

The cover art features a hand pointing at a glowing blue sphere with circuit patterns. A purple funnel pours liquid into the sphere. Below, a tablet shows a green arrow and a red 'X' over a banknote. The background is a white-to-blue gradient with a circuit board pattern.

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)

ANNUAL REPORT
2016

TABLE OF CONTENTS

| | |
|-----|---|
| 02 | Corporate Information |
| 03 | Corporate Structure |
| 04 | Chairman's Statement |
| 07 | Directors' Profile |
| 11 | Key Senior Management Profile |
| 12 | Management Discussion and Analysis |
| 18 | Corporate Governance Statement |
| 27 | Audit Committee Report |
| 30 | Statement On Risk Management And Internal Control |
| 33 | Financial Statements |
| 114 | Analysis Of Shareholdings |
| 117 | List Of Properties |
| 118 | Notice Of Annual General Meeting |
| 121 | Other Disclosure Requirements |

Form Of Proxy



Corporate Information

BOARD OF DIRECTORS

Executive Chairman

Andrew Conrad Jacobs

Chief Executive Officer /

Managing Director

Dato' Meng Bin

Executive Director /

Chief Finance Officer

Chen Shien Yee

Independent Non-Executive Director

Koong Lin Loong

Hing Kim Tat

Tan Kean Huat

Rizvi Bin Abd Halim

Lai Kian Huat



COMPANY SECRETARIES

Lim Seck Wah

(MAICSA 0799845)

Tang Chi Hoe (Kevin)

(MAICSA 7045754)

AUDIT COMMITTEE

Chairman

Independent Non-Executive Director

Lai Kian Huat

Member

Independent Non-Executive Director

Hing Kim Tat

Koong Lin Loong

Tan Kean Huat

NOMINATION COMMITTEE

Chairman

Independent Non-Executive Director

Koong Lin Loong

Member

Independent Non-Executive Director

Hing Kim Tat

Tan Kean Huat

REMUNERATION COMMITTEE

Chairman

Independent Non-Executive Director

Tan Kean Huat

Member

Independent Non-Executive Director

Hing Kim Tat

Koong Lin Loong

REGISTERED 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

Office Suite 19-11-2

11th Floor, UOA Centre

No 19 Jalan Pinang

50450 Kuala Lumpur

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 SJ Grant Thornton

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

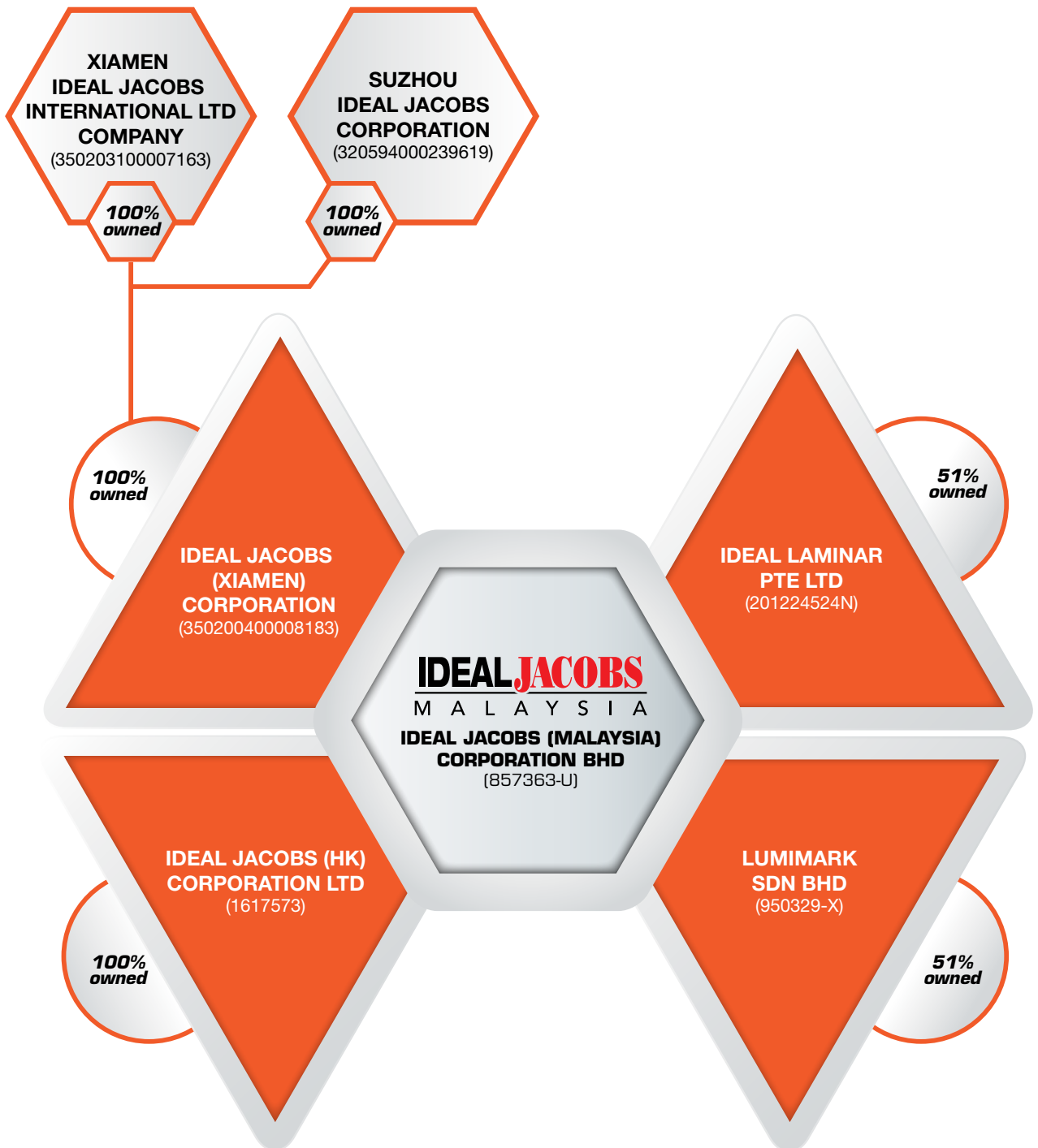
PRINCIPAL BANKERS

HSBC Bank (Malaysia) Berhad

United Overseas Bank (Malaysia) Bhd

Ambank (M) Berhad

Corporate Structure





DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I have the pleasure of presenting to you the Sixth Annual Report and the Audited Financial Statements of Ideal Jacobs (Malaysia) Corporation Bhd for the financial year ended 31 December 2016.

Chairman's Statement

OVERVIEW

The Group's revenue and the gross profit margin for all segments except for trading of non-core products, had improved and the Group's operating expenses had also increased in tandem for the year under review as compared to prior year. As a result, the profit after tax for the year under review was marginally better than prior year.



FINANCIAL PERFORMANCE

The Group registered revenue of RM42.75 million (2015: RM36.76 million) and profit before tax of RM 2.77 million (2015: RM2.21 million) for the financial year ended 31 December 2016. The Group's revenue for Financial Year ("FY") 2016 had increased by 16.3% as compared to FY2015 due to increase in orders from new and existing customers.

As the result of higher revenue and well controlled production overheads coupled with flexible pricing strategies, the Group achieved a higher gross profit margin of 48.3% for the year under review (2015: 45.7%) as compared to prior year.

Other income of RM1.50 million for the year under review included interest income of RM0.25 million, government grant received of RM0.45 million and reversal of impairment on trade receivable of RM0.59 million (2015: RM2.56 million) included waiver of debts by a corporate shareholder of a subsidiary of RM1.96 million, interest income of RM0.23 million, government grant received of RM0.10 million and reversal of impairment loss on trade receivable of RM0.09 million).

Although revenue for FY2016 had increased but the selling and distribution expenses was marginally lower than FY2015. This was due to lower commission paid out to 3rd party in FY2016 as the result of tightening of budget for commission payable to 3rd party. Administration expenses for FY2016 was higher as compared to FY2015. The reasons for the increased was mainly due to higher headcount coupled with salary adjustment that lead to higher payroll cost and extensive travelling activities for FY2016. Loss incurred on members' voluntary winding up and strike off of subsidiaries was the main reason for the increase in other expenses for FY2016.

As the result of improvement in revenue and gross profit margin, despite having lower other income and higher administration and other expenses, the Group managed to achieve a marginally better profit after tax for the year under review as compared to the prior year.

OPERATION REVIEW

MALAYSIA

The proposed installation and laying of fibre optic cables for Telecommunication and Cellular Operators by our wholly owned subsidiary, Ideal Jacobs Rangkuman Sdn Bhd was called off, as the proposed collaboration with Westag Venture Sdn Bhd was unsuccessful. As a result, we had on 10 December 2015 filed an application for striking off of this subsidiary pursuant to Section 308(1) of the Companies Act, 1965 with the Companies Commission of Malaysia. The application for striking off of Ideal Jacobs Rangkuman Sdn Bhd was completed in FY2016.

Chairman's Statement (cont'd)

OPERATION REVIEW (CON'T)

MALAYSIA (CON'T)

After numerous unsuccessful attempts over the years to promote the photoluminescent products in the industrial health and safety related field, our 51% owned subsidiary, Lumimark Sdn Bhd, had decided to cease all business development activities for the said products. As the management is unable to foresee any immediate improvement in the photoluminescent market, we intend to keep this subsidiary docile and shall keep our options open if opportunity arises.

SINGAPORE

Our 51% owned subsidiary in Singapore, Ideal Laminar Pte Ltd ("ILPL"), which was focusing on marketing and distribution of smart-phone components, fail to secure any major contract in 2015 and as a result, it had ceased operations in FY2015. We are in the midst of winding up this subsidiary.

CHINA

Ideal Laminar (Suzhou) Ltd. Co., a 51% owned subsidiary in China, PRC, involved in manufacturing of smart-phone component was unable to secure any major contract in FY2015 and as a result, on 2 December 2015, it has commenced members' voluntary winding-up in accordance with the Laws in The People's Republic of China. The members' voluntary winding up process was completed in FY2016.

Xiamen and Suzhou core operations remained resilient as evidenced by the improvement in Group's revenue and profitability. We had intensified the global sales and marketing activities with the aim to develop a larger and more secured clientele base. In order to remain competitive, we continue to offer value-add services to customers which involved our participation in the early product design and development stage. Our involvement at this stage will give us the opportunity to offer fresh ideas and solutions to our customers for product improvement and improvement in the manufacturing process that will lead to overall cost saving. Meanwhile research and development activities will continue as and when customers require new products.



FUTURE PROSPECTS

With the existing well-diversified customer base and vast variety of products and services, the sustainability of the Group is ensured. In view of the escalating competitiveness and cost structure, the board would strive to ensure the Group achieves profitability for the year ahead albeit expecting a challenging market condition.

CORPORATE GOVERNANCE

The Board is committed to ensuring that the Malaysian Code of Practice on Corporate Governance is adhered to in the conduct of activities of the Group. The Board's statement pertaining to the implementation of the guidelines of the Code during the year under review is contained in the Statement on Corporate Governance on pages 18 through 26 of this Annual Report.

APPRECIATION AND ACKNOWLEDGEMENT

I am grateful to my esteemed colleagues who have served with me on the Board for their vast experience, depth of knowledge and business acumen. It is indeed a privilege to lead, and be part of such an insightful team.

On behalf of our Board, I would like to publicly thank our management and staff for the commitment, loyalty and dedication to the Company and our future which will continue to be a joint effort for us all.

ANDREW CONRAD JACOBS

Executive Chairman

Kuala Lumpur
28 April 2017

Directors' Profile

ANDREW CONRAD JACOBS

*Executive Chairman,
American, Male, Aged 61*

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 32 which appears on page 105 in this Annual Report. He has not been convicted for any offence within the past five years, other than traffic offences, if any.

