LEE YEN YEN	1,262,400	0.91
13.	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NOBLE PLAN SDN BHD	1,196,500	0.87
14.	GAN BO TAN	1,149,500	0.83
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - LEE KHAI HUEI	1,100,000	0.80
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - CHEW CHEE YEN	1,099,000	0.80
17.	THAM WEI XIAN	1,000,000	0.72
18.	ONG TECK WAN	805,000	0.58
19.	CHENG KIAM FEI	735,500	0.53
20.	MUHAMMAD IKMAL OPAT BIN ABDULLAH	726,800	0.53

*Analysis of Shareholdings (cont'd)***THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)**

as at 17 April 2018

NO.	NAME	NO. OF SHARES HELD	PERCENTAGE (%)
21.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR EYO ZHEN SIN	680,000	0.49
22.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHIN LOONG	660,000	0.48
23.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOK SHU WEN	653,000	0.47
24.	KOH JING HAN	649,500	0.47
25.	LEE KAY FEI	643,400	0.47
26.	PIT CHUA LAN	635,000	0.46
27.	LEE NAI CHONG	628,000	0.46
28.	OOI POH KEOH	600,000	0.43
29.	TAN BEE CHEONG	573,000	0.42
30.	SIEW YUET YIN	567,000	0.41

LIST OF PROPERTIES

The details of the properties of the Group as at 31.12.2017 are set out below:

Owner	Description	Existing Use	Location	Built-Up Area/Land	Tenure	Age of Building (Years)	Date of Acquisition	Net Book Value as at 31.12.2017 (RM)
IJX	an office unit at 27 storey building	Office unit	Unit C2801, 24th Floor, Building 3, Plot 3, XinJing Center, No. 25 Jia He Road, Xiamen PRC	1079/ Not applicable	50 years expiring on 27 September 2055	6	17.02.2011	1,427,729
IJX	an office unit at 19 storey building	Office unit	Unit 807, No. 1705, The Morden City, Tong'an Xiamen	38.95 square metre 411.9 sf	50 years expiring on 13 June 2062	Less than a year	22 January 2014	411,319
IJX	an office unit at 19 storey building	Office unit	Unit 808, No. 1705, The Morden City, Tong'an Xiamen	39.17 square metre 421 sf	50 years expiring on 13 June 2062	Less than a year	22 January 2014	406,835
IJX	Industrial Land	Land	Tong An District, Industry Zone, East to Tongsheng Road, South to Jicheng Road, North to Second Ring South Road	9,342.703 square meters	Leasehold for 50 years, expiring in 2063	N/A	20.05.2013	1,581,504
IJX	Factory	Building	Tong An District, Industry Zone, East to Tongsheng Road, South to Jicheng Road, North to Second Ring South Road				2015	14,753,573

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting ("AGM") of the Company will be held at **Petra 2 Room, Tower 4, Level 2, Royal Widad Residence @ UTMKL, Jalan Maktab, 54100 Kuala Lumpur** on **29 June 2018** at **10.00 a.m.** for the purpose of transacting the following businesses: -

AGENDA

- | | |
|--|------------------------------|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon. | |
| 2. To approve the payment of Directors' Fees amounting to RM165,000 for the financial year ended 31 December 2017. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors' fees and benefits up to RM300,000 from 1 July 2018 until the next AGM of the Company. | Ordinary Resolution 2 |
| 4. To re-elect the following Directors retiring in accordance with Article 83 of the Company's Articles of Association and being eligible, have offered themselves for re-election:- | |
| (i) Mr. Hing Kim Tat | Ordinary Resolution 3 |
| (ii) Mr. Tan Kean Huat | Ordinary Resolution 4 |
| 5. To re-appoint Messrs Grant Thornton Malaysia as Auditors for the financial year ending 31 December 2018 and to authorise the Board of Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions:-

- | | |
|--|------------------------------|
| 6. AUTHORITY TO ISSUE SHARES | Ordinary Resolution 6 |
| <p>"THAT pursuant to Section 75 and Section 76 of the Companies Act 2016 and subject to the approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution, does not exceed ten (10) per cent of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors be and are also hereby empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company."</p> | |
| 7. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given. | |

By Order of the Board

LIM SECK WAH (MAICSA 0799845)
TANG CHI HOE (KEVIN) (MAICSA 7045754)
 Company Secretaries

Dated: 30 April 2018
 Kuala Lumpur

Notice of Annual General Meeting (cont'd)

Notes:-

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Ninth AGM, the Company shall be requesting the Record of Depositors as at 25 June 2018. Only a depositor whose name appears on the Record of Depositors as at 25 June 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member may appoint up to two (2) proxies who need not be members of the Company to attend, speak and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one 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.
5. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
6. The Form of Proxy shall be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Explanatory Notes on Special Business

Ordinary Resolution 6 – Authority to issue shares

A general mandate has been granted by the shareholders of the Company at the Eighth AGM on 16 June 2017. The previous mandate granted by the shareholders had not been utilised and hence no proceed was raised therefrom.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the total number of issued shares.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue and allot shares at any time to such persons/corporations in their absolute discretion for the purpose of funding future investment(s), working capital and/or acquisitions.