DATO' MENG BIN

*Chief Executive Officer/ Managing Director,
Chinese, Male, Aged 50*

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. Mr. Meng 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, Mr Meng 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, Mr. Meng 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, Mr Meng 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.

Mr 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 for any offence within the past five years, other than traffic offences, if any.

Directors' Profile (cont'd)

CHEN SHIEN YEE

*Executive Director/ Chief Finance Officer,
Malaysian, Male, Aged 52*

Mr Chen was appointed to the Board of Ideal Jacobs on 23 January 2013. He is a Fellow Member of the Association of Chartered Certified Accountants and a Member of the Malaysian Institution of Accountants, CA(M).

Mr Chen has extensive experience in finance and accounting, auditing and corporate restructuring and had held various senior positions in several public and private companies, namely, Medilink Global UK Limited, PPSC Industrial Holdings Sdn Bhd (a subsidiary of Wah Seong Corporation Bhd), Rhythm Consolidated Bhd, Dataprep Holdings Berhad, L&M Corporation Bhd and Taman Industri Selangor Sdn Bhd. Mr Chen is also currently the Chief Finance Officer of the Company.

Mr Chen is also the Managing 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 for any offence within the past five years, other than traffic offences, if any.

HING KIM TAT

*Independent Non-Executive Director,
Malaysian, Male, Aged 50*

Mr Hing was appointed to the Board of Ideal Jacobs as Independent Non-Executive Director on 8 June 2010. He is also a member of Remuneration Committee, Audit 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 for any offence within the past five years, other than traffic offences, if any.

Directors' Profile (cont'd)

RIZVI BIN ABDUL HALIM

*Independent Non-Executive Director,
Malaysian, Male, 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 and PDZ Holdings 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 for any offence within the past five years, other than traffic offences, if any.

KOONG LIN LOONG

*Independent Non-Executive Director,
Malaysian, Male, Aged 53*

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 Chartered Tax Institute of Malaysia; Certified Practising Accountants Australia; Certified Management Accountants Australia; and Associate Member of Malaysian Association of Company Secretaries, the Institute of Internal Auditors ("IIA") Malaysia and Kampuchea Institute of Certified Public Accountants and Auditors.

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 Taxation Task Force and Small & Medium Enterprises (SMEs) 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 (CTIM).

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 for any offence within the past five years, other than traffic offences, if any.

Directors' Profile (cont'd)

TAN KEAN HUAT

*Independent Non-Executive Director,
Malaysian, Male, Aged 59*

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, 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.

Besides business, he is actively involved in charitable organizations. 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 for any offence within the past five years, other than traffic offences, if any.

LAI KIAN HUAT

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

Mr Lai was appointed to the Board of Ideal Jacobs as Independent Non-Executive Director and Chairman of Audit Committee Member on 26 February 2016.

He is a Fellow member of the Association of International Accountants, UK and Certified Financial Planner of the Financial Planning Association of Malaysia

Mr Lai has extensive experience in various fields of accounting, audit, taxation and management matters as well as corporate exercise, treasury and cash management, investigation audit and due diligence assignments. From 1990 to 1994, he was an Auditor and Senior Auditor with public accounting firms Messrs Lim, Cheh & Chang and Messrs HALS & Associates. Between 1994 and 1997, he was a Senior Internal Auditor with Angkasa Marketing Berhad (part of the conglomerate Lion Group of Companies in Malaysia). From 1997 to 2005, he was with Amsteel Securities Sdn Bhd and K & N Kenanga Berhad as an Equity Dealer Representative whilst continuing to carry out his professions as a Financial Consultant in providing accounting, taxation and business advisory services. Thereafter, from 2005 to 2012, he re-joined the Lion Group of Companies in Megasteel Sdn Bhd and was the Senior Finance Manager. From 2012 to 2015, he joined Perwaja Steel Sdn Bhd and held the position of Senior Finance Manager. Thereafter, from May 2015 to January 2016, he joined SMTrack Berhad (a company listed on the ACE Market of Bursa Malaysia Securities Berhad) as the Chief Financial Controller. During his tenure with SMTrack Berhad, he was appointed as an Executive Director from June 2015 to December 2015. He resigned from the Board and Chief Financial Officer of SMTrack Berhad on 31 December 2015 and 15 January 2016 respectively.

Mr Lai 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 for any offence within the past five years, other than traffic offences, if any.

Key Senior Management Profile

DU XIXI

Chinese, Male, Aged 41

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 Technolog 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 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 for any offence within the past five years, other than traffic offences, if any.

ZHAO HUA

Chinese, Female, Aged 42

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 County, 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 for any offence within the past five years, other than traffic offences, if any.

HE NALI

Chinese, Female, Aged 35

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 for any offence within the past five years, other than traffic offences, if any.

Management Discussions and Analysis

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 Ltd, Lumimark Sdn Bhd, Suzhou Ideal Jacobs Corporation and Ideal Laminar Pte Ltd.

We have a total work force of approximately 200 employees in the Group with the majority resides in our Mainland China subsidiaries.

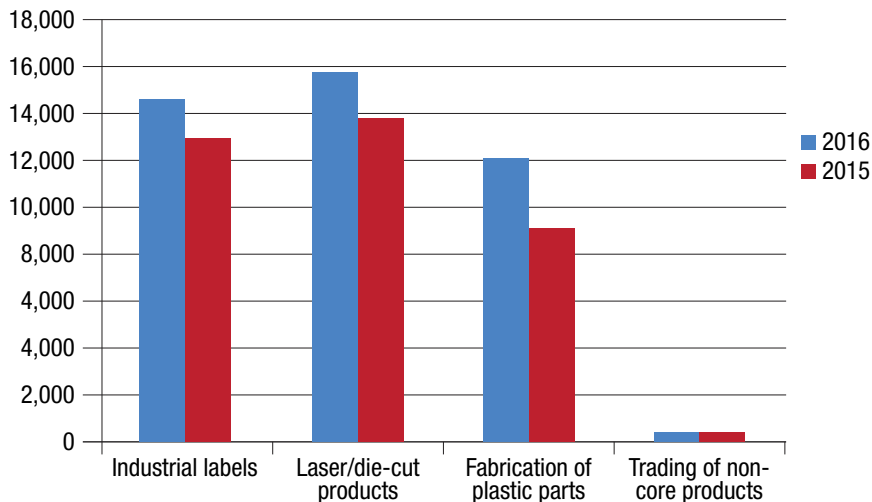
Our areas of expertise include graphic overlays, nameplates, custom labels, membrane switches, fabric over foam gaskets, die cut components, injection moulded panels and machined parts. We serve clients in the telecommunications, medical, electronics and other industries.

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 2016 and 2015 based on four reportable products segments is as follows:-

Revenue contribution by products segment (RM'000)

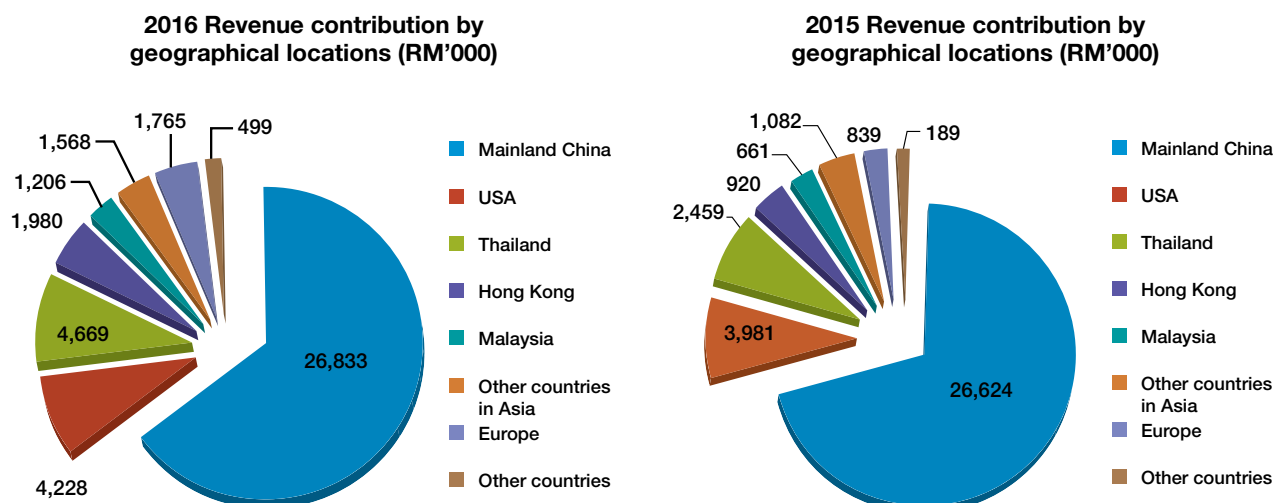


We have market presence in more than 25 countries worldwide with over 350 customers base. Our geographic reach spans from Mainland China, Hong Kong, Taiwan, Malaysia, Thailand, other countries in Asia, United States of America and other countries in Europe.

Management Discussions and Analysis (cont'd)

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

Revenue contribution in 2016 and 2015 based on the geographical location of customers is as follows:-



Revenue contribution from our Mainland China subsidiaries is approximately 98% of the Group's revenue while the balance was contributed by our Hong Kong subsidiary .

Our Business Management

Each of our subsidiary 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 are 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.

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.

Management Discussions and Analysis (cont'd)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Our Financial Performance

Revenues of the Group increased by approximately 16.3% to RM42.75 million from RM36.76 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 decreased by approximately 6.7% during the year. However, this is adequately compensated by increase in units of product sold by 24.6% (Refer to Key Operation Highlights for details).

Although faced with higher operating expenses after relocating to the new operations and manufacturing facilities to Tong An District, Xiamen, increased direct labour cost and higher direct material prices such as metals and plastics, the Group managed to record an improved Gross Profit Margin of 48.3% from 45.6% as a result of effective cost control by Management, improvement in our production efficiency and better product mix.

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

Employee benefits expense rose by 24.0% 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 into other regions to expand our clientele.

The Group recorded a profit before tax of RM2.77 million as compared to preceding financial year's profit before tax of RM2.21 million. The improvement was mainly due to increased orders from new and existing customers and cessation of the loss making manufacturing activity for smartphone components in the preceding financial year.

Major Changes in Financials

Assets:-

Our Group's non-current assets decreased by 1.7% or RM0.41 million to RM23.42 million in line with net impact of the new purchases made during the year and the reduction in carrying value as a result of the depreciation and amortisation charges for property, plant and equipment and prepaid lease payments. The Group's current assets increased by 9.9% or RM3.33 million to RM37.10 million was contributed mainly by the increase in trade receivables and cash and bank balances.

Increase in Trade Receivables

Trade receivables in the Group increased from RM11.52 million to RM12.97 million due to increase in sales and higher trade receivables collection period.

Increased Cash and Bank Balances

The increase in the Group's cash and bank balances from RM7.30 million to RM9.36 million was mainly due to cash generated from operation during the financial year.

Increase in Inventories

Inventories increased from RM3.95 million to RM4.74 million due to higher stock holding for raw materials purchased and finished products manufactured not yet delivered.

Decrease in Amount Due from a Corporate Shareholder

Amount due from a Corporate Shareholder decreased from RM1.06 million to RM0.28 million due to lower trade sales transactions during the financial year.

Management Discussions and Analysis (cont'd)

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

Major Changes in Financials (Cont'd)

Liabilities:-

Our Group's liabilities increased by 5.9% or RM1.85 million to RM33.16 million mainly by the increase in trade payables, other payables and tax payable.

Increase in Trade Payables

Trade payables in the Group increased from RM4.40 million to RM5.38 million due to increase in purchases and longer credit terms requested from the suppliers.

Increase in Other Payables

Other payables in the Group increased from RM4.43 million to RM5.08 million mainly due to increase in provision for staff bonus and other accrued expenses.

Increase in Tax Payable

The increase in the Group's tax payable from RM0.57 million to RM1.17 million was mainly due to high income tax expenses payable as a result of higher taxable income of the Mainland China subsidiaries.

Capital Expenditure Requirements

The Group had completed construction of its own factory on a piece of land measuring 9,342.7 square meter located at Industry Zone at Tong An District, Xiamen, acquired on 20 May 2013. On 31 December 2015, Ideal Jacobs (Xiamen) Corporation had relocated its operations and manufacturing facilities to the new factory.

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

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 a 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

Market sentiments for some of our key clients in the telecommunications industry remained subdued, we aim to mitigate the impacts of the above by penetrating into 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.

Continuous depreciation pressure on Chinese Renminbi and soaring prices in metals, plastic, paper pulp and other upstream materials affected the cost structure of most of our products. 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

| Key Operation Highlights | 2016 | 2015 |
|--|--------|--------|
| Revenue | | |
| - Local Mainland China (RM'000) | 26,833 | 26,624 |
| - Overseas (RM'000) | 15,915 | 10,131 |
| Local Sales to Overseas sales (%) | 63:37 | 72:28 |
| Units sold (000' units) | 52,370 | 42,022 |
| Average Selling Price per unit (RM) | 0.82 | 0.87 |
| Gross Profit Margin (%) | 48.3 | 45.6 |
| Research & Development Expenses over Sales (%) | 4.4 | 5.3 |
| Number of employees | 200 | 174 |
| Number of active customers | 386 | 366 |

In 2015, the Group embarked on a Business Rationalisation Strategy that encompasses:-

- The application for striking off of our wholly owned subsidiary, Ideal Jacobs Rangkuman Sdn Bhd pursuant to Section 308(1) of the Companies Act, 1965 with the Companies Commission of Malaysia after the proposed collaboration with Westag Venture Sdn Bhd for the proposed installation and laying of fibre optic cables for Telecommunication and Cellular Operators was called off;
- Cessation of operation of our 51% owned subsidiary in Singapore, Ideal Laminar Pte Ltd, which was focusing on marketing and distribution of smart-phone components; and
- Commencement of members' voluntary winding-up of Ideal Laminar (Suzhou) Ltd. Co., a 51% owned subsidiary in China, PRC that involved in manufacturing of smart-phone component in accordance with the Laws in The People's Republic of China.

The above exercises had been completed in 2016.

Malaysia

During the year, there wasn't any activity carried out by Lumimark Sdn Bhd, our 51% owned subsidiary in Malaysia, as we were unable to identify any opportunity for the photoluminescent product. Moving forward, Lumimark Sdn Bhd would remain dormant.

China

Ideal Jacobs (Xiamen) Corporation had completed construction of its own factory on a piece of land measuring 9,342.7 square meter located at Industry Zone at Tong An District, Xiamen, acquired on 20 May 2013. On 31 December 2015, Ideal Jacobs (Xiamen) Corporation had relocated its operations and manufacturing facilities to the new factory.

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 an improved Gross Profit Margin of 48.3% from 45.6% 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 2016, Ideal Jacobs (Xiamen) Corporation had submitted two new patent applications in the areas of silicone button and membrane switch and completed the registration of the **SmartOverlay®** trade mark.

Management Discussions and Analysis (cont'd)

ANTICIPATED OR KNOWN RISKS

Operational Risks

In 2016, the Group's operational risk was the relocation of Xiamen's operations to its new manufacturing facilities in the new factory located at Industry Zone at Tong An District, Xiamen and challenges in retaining the existing experienced staffs prior to the relocation. 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's strategic "localisation" policy, priority will be given to job seekers reside in Tong An District and its surrounding areas in the recruitment process.

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

Recent data related to industrial production, manufacturing, electricity output and retail sales all indicate that the China economy continues to decelerate which is 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:** Continuous depreciation pressure on Chinese Renminbi; 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.

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.

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 Statement

FORWARD LOOKING 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.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

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.

There is a clear division of responsibilities between the Chairman of the Board and the Executive Directors. The Chairman leads strategic planning and direction at the Board level, while the Executive Directors, are responsible for the implementation of the policies laid down and execute the decision-making.

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 Statement (cont'd)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Clear roles and responsibilities

The Board consists of eight (8) members comprising one (1) Executive Chairman, two (2) Executive Directors and five (5) Independent Non-Executive Directors. The profile of each Director is presented on pages 7 to 10 of this Annual Report. The composition of Independent Non-Executive Directors is in compliance with the minimum prescribed by the Malaysian Code on Corporate Governance 2012 (“the Code”) and Listing Requirements.

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 has not appointed a Senior Independent Non-Executive Director. The Board is of the view that there is no such necessity for the time being because all members of the Board actively participate during Board meetings and the Board has unrestricted and timely access to the management as well as any information that the Board requires in discharging their duties and responsibilities. The management and staff can access and reach the Independent Directors anytime. Any concern from stakeholders or employees can be conveyed to any Board members.

The Board is satisfied that the current Board composition fairly reflects the interest of all shareholders.

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

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.

Directors’ Code of Ethics

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.

Board Charter

The Board has formalised and uploaded its Board Charter in the website of the Company. The Board Charter sets out the Board roles and responsibilities. The Board Charter was last reviewed on 27 February 2017.

Corporate Governance Statement (cont'd)

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Sustainability of business

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.

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. 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.

The Board, whether as a full Board or in their individual capacity, has the right to engage independent professional advice, if necessary, at the Group's expense. In addition, all Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board meeting procedures and applicable rules and regulations are adhered to.

Qualified and competent Company Secretary

The Directors have the unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary on new regulatory requirements and directives from time to time.

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

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee ("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.

In addition, the Nomination Committee assesses the effectiveness of the Board as a whole and the Board Committees, and also the contribution of each Director. 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.

For Individual (Self & Peer) Assessment, the assessment criteria include integrity and ethics, governance, strategic perspective, adding value, judgment and decision-making, teamwork, communication and commitment.

The Board, through the Nomination Committee, reviews periodically its required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented. This assessment is done on yearly basis.

Corporate Governance Statement (cont'd)

STRENGTHEN COMPOSITION (CONT'D)

Nomination Committee (Cont'd)

The Committee 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;
- 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 Committee met one time during the financial year.

Remuneration Committee

The Remuneration Committee ("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 Remuneration Committee 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.

Corporate Governance Statement (cont'd)

STRENGTHEN COMPOSITION (CONT'D)

Remuneration policy and procedures

The 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 and bonus whereby the Non-Executive Directors receive fixed director fees. Details of the Directors' remuneration in aggregate for financial year ended 2016 are tabulated as below:

| Description | Remuneration (RM) | | | | Total |
|---------------------------|--------------------------------|-----------------------------------|--------------------------------------|---|------------------|
| | Executive Directors Company | Executive Directors Subsidiary | Independent Non Executive Company | Independent Non Executive Subsidiary | |
| Salary | 302,556 | 1,041,878 | – | – | 1,344,434 |
| Fee | 83,349 | 37,400 | 180,000* | – | 300,749 |
| Bonus | 48,024 | 258,349 | – | – | 306,373 |
| Others | 742 | 356,609 | – | – | 357,351 |
| Defined-Contribution Plan | 42,075 | 10,339 | – | – | 52,414 |
| Total | 476,746 | 1,704,575 | 180,000 | – | 2,361,321 |

Note: * Included herein Director's fees amounted to RM5,276 received by Past Directors.

The number of Directors whose remuneration falls within the following bands is tabulated as below:

| Remuneration bands per annum | Executive Director | Non-Executive Director |
|------------------------------|--------------------|------------------------|
| Below RM50,000 | – | 5 |
| RM50,001 to RM100,000 | 1 | – |
| RM 350,001 to RM 400,000 | 1 | – |
| RM 1,650,001 to RM 1,700,000 | 1 | – |

The Remuneration Committee 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.

REINFORCE INDEPENDENCE

The Independent Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group.

The Board reviews the independence of its Independent Directors annually. All the Independent Directors confirm that the appointment is in compliance with the ACE Market Listing Requirements.

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

The Company aims to ensure a balance of power and authority between the Executive Chairman and the CEO/MD with a clear division of responsibility between the running of the Board and the Company's business respectively. The roles and responsibilities of Executive Chairman and CEO/ MD are prescribed in the Company's Board Charter which can be accessed at the corporate website at <http://www.idealjacobs.com.my/>.

Corporate Governance Statement (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 2016, the Board met 5 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 | 5/5 |
| Dato' Meng Bin CEO/ MD | 5/5 |
| Chen Shien Yee Executive Director / Chief Finance Officer | 5/5 |
| Koong Lin Loong Independent Non-Executive Director | 3/5 |
| Hing Kim Tat Independent Non-Executive Director | 4/5 |
| Tan Kean Huat Independent Non-Executive Director | 4/5 |
| Rizvi Bin Abd Halim Independent Non-Executive Director | 5/5 |
| Lai Kian Huat Independent Non-Executive Director | 5/5 |

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 Statement (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 | Board Committee Peer Exchange | 10 May 2016 |
| Dato' Meng Bin | Financing Strategy and M&A Growth Strategy | 23 April 2016 |
| | Layout "One Belt One Road" Strategy for a Public Company | 24 October 2016 |
| | Internet Mind and Strategy | 20 December 2016 |
| Chen Shien Yee | Tax & Business Conference – Budget 2017 | 02 November 2016 |
| Koong Lin Loong | National GST Conference 2016 | 31 May 2016 and 1 June 2016 |
| | National Tax Conference 2016 | 25 August 2016 and 26 August 2016 |
| | 2017 Budget Seminar | 22 November 2016 |
| | Comparative Analysis of the PERS, MPERS and MFRS Frameworks and Selected New Topics in the MPERS Framework | 19 December 2016 and 20 December 2016 |
| Hing Kim Tat | None. Due to busy schedule | – |
| Tan Kean Huat | None. Due to busy schedule | – |
| Rizvi Bin Abd Halim | None. Due to busy schedule | – |
| Lai Kian Huat | Malaysia Financial Reporting Standards (MFRS) Made Simple for Directors and Senior Management | 23 September 2016 |
| | Tax & Business Conference – Budget 2017 | 02 November 2016 |

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.

Re-election

Under Article 90 of the Company's Articles of Association, the Directors appointed during the year shall retire at the Annual General Meeting ("AGM") and be eligible for re-election. According to Article 83 of the Company's Article of Association of the Company one-third of the Board members shall retire from office at the AGM. Further, all the Directors are required to retire from office at least once in every three (3) years. However, the retiring Directors are eligible for re-election at the meeting at which they retire.

Corporate Governance Statement (cont'd)

UPHOLD INTERGRITY IN FINANCIAL REPORTING

Financial Reporting

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities timely. All financial statements are reviewed by the Audit Committee and approved by the Board of Directors to ensure accuracy, adequacy and completeness of information prior to release to regulatory authorities.

The Directors are responsible for ensuring that the annual financial statements of the Group and the Company are prepared with reasonable accuracy from accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016, and of the results of their operations and cash flows for the year ended on that date.

In preparing the annual audited financial statements the Directors have:-

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to detect or prevent fraud and other irregularities.

Assessment of Suitability and Independence of External Auditors

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the external auditors. The Audit Committee has been explicitly accorded with access to communicate directly with both the internal and external auditors, and the details of such communications are minuted.

Details of statutory audit, audit-related and non-audit fees paid/payable in the financial year ended 31 December 2016 to the external auditors are set out below: -

| Description | Fees paid/payable to SJ Grant Thornton (RM) | | Total |
|----------------|--|------------|------------|
| | Company | Subsidiary | |
| Audit Fees | 158,000.00 | 2,000.00 | 160,000.00 |
| Non-Audit Fees | 10,000.00 | - | 10,000.00 |
| Total | 168,000.00 | 2,000.00 | 170,000.00 |

RECOGNISE AND MANAGE RISKS

Sound framework to manage risks

Internal Audit Function

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 page 30 of this Annual Report provides the overview of the internal control framework adopted by the Company for the current financial year.