OTHER DISCLOSURE REQUIREMENTS

1) Audit Fees and Non-Audit Fees

During the financial year ended 31 December 2017, the amount of audit fees and non-audit fees paid or payable to the Company and the Group are as follows:

	Group (RM)	Company (RM)
Audit Fees	187,010	68,000
Non-Audit Fees	90,800	90,800

2) Material Contracts and Contracts relating to Loans

There were no material contracts entered into by the Group which involves directors' interest during the financial year.

3) Recurrent Related Party Transactions

Breakdown of the aggregate value of transactions conducted pursuant to shareholders mandate during the financial year where the aggregate value is equal or more than threshold prescribed under Rule 10.09(1).

Transacting party	Nature of Recurrent Related Party Transaction with Ideal Jacobs Group	Interested Related Party	Actual value transacted for financial year ended 31 December 2017 (RM'000)
Ideal Jacobs (Xiamen) Corporation ("IJX") and Ideal Jacobs Corporation, USA ("IJUS") ⁽¹⁾	<ul style="list-style-type: none"> IJX sells finished products, label (screen print), roll label, gasket, foam, insulator, metal parts, injection parts, assembly, semi-finished printed labels, other semi-finished (components), cable to IJUS 	Andrew Conrad Jacobs ⁽²⁾	2,832
	<ul style="list-style-type: none"> IJX purchases raw materials such as polycarbonate, other plastic sheet, adhesive, ink, plastic pellet, supplementary material, foil, foam, semi-finished plastic parts for assembly, semi-finished printed labels, other semi-finished (components), finished goods breakdown, label (screen print), roll label, gasket, insulator from IJUS 		139

Other Disclosure Requirements (cont'd)

3) Recurrent Related Party Transactions (cont'd)

Transacting party	Nature of Recurrent Related Party Transaction with Ideal Jacobs Group	Interested Related Party	Actual value transacted for financial year ended 31 December 2017 (RM'000)
Ideal Jacobs and IJUS ⁽¹⁾	<ul style="list-style-type: none"> Payment of licensing fee from Ideal Jacobs to IJUS for Territorial, Licensing and Technical Assistance Agreements whereby Ideal Jacobs acquired the license to use the specified trademark from IJUS and IJUS agreed to provide technical assistance to Ideal Jacobs for the consideration stated therein 	Andrew Conrad Jacobs ⁽²⁾	406
Ideal Jacobs and IJUS ⁽¹⁾	<ul style="list-style-type: none"> Payment of 10% commission of Total sales to North America and Europe by Ideal Jacobs to IJUS 	Andrew Conrad Jacobs ⁽²⁾	44

Notes:

⁽¹⁾ IJUS is a Major Shareholder of Ideal Jacobs. The principal activities of IJUS are in the sales of industrial labels, telecom metal and plastic parts, full product design and engineering services, composite plastics and cable assemblies.

⁽²⁾ Andrew Conrad Jacobs is the Chairman and an Executive Director of Ideal Jacobs. He is also the President and sole shareholder of IJUS.

4) Corporate Social Responsibility ("CSR")

During the financial year 2017, Ideal Jacobs (Malaysia) Corporation Bhd made some donations to Malaysian Chinese Cultural Society, whereas Ideal Jacobs Xiamen Corporation continue to sponsor some under privileged students to further their studies in college. At the same time, Ideal Jacobs Suzhou made donation to a girl who suffered from Osteogenesis Imperfecta for her surgery.

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IDEAL JACOBS
M A L A Y S I A
IDEAL JACOBS (MALAYSIA) CORPORATION BHD
(Company No: 857363 U)
(Incorporated in Malaysia)

No. of ordinary shares held

FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We I/C No./Co. No./CDS A/C No.
(Full name in block letters)
of
(Full address)

being a member/members of **IDEAL JACOBS (MALAYSIA) CORPORATION BHD** hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address

No. of shares to be represented by proxy

1.
.....
2.
.....

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the **Ninth Annual General Meeting ("AGM")** of the Company to be held at **Petra 2 Room, Tower 4, Level 2, Royal Widad Residence @ UTMKL, Jalan Maktab, 54100 Kuala Lumpur** on **Friday, 29 June 2018** at **10.00 a.m.**. My/our proxy/proxies is/are to vote as indicated below:-

ORDINARY RESOLUTIONS	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
1 - Payment of Directors' Fees amounting to RM165,000 for the financial year ended 31 December 2017				
2 - Payment of Directors' fees and benefits up to RM300,000 from 1 July 2018 until the next AGM of the Company.				
3 - Re-election of Director, Mr. Hing Kim Tat				
4 - Re-election of Director, Mr. Tan Kean Huat				
5 - Re-appointment of Messrs. Grant Thornton Malaysia as Auditors				
6 - Authority to issue shares				

(Please indicate with a "√" or "X" in the space provided how you wish your vote(s) to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.) All votings will be conducted by way of poll.)

Dated this.....day of.....2018

.....
Signature/Common Seal

Notes:-

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Ninth AGM, the Company shall be requesting the Record of Depositors as at 25 June 2018. Only a depositor whose name appears on the Record of Depositors as at 25 June 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member may appoint up to two (2) proxies who need not be members of the Company to attend, speak and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Central Depositories Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one 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.
5. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
6. The Form of Proxy shall be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.



Fold this flap for sealing

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AFFIX
STAMP

The Company Secretary
IDEAL JACOBS (MALAYSIA)
CORPORATION BHD
(Company No. 857363-U)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

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IDEAL JACOBS
MALAYSIA

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