Corporate Governance **Statement** (cont'd)

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Leverage on information technology for effective dissemination of information

The Company's website (<http://www.idealjacobs.com.my/>) provides meaningful information to the stakeholders such as the Board Charter. The Investor Relations section includes share price information, all announcement made to Bursa Malaysia Securities Berhad as well as the latest Annual Report of the Company.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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 web site. (<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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (the "Act") to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company at the end of the financial year and cash flows of the Group and of the Company for the financial year.

The Directors are of the opinion that the Group uses the appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements have been prepared in accordance with Financial Reporting Standards in Malaysia, the provisions of the Act and the Bursa Malaysia Securities' Berhad ACE Market Listing Requirements.

The Directors are satisfied that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable proper financial statements to be prepared. They have also taken necessary steps to ensure that appropriate systems are in place to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities. The systems, by their nature can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.

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:

| | |
|-----------------|--|
| Lai Kian Huat | Chairman; Independent Non-Executive Director |
| Hing Kim Tat | Independent Non-Executive Director |
| Koong Lin Loong | Independent Non-Executive Director |
| Tan Kean Huat | Independent Non-Executive Director |

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.

The term of reference of the Committee is available at the corporate website at <http://www.idealjacobs.com.my/>.

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 four (4) meetings held during the financial year ended 31 December 2016 and the attendance record is as follows:

| | Meetings attended |
|-----------------|-------------------|
| Hing Kim Tat | 4/4 |
| Koong Lin Loong | 1/4 |
| Tan Kean Huat | 3/4 |
| Lai Kian Huat | 4/4 |

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 authorized by the Board.

Audit Committee Report (cont'd)

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.

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.

Audit Committee Report (cont'd)

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 106 of this annual report. During the financial year under review, no options were granted nor exercised.

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 2,300,075.

The Company has granted 87% of ESOS to its Directors and senior management.

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

INTERNAL AUDIT FUNCTION

The Company has outsourced the internal audit function of the Group to Audex Governance Sdn Bhd ("Audex"). Audex 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 ended 31 December 2016, Audex carried out review in accordance with the risk based internal audit plan approved by the Committee, which comprised of review on Statement on Risk Management and Internal Control, Recurrent Related Party Transactions, Human Resource Management, Management of Information System and Financial Statement Close Process. The internal audit findings were tabled and reported to the Committee at every quarterly meeting.

The professional fees incurred for the internal audit function in respect of financial year ended 31 December 2016 amounted to RM 80,560.

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 2016 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 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.

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

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to a professional services firm. During the financial year ended 31 December 2016, the internal audit function carried out audit reviews according to the risk-based internal audit plan approved by the Audit Committee. The entities and business processes reviewed were as follows:

| Entity | Business Process |
|---|--|
| Ideal Jacobs (Malaysia) Corporation Bhd | Review on Statement on Risk Management and Internal Control |
| Ideal Jacobs (Malaysia) Corporation Bhd | Review of Recurrent Related Party Transactions |
| Ideal Jacobs (Suzhou) Corporation | Human Resource Management Management of Information System |
| Ideal Jacobs (Xiamen) Corporation | Financial Statement Close Process Human Resource Management |

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 follows up and reports to the Audit Committee on the status of implementation of action plans committed 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 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 outsourcing the internal audit function for the financial year ended 31 December 2016 was RM 80,560.

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.

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

ASSURANCE PROVIDED BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Group Chief Executive Officer and Chief Financial Officer 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 2016 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.

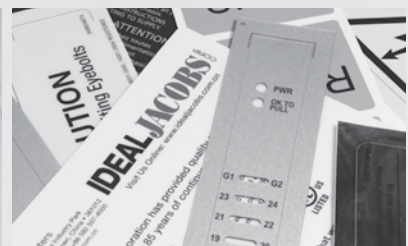
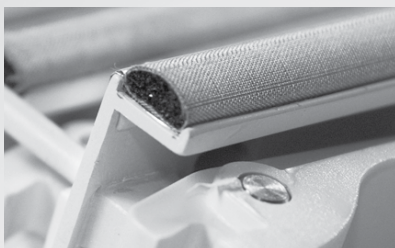
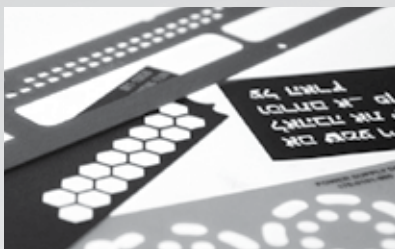
CONCLUSION

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 27 February 2017.

TABLE OF CONTENTS

| | | |
|-----|---|--|
| 34 | Directors' Report | |
| 38 | Statement by Directors and Statutory Declaration | |
| 39 | Independent Auditors' Report | |
| 43 | Statements of Financial Position | |
| 45 | Statements of Profit or Loss and Other Comprehensive Income | |
| | | |
| 47 | Statements of Changes in Equity | |
| 49 | Statements of Cash Flows | |
| 51 | Notes to the Financial Statements | |
| 113 | Supplementary Information | |



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 2016.

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 of its subsidiaries during the financial year.

RESULTS

| | Group RM | Company RM |
|--------------------------------------|-------------|---------------|
| Profit/(Loss) for the financial year | 1,347,070 | (1,611,898) |
| Attributable to:- | | |
| Owners of the Company | 1,594,972 | (1,611,898) |
| Non-controlling interests | (247,902) | - |
| | 1,347,070 | (1,611,898) |

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.

ISSUE OF SHARES AND DEBENTURES

There were no new shares or debentures issued 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 of RM0.10 each during the financial year is as follow:-

| Grant date | Expiry date | Exercise price | Number of Share Option | | | Balance at 31.12.2016 |
|---------------|---------------|----------------|------------------------|---------|-----------|-----------------------|
| | | | Balance at 1.1.2016 | Granted | Exercised | |
| 25 March 2014 | 24 March 2019 | RM0.21 | 2,300,075 | - | - | 2,300,075 |

The salient features of the ESOS are disclosed in Note 37 to the Financial Statements.

Directors' Report (cont'd)

DIRECTORS

The Directors in office since the date of last report are:-

Andrew Conrad Jacobs (Executive Chairman)
 Dato' Meng Bin (Chief Executive Officer/Managing Director)
 Chen Shien Yee (Chief Finance Officer/Executive 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)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of financial year in shares of the Company are as follows:-

| | Number of ordinary shares of RM0.10 each | | | | |
|----------------------|--|---------|---------------------|---------|------------------|
| | At 1.1.2016 | Bought | Option exercised | Sold | At 31.12.2016 |
| Andrew Conrad Jacobs | | | | | |
| - Deemed interest | 36,619,600 | - | - | - | 36,619,600 |
| - Direct interest | 1,289,900 | - | - | - | 1,289,900 |
| Dato' Meng Bin | | | | | |
| - Deemed interest | 17,436,400 | - | - | - | 17,436,400 |
| Tan Kean Huat | | | | | |
| - Direct interest | 53,000 | 101,200 | - | 154,200 | - |

| | Number of Share Option | | | |
|----------------|------------------------|---------|-----------|--------------------------|
| | At 1.1.2016 | Granted | Exercised | Balance at 31.12.2016 |
| Dato' Meng Bin | 2,300,075 | - | - | 2,300,075 |

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 6A of the Companies Act, 1965.

Other than 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' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or 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 emoluments 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 statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:-

- (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 38 to the Financial Statements.

Directors' Report (cont'd)

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The subsequent event after the reporting period is disclosed in Note 39 to the Financial Statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton, 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.

| | | |
|-----------------------------|---|------------------|
| |) | |
| DATO' MENG BIN |) | |
| Xiamen |) | |
| 18 April 2017 |) | |
| |) | |
| |) | DIRECTORS |
| |) | |
| |) | |
| |) | |
| |) | |
| |) | |
| ANDREW CONRAD JACOBS |) | |
| New Jersey |) | |
| 14 April 2017 |) | |

Statement By **Directors**

In the opinion of the Directors, the financial statements set out on pages 43 to 112 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 113 had been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....
DATO' MENG BIN
Xiamen
18 April 2017

.....
ANDREW CONRAD JACOBS
New Jersey
14 April 2017

Statutory **Declaration**

I, Chen Shien Yee, being the Director 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 43 to 112 and the supplementary information set out on page 113 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)
18 April 2017)

.....
CHEN SHIEN YEE

Before me:

S.ARULSAM Y (W.490)
Commissioner for Oaths

Independent Auditors' Report

to the members of Ideal Jacobs (Malaysia) Corporation Bhd.

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 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 112.

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

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Allowance for doubtful debts

The risk

Refer to Note 12 to the Financial Statements. We focused on this area because the Group has material amount of trade receivables that are past due but not impaired amounted to RM3,648,296. The key associate risk was the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

Our response

We have challenged management's assumptions in providing the allowance for doubtful debts. This includes reviewing the ageing of receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against prior year. We also checked the recoverability of outstanding receivables through examination of subsequent year cash receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

Independent **Auditors' Report** (cont'd)

Inventories valuation

The risk

Refer to Note 11 to the Financial Statements. The Group holds significant amount of inventories that amounted to RM4,743,879 which are exposed to a risk that the inventories may become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy and adequacy of inventories obsolescence provision.

Our response

For inventories, we tested the methodology of estimating the provisions, challenged the appropriateness and consistency of judgements and assumptions made. In doing so, we obtained the ageing profile of inventories and obtained understanding on the process for identifying specific problem inventories and historical loss rate.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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

Auditors' 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, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9(a) to the Financial Statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 113 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

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

Kuala Lumpur
18 April 2017

FOO LEE MENG
(NO: 3069/07/17(J))
CHARTERED ACCOUNTANT

Statements of Financial Position

as at 31 December 2016

| | Note | 2016 RM | Group 2015 RM | 2016 RM | Company 2015 RM |
|--|------|-------------------|---------------------|-------------------|-----------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 6 | 20,175,594 | 20,477,432 | 39,844 | 39,681 |
| Investment property | 7 | 1,461,266 | 1,489,031 | – | – |
| Prepaid land lease payment | 8 | 1,671,778 | 1,752,080 | – | – |
| Investment in subsidiaries | 9(a) | – | – | 20,509,538 | 20,509,538 |
| Other investment | 10 | 108,821 | 108,821 | 108,821 | 108,821 |
| Total non-current assets | | 23,417,459 | 23,827,364 | 20,658,203 | 20,658,040 |
| Current assets | | | | | |
| Inventories | 11 | 4,743,879 | 3,952,075 | – | – |
| Trade receivables | 12 | 12,970,715 | 11,519,044 | – | – |
| Other receivables | 13 | 1,374,871 | 1,629,122 | 43,351 | 74,492 |
| Amount due from subsidiaries | 14 | – | – | – | – |
| Amount due from a corporate shareholder | 15 | 279,219 | 1,058,992 | – | – |
| Fixed deposits with licensed banks | 16 | 8,370,382 | 8,307,198 | – | – |
| Cash and bank balances | | 9,362,490 | 7,302,631 | 403,676 | 87,634 |
| Total current assets | | 37,101,556 | 33,769,062 | 447,027 | 162,126 |
| Non-current assets classified as held for sale | 17 | – | – | – | – |
| Total assets | | 60,519,015 | 57,596,426 | 21,105,230 | 20,820,166 |

Statements of Financial Position

(cont'd)

| | Note | 2016 RM | Group 2015 RM | 2016 RM | Company 2015 RM |
|---|------|-------------|---------------------|--------------|-----------------------|
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 18 | 13,570,108 | 13,570,108 | 13,570,108 | 13,570,108 |
| Statutory reserve | 19 | 3,713,093 | 2,969,268 | – | – |
| Translation reserve | 19 | 7,009,029 | 7,486,549 | – | – |
| Share premium | 20 | 7,262,734 | 7,262,734 | 7,262,734 | 7,262,734 |
| ESOS reserve | 21 | 230,007 | 230,007 | 230,007 | 230,007 |
| Revaluation reserve | 22 | 128,108 | 128,108 | – | – |
| Accumulated losses | | (4,387,651) | (5,238,798) | (11,796,624) | (10,184,726) |
| Equity attributable to owners of the Company | | 27,525,428 | 26,407,976 | 9,266,225 | 10,878,123 |
| Non-controlling interests | 9(b) | (170,765) | (126,518) | – | – |
| Total equity | | 27,354,663 | 26,281,458 | 9,266,225 | 10,878,123 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 23 | 5,167,625 | 8,616,119 | – | – |
| Deferred tax liabilities | 24 | 36,457 | 36,457 | – | – |
| Total non-current liabilities | | 5,204,082 | 8,652,576 | – | – |
| Current liabilities | | | | | |
| Trade payables | 25 | 5,380,287 | 4,403,286 | – | – |
| Other payables | 26 | 5,077,902 | 4,428,663 | 981,407 | 1,213,211 |
| Amount due to subsidiaries | 14 | – | – | 10,857,598 | 8,728,832 |
| Borrowings | 23 | 16,336,324 | 13,259,074 | – | – |
| Tax payable | | 1,165,757 | 571,369 | – | – |
| Total current liabilities | | 27,960,270 | 22,662,392 | 11,839,005 | 9,942,043 |
| Total liabilities | | 33,164,352 | 31,314,968 | 11,839,005 | 9,942,043 |
| Total equity and liabilities | | 60,519,015 | 57,596,426 | 21,105,230 | 20,820,166 |

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 2016

| | | Group | | Company | |
|--|------|------------------|------------------|--------------------|--------------------|
| | Note | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Revenue | 27 | 42,748,098 | 36,755,056 | 698,590 | – |
| Cost of sales | | (22,107,392) | (19,976,331) | – | – |
| Gross profit | | 20,640,706 | 16,778,725 | 698,590 | – |
| Other income | | 1,502,726 | 2,555,420 | 3,632,996 | 88,058 |
| Selling and distribution expenses | | (1,653,243) | (1,732,972) | – | – |
| Administration expenses | | (15,437,582) | (14,494,459) | (1,924,752) | (3,961,276) |
| Other expenses | | (1,244,749) | (509,150) | (4,018,732) | (4,224,758) |
| Operating profit/(loss) | | 3,807,858 | 2,597,564 | (1,611,898) | (8,097,976) |
| Finance costs | | (1,037,079) | (392,264) | – | – |
| Profit/(Loss) before tax | 28 | 2,770,779 | 2,205,300 | (1,611,898) | (8,097,976) |
| Tax expense | 29 | (1,423,709) | (894,192) | – | – |
| Profit/(Loss) for the financial year | | 1,347,070 | 1,311,108 | (1,611,898) | (8,097,976) |
| Other comprehensive (loss)/income Item that will be reclassified subsequently to profit or loss | | | | | |
| - Exchange differences on translating foreign entities, net of tax | | (273,865) | 3,987,967 | – | – |
| Other comprehensive (loss)/income for the financial year | | (273,865) | 3,987,967 | – | – |
| Total comprehensive income/(loss) for the financial year | | 1,073,205 | 5,299,075 | (1,611,898) | (8,097,976) |
| Profit/(Loss) for the financial year attributable to:- | | | | | |
| Owners of the Company | | 1,594,972 | (871,204) | (1,611,898) | (8,097,976) |
| Non-controlling interests | | (247,902) | 2,182,312 | – | – |
| | | 1,347,070 | 1,311,108 | (1,611,898) | (8,097,976) |

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

| | | Group | | Company | |
|---|------|------------|------------|-------------|-------------|
| | Note | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Total comprehensive income/(loss) | | | | | |
| for the financial year attributable to:- | | | | | |
| Owners of the Company | | 1,117,452 | 3,331,208 | (1,611,898) | (8,097,976) |
| Non-controlling interests | | (44,247) | 1,967,867 | - | - |
| | | 1,073,205 | 5,299,075 | (1,611,898) | (8,097,976) |
| Earnings/(Losses) per share | | | | | |
| - Basic (sen) | 30 | 1.18 | (0.65) | | |
| - Diluted (sen) | 30 | 1.18 | (0.64) | | |

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

Statements of Changes In Equity

for the financial year ended 31 December 2016

| Group | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|---------------------|-------------------------|--------------------|---------------------------|---------------------------|--------------------------|-------------|---------------------------------|--------------------|
| | Non-distributable | | | | | Distributable | | | | |
| | Share capital RM | Share premium RM | Statutory reserve RM | ESOS reserve RM | Translation reserve RM | Revaluation reserve RM | Accumulated losses RM | Total RM | Non-controlling interests RM | Total equity RM |
| Balance at 1 January 2015 | 13,170,108 | 6,422,734 | 2,412,555 | 630,007 | 3,284,137 | 128,108 | (3,810,881) | 22,236,768 | (2,094,385) | 20,142,383 |
| Transaction with owners:- | | | | | | | | | | |
| Issued, at premium pursuant to:- | | | | | | | | | | |
| - Exercise of ESOS | 400,000 | 840,000 | - | (400,000) | - | - | - | 840,000 | - | 840,000 |
| Foreign currency translation Profit/(Loss) for the financial year | - | - | - | - | 4,202,412 | - | - | 4,202,412 | (214,445) | 3,987,967 |
| | - | - | 556,713 | - | - | - | (1,427,917) | (871,204) | 2,182,312 | 1,311,108 |
| Total comprehensive income/(loss) for the financial year | - | - | 556,713 | - | 4,202,412 | - | (1,427,917) | 3,331,208 | 1,967,867 | 5,299,075 |
| Balance at 31 December 2015 | 13,570,108 | 7,262,734 | 2,969,268 | 230,007 | 7,486,549 | 128,108 | (5,238,798) | 26,407,976 | (126,518) | 26,281,458 |
| Foreign currency translation Profit/(Loss) for the financial year | - | - | - | - | (477,520) | - | - | (477,520) | 203,655 | (273,865) |
| | - | - | 743,825 | - | - | - | 851,147 | 1,594,972 | (247,902) | 1,347,070 |
| Total comprehensive income/(loss) for the financial year | - | - | 743,825 | - | (477,520) | - | 851,147 | 1,117,452 | (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) | 27,525,428 | (170,765) | 27,354,663 |

Statements of Changes In Equity

(cont'd)

| Company | Attributable to owners of the Company | | | | | | Distributable | | | Total equity RM |
|--|---------------------------------------|------------------|----------------------|-----------------|------------------------|------------------------|-----------------------|------------------------------|-------------|-----------------|
| | Share capital RM | Share premium RM | Statutory reserve RM | ESOS reserve RM | Translation reserve RM | Revaluation reserve RM | Accumulated losses RM | Non-controlling interests RM | Total RM | |
| Balance at 1 January 2015 | 13,170,108 | 6,422,734 | - | 630,007 | - | - | (2,086,750) | - | 18,136,099 | 18,136,099 |
| Transaction with owners:- | | | | | | | | | | |
| Issued, at premium pursuant to:- | 400,000 | 840,000 | - | (400,000) | - | - | - | - | 840,000 | 840,000 |
| - Exercise of ESOS | | | | | | | | | | |
| Total comprehensive loss for the financial year | - | - | - | - | - | - | (8,097,976) | - | (8,097,976) | (8,097,976) |
| Balance at 31 December 2015 | 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 |

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

Statements of Cash Flows

for the financial year ended 31 December 2016

| | Note | Group | | Company | |
|---|------|-------------|-------------|-------------|-------------|
| | | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit/(Loss) before tax | | 2,770,779 | 2,205,300 | (1,611,898) | (8,097,976) |
| Adjustments for:- | | | | | |
| Depreciation | | 1,292,702 | 843,719 | 10,743 | 11,505 |
| Dividend income | | - | - | (698,590) | - |
| Amortisation of prepaid land lease payment | | 34,570 | 34,616 | - | - |
| Interest expenses | | 1,037,079 | 392,264 | - | - |
| Interest income | | (249,169) | (231,731) | - | - |
| Inventories written down | | - | 116,573 | - | - |
| Reversal of impairment loss on trade receivables | | (592,963) | (92,789) | - | - |
| Reversal of impairment loss on other receivables | | - | (50,000) | - | - |
| Reversal of impairment loss on amount due from subsidiaries | | - | - | (3,512,719) | - |
| Reversal of impairment loss on investment in a subsidiary | | - | - | (100,000) | - |
| Reversal of inventories written down | | (5,766) | - | - | - |
| Impairment loss on amount due from subsidiaries | | - | - | 7,268 | 3,521,756 |
| Loss on disposal of property, plant and equipment | | 39,049 | 46,886 | - | - |
| Loss on deconsolidation of subsidiaries | | 419,133 | - | - | - |
| Bad debts written off | | 573,091 | 50,000 | 3,527,192 | - |
| Property, plant and equipment written off | | 163,836 | 159,884 | - | - |
| Waiver of debts by a subsidiary | | - | - | - | (80,412) |
| Waiver of debts by a corporate shareholder of a subsidiary | | - | (1,963,538) | - | - |
| Unrealised loss on foreign exchange | | 47,535 | 72,314 | 384,272 | 703,002 |
| Investment in a subsidiary written off | | - | - | 100,000 | - |
| Operating profit/(loss) before working capital changes | | 5,529,876 | 1,583,498 | (1,893,732) | (3,942,125) |
| Changes in working capital:- | | | | | |
| Corporate shareholder | | 753,624 | (629,468) | - | - |
| Director | | - | (58,362) | - | - |
| Inventories | | (854,325) | (149,510) | - | - |
| Payables | | 1,693,348 | 1,293,815 | (231,804) | 420,133 |
| Receivables | | (1,176,715) | (1,011,912) | 16,668 | 799,755 |
| Subsidiaries | | - | - | 1,740,217 | 1,373,084 |
| Cash from/(used in) operations | | 5,945,808 | 1,028,061 | (368,651) | (1,349,153) |
| Tax paid | | (837,090) | (995,761) | - | - |
| Interest received | | 249,169 | 231,731 | - | - |
| Interest paid | | (1,037,079) | (392,264) | - | - |
| Net cash from/(used in) operating activities | | 4,320,808 | (128,233) | (368,651) | (1,349,153) |

Statements of Cash Flows

(cont'd)

| | Note | Group | | Company | |
|--|------|--------------|--------------|------------|------------|
| | | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Placement of fixed deposits pledged to banks | | (63,228) | (1,639,204) | – | – |
| Purchase of property, plant and equipment | | (1,721,083) | (10,481,067) | (10,906) | – |
| Proceeds from disposal of property, plant and equipment | | 10,653 | 101,877 | – | – |
| Proceeds from disposal of assets held for sale | 17 | – | 447,239 | – | – |
| Dividend income | | – | – | 698,590 | – |
| Net cash (used in)/from investing activities | | (1,773,658) | (11,571,155) | 687,684 | – |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Drawdown of term loans | | 12,494,536 | 17,906,496 | – | – |
| Repayment of term loans | | (12,825,191) | (7,375,978) | – | – |
| Proceed from issuance of shares pursuant of ESOS exercised | | – | 840,000 | – | 840,000 |
| Net cash (used in)/from financing activities | | (330,655) | 11,370,518 | – | 840,000 |
| CASH AND CASH EQUIVALENTS | | | | | |
| Net change | | 2,216,495 | (328,870) | 319,033 | (509,153) |
| Brought forward | | 7,385,479 | 6,619,980 | 87,634 | 609,406 |
| Effects of exchange rate changes | | (156,680) | 1,094,369 | (2,991) | (12,619) |
| Carried forward | A | 9,445,294 | 7,385,479 | 403,676 | 87,634 |

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 | |
|--|-------------|-------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Fixed deposits with licensed banks | 8,370,382 | 8,307,198 | – | – |
| Cash and bank balances | 9,362,490 | 7,302,631 | 403,676 | 87,634 |
| | 17,732,872 | 15,609,829 | 403,676 | 87,634 |
| Less: Fixed deposits pledged with licensed banks | (8,287,578) | (8,224,350) | – | – |
| | 9,445,294 | 7,385,479 | 403,676 | 87,634 |

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

Notes To The Financial Statements

– 31 December 2016

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 Office Suite 19-11-2, 11th Floor, UOA Centre, No. 19, Jalan Pinang, 50450 Kuala Lumpur.

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 of 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 14 April 2017.

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, 1965 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 an investment property that is 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 use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

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.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The valuation team regularly reviews significant unobservable inputs and valuation adjustments, if any.

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 and IC Interpretations ("IC Int")

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

At the beginning of the current financial year, the Group and the Company adopted amended to MFRSs and IC Int which are mandatory for the financial periods beginning on or after 1 January 2016.

Initial application of the relevant new and revised MFRSs and IC Int has no material impact on financial statements of the Group and of the Company.

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 of the relevant pronouncement 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 interpretation that are expected to be relevant to the Group's and the Company's financial statements are provided below. Certain other new standards and interpretations have been issued but not expected to have a material impact on the Group's and the Company's 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 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. 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.

The Group and the Company plan to adopt the new standards on the required effective date. During 2016, the Group and the Company have performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and the Company in the future. Overall, the Group and the Company expect no significant impact on their statements of financial position and equity except of applying the impairment requirements of MFRS 9.

(a) Classification and measurement of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Under MFRS 9, derivative embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instruments as a whole is assessed for classification.

Based on the preliminary assessment, the Group and the Company do not expect a significant impact on their statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. Listed securities, debentures and equity instruments currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under MFRS 9 as the Group and the Company expect not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group and the Company expect to apply the option to present fair value changes in OCI, and, therefore, believes the application of MFRS 9 would not have a significant impact. If the Group and the Company were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

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. Thus, the Group and the Company expect that these will continue to be measured at amortised cost under MFRS 9. However, the Group and the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

Notes To The Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (cont'd)

(b) Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under MFRS 9, loss allowances will be measured on either of the following bases:-

- 12-month ECL. These are ECL that result from possible default events within the 12 months after the reporting date; and
- lifetime ECL. These are ECL that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

MFRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company expect a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company have not designated any financial liabilities at FVTPL and the Group and the Company have no current intention to do so. The Group's and the Company's preliminary assessment did not indicate any material impact if MFRS 9's requirements regarding the classification of financial liabilities is applied.

Notes To **The Financial Statements** (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (cont'd)

(d) Disclosures

MFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's and the Company's preliminary assessment included an analysis to identify data gaps against current processes and the Group and the Company plan to implement the system and controls changes that it believes will be necessary to capture the required data.

(e) Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except the Group and the Company plan to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

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.

The Group has completed an initial assessment of the potential impact of the adoption of MFRS 15 on its consolidated financial statements, which subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by MASB on 16 June 2016 and will monitor any further developments.

(a) Sale of goods

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 are not expected to have any impact on the Group's 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.

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 (cont'd)

(a) Sale of goods (cont'd)

In preparing to MFRS 15, the Group consider 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 expects that application of the constraint may result in more revenue being deferred than is under current MFRSs.

(b) Presentation and disclosure requirements

MFRS 15 provides presentation and disclosure requirements, which are more detailed than under current MFRSs. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in 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.

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 117.

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.

Notes To **The Financial Statements** (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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.

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 property

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

Significant 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 37 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 2016 and financial year ended 31 December 2015.

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 2016 and financial year ended 31 December 2015.

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.

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)**

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

2016

The Group has no significant concentration of credit risk with any single counterparty.

2015

| | Group % |
|------------|--------------------|
| Customer A | 14 |
| Customer B | 12 |

Trade receivables ageing analysis

| | Gross RM | Group Individually impaired RM | Net RM |
|--|---------------------|---|-------------------|
| 2016 | | | |
| 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)

Trade receivables ageing analysis (cont'd)

| 2015 | Gross RM | Group Individually impaired RM | Net RM |
|--|-------------|---|------------|
| Neither past due nor impaired | 8,823,586 | – | 8,823,586 |
| Past due 0 to 1 month but not impaired | 1,840,184 | – | 1,840,184 |
| Past due 1 to 2 months but not impaired | 425,142 | – | 425,142 |
| Past due 2 to 3 months but not impaired | 46,505 | – | 46,505 |
| Past due 3 to 4 months but not impaired | 351,567 | – | 351,567 |
| Past due 4 to 5 months but not impaired | 20,996 | – | 20,996 |
| Past due more than 6 months but not impaired | 11,064 | – | 11,064 |
| Past due more than 6 months and impaired | 592,963 | (592,963) | – |
| | 12,112,007 | (592,963) | 11,519,044 |

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 RM3,648,296 (2015: RM2,695,458) 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

In prior year, trade receivables of RM592,963 that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Group and Company

Other receivables balance of RM3,838 (2015: RM3,838) was impaired.

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

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.

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 RM815,913 (2015: RM4,321,364) 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.

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)

Deposits with banks (cont'd)

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.

(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 |
|--|--|-----------------------|
| 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 |

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 (cont'd)

Analysis of financial instruments by contractual maturities (cont'd)

The following table shows the areas where the Group and the Company are exposed to liquidity risk:-
(cont'd)

| Group (cont'd) | Repayable on demand/ Less than 1 year RM | 2 to 5 years RM |
|--|--|-----------------------|
| 2015 | | |
| <u>Non-derivative financial liabilities</u> | | |
| Trade payables | 4,403,286 | – |
| Other payables | 4,358,063 | – |
| Borrowings | 13,259,074 | 9,866,229 |
| Total undiscounted financial liabilities | 22,020,423 | 9,866,229 |

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.

(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.

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 | 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)

| Group (cont'd) | RM | SGD RM | USD RM | RMB RM | HKD RM | Total RM |
|---|-------------|-----------|-------------|--------------|-----------|--------------|
| 2015 | | | | | | |
| Financial assets | | | | | | |
| Other investment | - | - | - | 108,821 | - | 108,821 |
| Amount due from a corporate shareholder | - | - | 1,058,992 | - | - | 1,058,992 |
| Cash and cash equivalents | 61,837 | 43,599 | 1,411,389 | 14,092,738 | 266 | 15,609,829 |
| Trade and other receivables | 75,659 | - | 2,568,333 | 10,504,174 | - | 13,148,166 |
| | 137,496 | 43,599 | 5,038,714 | 24,705,733 | 266 | 29,925,808 |
| Financial liabilities | | | | | | |
| Trade and other payables | (1,215,771) | (9,466) | (245,614) | (7,336,118) | (24,980) | (8,831,949) |
| Borrowings | - | - | (7,824,291) | (14,050,902) | - | (21,875,193) |
| | (1,215,771) | (9,466) | (8,069,905) | (21,387,020) | (24,980) | (30,707,142) |
| Less: Net financial (liabilities)/assets denominated in functional currency | (1,078,275) | 33,844 | - | 3,250,922 | (24,714) | 2,181,777 |
| Net currency exposure on assets/(liabilities) | - | 289 | (3,031,191) | 67,791 | - | (2,963,111) |

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 |
|--|-------------|-------------------|-------------------|-------------------|---------------------|
| 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 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) |
| | RM | USD RM | RMB RM | SGD RM | Total RM |
| 2015 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 59,939 | 26,843 | 563 | 289 | 87,634 |
| Other investment | - | - | 108,821 | - | 108,821 |
| Other receivables | 74,492 | - | - | - | 74,492 |
| | 134,431 | 26,843 | 109,384 | 289 | 270,947 |
| Financial liabilities | | | | | |
| Amount due to subsidiaries | - | (5,884,852) | (2,843,980) | - | (8,728,832) |
| Other payables | (1,213,211) | - | - | - | (1,213,211) |
| | (1,213,211) | (5,884,852) | (2,843,980) | - | (9,942,043) |
| Less: Net financial liabilities denominated in functional currency | 1,078,780 | - | - | - | 1,078,780 |
| Net currency exposure on financial (liabilities)/assets | - | (5,858,009) | (2,734,596) | 289 | (8,592,316) |

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 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 | - |
| <hr/> | | | |
| | | Group 2015 RM Increase/ (Decrease) Profit net of tax | Company 2015 RM (Increase)/ Decrease Loss net of tax |
| RM/RMB | - strengthened 1% | 678 | (27,346) |
| | - weakened 1% | (678) | 27,346 |
| RM/USD | - strengthened 2% | 60,624 | (117,160) |
| | - weakened 2% | (60,624) | 117,160 |
| RMB/USD | - strengthened 1% | 39,510 | - |
| | - weakened 1% | (39,510) | - |
| HKD/USD | - strengthened 1% | (70,090) | - |
| | - weakened 1% | 70,090 | - |

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 (cont'd)

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.

(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:-

| | 2016 RM | Group | 2015 RM |
|------------------------------------|------------|-------|------------|
| Fixed rate instruments | | | |
| Fixed deposits with licensed banks | 8,370,382 | | 8,307,198 |
| Borrowings | 8,132,720 | | 7,824,291 |
| Floating rate instrument | | | |
| Borrowings | 13,371,229 | | 14,050,902 |

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.

| | +50bp RM | Group Effect on profit/(loss) for the year | -50bp RM |
|------------------|-------------|--|-------------|
| 31 December 2016 | (66,856) | | 66,856 |
| 31 December 2015 | (70,255) | | 70,255 |

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 its subsidiaries, which have been prepared in accordance with the Group's accounting policies.

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 profits and losses resulting from intragroup transactions will be treated in accordance to Note 5(f) to the Financial Statements.

The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

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.

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.

Notes To The Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) **Basis of consolidation (cont'd)**

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.

(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.

Notes To **The Financial Statements** (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (cont'd)

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.

(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.

Notes To The Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Goodwill (cont'd)

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.

(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.

Notes To **The Financial Statements** (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Tax expense (cont'd)

Deferred tax (cont'd)

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.

(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.

Notes To The Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

Notes To **The Financial Statements** (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

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.

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 cash and cash equivalents, trade and most of the other receivables and amount due from a corporate shareholder/subsidiaries 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.

Notes To The Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (cont'd)

Financial assets (cont'd)

Available-for-sale financial assets (cont'd)

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.

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.

Notes To **The Financial Statements** (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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

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

Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Accumulated losses include all current and prior period accumulated losses.

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.

(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.

Notes To **The Financial Statements** (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign currency transactions and balances (cont'd)

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.

(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.

Notes To The Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Investment properties (cont'd)

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.

(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.

Notes To **The Financial Statements** (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employees benefits (cont'd)

(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.

(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.

Notes To The Financial Statements (cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(y) 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 party, 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 2015 | - | 26,913 | 841,621 | 4,250,280 | 1,085,553 | 1,177,190 | 29,714 | 6,085,922 | 13,497,193 |
| Additions | - | - | 77,375 | 58,163 | - | 242,733 | - | 10,102,796 | 10,481,067 |
| Written off | - | - | (250,909) | (881,729) | (712,638) | - | - | - | (1,845,276) |
| Disposals | - | - | - | (30,142) | - | (203,622) | - | - | (233,764) |
| Transferred from/(to) | 15,241,538 | - | 176,144 | - | - | - | - | (15,417,662) | - |
| Translation differences | 942,495 | - | 130,920 | 639,273 | 141,507 | 197,474 | - | 744,840 | 2,796,509 |
| At 31 December 2015 | 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 | 1,721,063 |
| Written off | - | - | (21,644) | - | (162,055) | - | - | - | (183,699) |
| Disposals | - | - | - | - | - | (97,329) | - | - | (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 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2015 | - | 14,875 | 556,342 | 2,188,317 | 597,361 | 231,400 | 19,172 | - | 3,607,467 |
| Charge for the financial year | - | 2,691 | 107,762 | 418,209 | 177,479 | 133,622 | 3,956 | - | 843,719 |
| Written off | - | - | (144,334) | (31,121) | (499,668) | - | - | - | (675,123) |
| Disposals | - | - | - | (11,697) | - | (73,304) | - | - | (85,001) |
| Translation differences | - | - | 88,300 | 320,634 | 83,549 | 34,752 | - | - | 527,235 |
| At 31 December 2015 | - | 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 |

Notes To The Financial Statements (cont'd)

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

| Group (cont'd) | 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 impairment loss | | | | | | | | | |
| At 1 January 2015 | - | - | 79,681 | 749,778 | 82,434 | - | - | - | 911,893 |
| Written off | - | - | (88,277) | (830,665) | (91,327) | - | - | - | (1,010,269) |
| Translation differences | - | - | 8,596 | 80,887 | 8,893 | - | - | - | 98,376 |
| At 31 December 2015/At 31 December 2016 | - | - | - | - | - | - | - | - | - |
| Net carrying amount | | | | | | | | | |
| 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 |
| At 31 December 2015 | 16,184,033 | 9,347 | 367,081 | 1,151,503 | 155,701 | 1,087,305 | 6,586 | 1,515,876 | 20,477,432 |

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 2015/ 31 December 2015 | 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 |
| Accumulated depreciation | | | | | |
| At 1 January 2015 | 14,875 | 13,482 | 9,574 | 19,172 | 57,103 |
| Charge for the financial year | 2,691 | 1,510 | 3,348 | 3,956 | 11,505 |
| At 31 December 2015 | 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 |
| Net carrying amount | | | | | |
| At 31 December 2016 | 6,656 | 4,434 | 17,208 | 11,546 | 39,844 |
| At 31 December 2015 | 9,347 | 3,192 | 20,556 | 6,586 | 39,681 |

7. INVESTMENT PROPERTY

| | 2016 RM | Group 2015 RM |
|-------------------------|------------|---------------------|
| Fair value:- | | |
| At 1 January | 1,489,031 | 1,315,784 |
| Translation differences | (27,765) | 173,247 |
| At 31 December | 1,461,266 | 1,489,031 |

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

| | 2016 RM | Group 2015 RM |
|---|------------|---------------------|
| Rental income | 89,716 | 72,093 |
| Direct operating expenses: - income generating investment property | 34,691 | 32,477 |

Notes To The Financial Statements (cont'd)

7. INVESTMENT PROPERTY (CONT'D)

Fair value basis of investment property

Investment property comprised of leasehold buildings leased to third party. The leases contain a cancellable period of 1 (2015: 1) years with renewal period of 3 (2015: 3) years. No contingent rent is charged.

Investment property is 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 property, the highest and best use of the property is its current use. There has been no change to the valuation technique during the financial year.

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

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

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|-------------------------------------|---------------|---------------|---------------|-------------|
| Recurring fair value measurements:- | | | | |
| Building | - | 1,489,031 | - | 1,489,031 |

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.

8. PREPAID LAND LEASE PAYMENT

| | 2016 RM | Group 2015 RM |
|-------------------------|------------|---------------------|
| Cost | | |
| At 1 January | 1,837,846 | 1,562,276 |
| Translation differences | (46,655) | 275,570 |
| At 31 December | 1,791,191 | 1,837,846 |

Notes To **The Financial Statements** (cont'd)

8. PREPAID LAND LEASE PAYMENT (CONT'D)

| | 2016 | Group | 2015 |
|---|------------------|--------------|------------------|
| | RM | | RM |
| Accumulated amortisation | | | |
| At 1 January | 85,766 | | 41,661 |
| Amortisation during the financial year | 34,570 | | 34,616 |
| Translation differences | (923) | | 9,489 |
| <hr/> | | | |
| At 31 December | 119,413 | | 85,766 |
| <hr/> | | | |
| Net carrying amount | 1,671,778 | | 1,752,080 |
| <hr/> | | | |
| <u>Amount to be amortised</u> | | | |
| Not later than one year | 34,570 | | 34,616 |
| Later than one year but not later than five years | 138,278 | | 138,464 |
| Later than five years | 1,498,930 | | 1,579,000 |
| <hr/> | | | |
| | 1,671,778 | | 1,752,080 |
| <hr/> | | | |

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

| | 2016 | Company | 2015 |
|---|-------------|----------------|-------------|
| | RM | | RM |
| Unquoted investment - at cost | | | |
| ESOS granted to employees of subsidiaries | 20,670,657 | | 20,770,657 |
| | 207,000 | | 207,000 |
| Less: Impairment loss | (368,119) | | (468,119) |
| <hr/> | | | |
| | 20,509,538 | | 20,509,538 |
| <hr/> | | | |

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

| | 2016 | Company | 2015 |
|-----------------------------------|-------------|----------------|-------------|
| | RM | | RM |
| Balance at 1 January | 468,119 | | 468,119 |
| Less: Reversal of impairment loss | (100,000) | | - |
| <hr/> | | | |
| Balance at 31 December | 368,119 | | 468,119 |
| <hr/> | | | |

Notes To The Financial Statements

(cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (cont'd)

Details of subsidiaries are as follows:-

| Name | Country of incorporation | Effective interest | | Principal activities |
|---|--------------------------|--------------------|------|----------------------|
| | | 2016 | 2015 | |
| Direct interest: | | | | |
| Ideal Jacobs (Xiamen) Corporation ("IJX") #/## | PRC | 100% | 100% | ^ |
| Ideal Jacobs (HK) Corporation Limited ("JHK") # | Hong Kong | 100% | 100% | @ |
| Ideal Laminar Pte. Ltd. ("ILPL") # | Singapore | 51% | 51% | @@ |
| Lumimark Sdn. Bhd. ("LMM") | Malaysia | 51% | 51% | Δ |
| Ideal Jacobs Rangkuman Sdn. Bhd. ("IJR") \$ | Malaysia | – | 100% | Δ Δ |
| Indirect interest | | | | |
| Xiamen Ideal Jacobs International Limited Company ("XIJ") #/+## | PRC | 100% | 100% | @ |
| Suzhou Ideal Jacobs Corporation ("SIJ") #/+## | PRC | 100% | 100% | ^^ |
| Ideal Laminar (Suzhou) Ltd. Co. ("ILS") #/&\$ | RPC | – | 51% | ** |

^ 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.

ΔΔ The principal activities of this subsidiary is trading in all kinds of products.

** The principal activities of this subsidiary is engaged in manufacturing of smartphone components.

Subsidiaries not audited by SJ Grant Thornton.

Notes To **The Financial Statements** (cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Investment in subsidiaries (cont'd)

Details of subsidiaries are as follows (cont'd):-

- ## An audit has been carried out by SJ Grant Thornton for the purpose of forming a group opinion.
- + Direct subsidiaries of IJX.
- & Direct subsidiary of ILPL.
- \$ The subsidiaries were struck off/deregistered from the official list of companies in the respective countries 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 | 2016 % of holding | 2015 |
|---|---|----------------------|--------------------|
| ILPL/ILPL Group | Singapore | 49% | 49% |
| LMM | Malaysia | 49% | 49% |
| | | 2016 RM | 2015 RM |
| Accumulated non-controlling interests | | | |
| ILPL/ILPL Group | | (3,123) | 37,855 |
| LMM | | (167,642) | (164,373) |
| | | (170,765) | (126,518) |
| (Loss)/Profit allocated to non-controlling interests | | | |
| ILPL/ILPL Group | | (244,633) | 2,187,908 |
| LMM | | (3,269) | (5,596) |
| | | (247,902) | 2,182,312 |
| | | 2016 RM | 2015 RM |
| Other comprehensive income/(loss) allocated to non-controlling interests | | | |
| ILPL/ILPL Group | | 203,655 | (214,445) |
| Total comprehensive (loss)/income allocated to non-controlling interests | | | |
| ILPL/ILPL Group | | (40,978) | 1,973,463 |
| LMM | | (3,269) | (5,596) |
| | | (44,247) | 1,967,867 |

Notes To The Financial Statements

(cont'd)

9. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

| | 2016 RM | 2015 RM |
|---|----------------|---------------|
| Current assets/Total assets | 23,076 | 89,307 |
| Current liabilities/Total liabilities | (29,450) | (12,051) |
| Net (liabilities)/assets | (6,374) | 77,256 |
| Equity attributable to owners of the Company | (3,251) | 39,401 |
| Non-controlling interests | (3,123) | 37,855 |

Summary of financial performance for the financial year ended 31 December

| | 2016 RM | 2015 RM |
|---|------------|------------|
| Other income | 8 | 5,187,508 |
| Expenses | (499,260) | (722,390) |
| (Loss)/Profit for the financial year | (499,252) | 4,465,118 |
| (Loss)/Profit attributable to owners of the Company | (254,619) | 2,277,210 |
| (Loss)/Profit attributable to the non-controlling interests | (244,633) | 2,187,908 |

| | 2016 RM | 2015 RM |
|---|-----------------|------------------|
| Other comprehensive income/(loss) | 415,622 | (437,642) |
| Other comprehensive income/(loss) attributable to owners of the Company | 211,967 | (223,197) |
| Other comprehensive income/(loss) attributable to non-controlling interests | 203,655 | (214,445) |
| Total comprehensive (loss)/income attributable to owners of the Company | (42,652) | 2,054,013 |
| Total comprehensive (loss)/income attributable to non-controlling interests | (40,978) | 1,973,463 |
| | (83,630) | 4,027,476 |

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 cash flows for the financial year ended 31 December

| | 2016 RM | 2015 RM |
|---------------------------------------|--------------------|--------------------|
| Net cash used in operating activities | (51,152) | (1,087,807) |
| Net cash from investing activities | – | 447,239 |
| Net cash outflow | (51,152) | (640,568) |

LMM

Summary of financial position as at 31 December

| | 2016 RM | 2015 RM |
|---|--------------------|--------------------|
| Current assets/Total assets | 3,161 | 3,065 |
| Current liabilities/Total liabilities | (345,288) | (338,520) |
| Net liabilities | (342,127) | (335,455) |
| Equity attributable to owners of the Company | (174,485) | (171,082) |
| Non-controlling interest | (167,642) | (164,373) |

Summary of financial performance for the financial year ended 31 December

| | 2016 RM | 2015 RM |
|---|--------------------|--------------------|
| Other income | 500 | – |
| Expenses | (7,172) | (11,421) |
| Loss for the financial year | (6,672) | (11,421) |
| Loss attributable to owners of the Company | (3,403) | (5,825) |
| Loss attributable to the non-controlling interest | (3,269) | (5,596) |
| | (6,672) | (11,421) |
| Loss for the financial year/Total comprehensive loss attributable to owners of the Company | (3,403) | (5,825) |
| Loss for the financial year/Total comprehensive loss attributable to the non-controlling interest | (3,269) | (5,596) |
| | (6,672) | (11,421) |

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 cash flows for the financial year ended 31 December

| | 2016 RM | 2015 RM |
|--|------------|------------|
| Net cash from/(used in) operating activities/Net cash inflow/(outflow) | 730 | (1,187) |

(c) Significant restrictions

Cash and bank balances of RM8,229,093 (2015: RM6,412,017) 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.

10. OTHER INVESTMENT

Available-for-sale investment

| | Group and Company | |
|---------|-------------------|------------|
| | 2016 RM | 2015 RM |
| At cost | 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.

11. INVENTORIES

| | 2016 RM | Group 2015 RM |
|---------------------------------------|------------|---------------------|
| Raw materials | 1,587,129 | 2,258,298 |
| Work-in-progress | 2,848,205 | 103,987 |
| Finished goods | 308,545 | 1,589,790 |
| | 4,743,879 | 3,952,075 |
| Recognised in profit or loss:- | | |
| Inventories written down | - | 116,573 |
| Reversal of inventories written down | (5,766) | - |

Notes To **The Financial Statements** (cont'd)

12. TRADE RECEIVABLES

| | Group | |
|--|--------------------|--------------------|
| | 2016 RM | 2015 RM |
| Trade receivables | 12,970,715 | 12,112,007 |
| Less : Impairment loss on trade receivables recognised | | |
| At 1 January | (592,963) | (685,752) |
| Reversal | 592,963 | 92,789 |
| At 31 December | – | (592,963) |
| | 12,970,715 | 11,519,044 |

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 (2015: cash term to 120 days).

13. OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Non-trade receivables | 16,179 | 102,889 | 8,988 | 39,498 |
| Less: Impairment loss | (3,838) | (3,838) | (3,838) | (3,838) |
| | 12,341 | 99,051 | 5,150 | 35,660 |
| Advances to employees | 51,884 | 150,800 | 529 | – |
| Advances to suppliers | 868,160 | 976,173 | – | – |
| Deposits | 144,257 | 96,025 | 22,540 | 22,540 |
| GST/VAT recoverable | 767 | 787 | – | – |
| Prepayments | 297,462 | 306,286 | 15,132 | 16,292 |
| | 1,374,871 | 1,629,122 | 43,351 | 74,492 |

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

| | Group | | Company | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Balance at 1 January | 3,838 | 53,838 | 3,838 | 3,838 |
| Less: Reversal of impairment loss | – | (50,000) | – | – |
| Balance at 31 December | 3,838 | 3,838 | 3,838 | 3,838 |

Included in non-trade receivables is amount due from a company in which a Director has interest amounting to RM5,150 (2015: RM3,007) which is unsecured, bears no interest and repayable on demand.

Notes To The Financial Statements (cont'd)

14. 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 | |
|-------------------------------------|------------|-------------|
| | 2016 RM | 2015 RM |
| <u>Amount due from subsidiaries</u> | | |
| Non-trade balance due from | 815,913 | 4,321,364 |
| Less: Impairment loss | (815,913) | (4,321,364) |
| | - | - |

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

| | Company | |
|-----------------------------------|-------------|------------|
| | 2016 RM | 2015 RM |
| Balance at 1 January | 4,321,364 | 799,608 |
| Add: Impairment loss | 7,268 | 3,521,756 |
| Less: Reversal of impairment loss | (3,512,719) | - |
| Balance at 31 December | 815,913 | 4,321,364 |
| <u>Amount due to subsidiaries</u> | | |
| Non-trade balances due to | 10,857,598 | 8,728,832 |

15. 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.

16. FIXED DEPOSITS WITH LICENSED BANKS

Group

Fixed deposits totalling RM8,287,578 (2015: RM8,224,350) 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 2.50% to 2.75% (2015: 2.40% to 3.00%) per annum.

Notes To **The Financial Statements** (cont'd)

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | 2016 | Group |
|-------------------------|-------------|--------------|
| | RM | 2015 |
| | | RM |
| At 1 January | – | 403,688 |
| Disposal | – | (447,239) |
| Translation differences | – | 43,551 |
| <hr/> | | |
| At 31 December | – | – |

On 31 December 2014, a subsidiary had entered into an agreement to dispose of the plant and equipment for a total cash consideration of RM447,239. The transaction had been completed on 21 January 2015.

18. SHARE CAPITAL

| | 2016 | Group and Company |
|---|-------------|--------------------------|
| | RM | 2015 |
| | | RM |
| Authorised:- | | |
| Ordinary shares | | |
| 250,000,000 shares of RM0.10 each brought forward/carried forward | 25,000,000 | 25,000,000 |
| <hr/> | | |
| Issued and fully paid:- | | |
| Ordinary shares | | |
| 135,701,075/131,701,075 shares of RM0.10 each brought forward | 13,570,108 | 13,170,108 |
| Nil/4,000,000 shares of RM0.10 each issued at premium pursuant to:- | | |
| - Exercise of ESOS | – | 400,000 |
| <hr/> | | |
| 135,701,075 shares of RM0.10 each carried forward | 13,570,108 | 13,570,108 |

In the prior financial year, the issued and paid-up ordinary share capital was increased from RM13,170,108 to RM13,570,108 by way of issuance of 4,000,000 new ordinary shares of RM0.10 each 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.

19. 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.

Notes To The Financial Statements (cont'd)

19. RESERVES (CONT'D)

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.

20. SHARE PREMIUM

Share premium represents the excess of the consideration received over the nominal value of shares issued by the Company. It is not to be distributed by way of cash dividends and its utilisation shall be in the manner as set out in Section 60(3) of the Companies Act, 1965.

21. ESOS RESERVE

| | Group and Company | |
|---|-------------------|------------|
| | 2016 RM | 2015 RM |
| At 1 January | 230,007 | 630,007 |
| Share based compensation pursuant to ESOS exercised | – | (400,000) |
| At 31 December | 230,007 | 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 37 to the Financial Statements.

22. REVALUATION RESERVE

| | Group | |
|--------------------------|------------|------------|
| | 2016 RM | 2015 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)

23. BORROWINGS

| | 2016 | Group |
|-------------------------------|-------------|--------------|
| | RM | 2015 |
| | | RM |
| <u>Secured - Term loans</u> | | |
| Non-current | 5,167,625 | 8,616,119 |
| Current | 13,946,298 | 7,824,291 |
| | 19,113,923 | 16,440,410 |
| <u>Unsecured - Term loans</u> | | |
| Current | 2,390,026 | 5,434,783 |
| Total | 21,503,949 | 21,875,193 |
| <u>Presented as:</u> | | |
| Current | 16,336,324 | 13,259,074 |
| Non-current | 5,167,625 | 8,616,119 |
| Total | 21,503,949 | 21,875,193 |

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 16 to the Financial Statements.

The effective interest rates are ranging from 5.66% to 6.41% (2015: 5.75% to 8.30%) per annum.

24. DEFERRED TAX LIABILITIES

| | 2016 | Group |
|--------------------------|-------------|--------------|
| | RM | 2015 |
| | | RM |
| At 1 January/31 December | 36,457 | 36,457 |
| | 36,457 | 36,457 |

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

| | 2016 | Group |
|---|-------------|--------------|
| | RM | 2015 |
| | | RM |
| Revaluation of property, plant and equipment upon transfer to investment property | 20,789 | 20,789 |
| Fair value gain adjustment on investment property | 15,668 | 15,668 |
| | 36,457 | 36,457 |
| | 36,457 | 36,457 |

Notes To The Financial Statements

(cont'd)

24. DEFERRED TAX LIABILITIES (CONT'D)

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 RM8,674,367 (2015: RM6,045,420) 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:-

| | Group | |
|-------------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Unabsorbed capital allowances | 15,500 | 15,500 |
| Unutilised business losses | 8,658,867 | 6,029,920 |
| | 8,674,367 | 6,045,420 |

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.

25. TRADE PAYABLES

The normal credit terms granted by the trade payables ranging from cash term to 90 days (2015: cash term to 90 days).

26. OTHER PAYABLES

| | Group | | Company | |
|------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Non-trade payables | 609,615 | 817,931 | - | - |
| Accrual of expenses | 4,158,273 | 3,387,632 | 981,407 | 1,213,211 |
| Advance from customers | 225,702 | 152,500 | - | - |
| GST/VAT payable | 76,561 | 70,600 | - | - |
| Deposit | 7,751 | - | - | - |
| | 5,077,902 | 4,428,663 | 981,407 | 1,213,211 |

27. REVENUE

Revenue for the Group represents the net invoiced value of goods sold, after allowance for trade discounts and sales rebates.

Revenue for the Company consists of dividend income.

Notes To The Financial Statements

(cont'd)

28. PROFIT/(LOSS) BEFORE TAX

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

| | Group | | Company | |
|--|------------|-------------|-------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Audit fees | | | | |
| - Holding company's auditors | | | | |
| - Statutory audit | 160,000 | 160,000 | 158,000 | 156,000 |
| - Other services | 10,000 | 10,000 | 10,000 | 10,000 |
| - Other auditors | 49,187 | 54,247 | - | - |
| Amortisation of prepaid land lease payment | 34,570 | 34,616 | - | - |
| Bad debts written off | 573,091 | 50,000 | 3,527,192 | - |
| Depreciation | 1,292,702 | 843,719 | 10,743 | 11,505 |
| Directors' remuneration | | | | |
| - Directors' fee | 300,749 | 187,103 | 263,349 | 149,652 |
| - Other emoluments | 2,060,572 | 1,812,325 | 393,397 | 374,573 |
| Impairment loss on amount due from subsidiaries | - | - | 7,268 | 3,521,756 |
| Interest expenses - term loans | 1,037,079 | 392,264 | - | - |
| Inventories written down | - | 116,573 | - | - |
| Investment in a subsidiary written off | - | - | 100,000 | - |
| Loss on disposal of property, plant and equipment | 39,049 | 46,886 | - | - |
| Loss on deconsolidation of subsidiaries | 419,133 | - | - | - |
| Property, plant and equipment written off | 163,836 | 159,884 | - | - |
| Rental expenses | 484,949 | 1,159,876 | 54,610 | 53,249 |
| Dividend income | - | - | (698,590) | - |
| (Gain)/Loss on foreign exchange | | | | |
| - realised | (26,568) | 63,493 | (20,277) | (7,646) |
| - unrealised | 47,535 | 72,314 | 384,272 | 703,002 |
| Government grant received | (445,517) | (104,287) | - | - |
| Interest income | (249,169) | (231,731) | - | - |
| Rental income | (89,716) | (72,093) | - | - |
| Reversal of impairment loss on | | | | |
| - amount due from subsidiaries | - | - | (3,512,719) | - |
| - investment in a subsidiary | - | - | (100,000) | - |
| - other receivables | - | (50,000) | - | - |
| - trade receivables | (592,963) | (92,789) | - | - |
| Reversal of inventories written down | (5,766) | - | - | - |
| Waiver of debts by a corporate shareholder of a subsidiary | - | (1,963,538) | - | - |
| Waiver of debts by a subsidiary | - | - | - | (80,412) |

Notes To The Financial Statements

(cont'd)

29. TAX EXPENSE

| | Group | | Company | |
|-------------------------------|------------------|----------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Outside Malaysia | | | | |
| Current year provision | 1,363,062 | 868,993 | – | – |
| Underprovision in prior years | 60,647 | 25,199 | – | – |
| Total tax expenses | 1,423,709 | 894,192 | – | – |

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

| | Group | | Company | |
|---|------------------|----------------|-------------|-------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Profit/(Loss) before tax | 2,770,779 | 2,205,300 | (1,611,898) | (8,097,976) |
| Income tax on rate of 24% (2015: 25%) | 664,987 | 551,325 | (386,856) | (2,024,494) |
| Tax effect in respect of:- | | | | |
| Change in tax rate for first tranche of chargeable income | (26,893) | – | – | – |
| Income not taxable | (973,057) | (847,836) | (1,039,581) | (22,015) |
| Non-allowable expenses | 1,835,367 | 1,295,463 | 1,426,437 | 2,046,509 |
| Underprovision in prior years | 60,647 | 25,199 | – | – |
| Movement of deferred tax assets not recognised | 630,947 | 652,402 | – | – |
| Permanent loss due to unutilise tax losses | 16,118 | – | – | – |
| Different tax rate in other countries of overseas subsidiaries | (784,407) | (782,361) | – | – |
| Tax expense for the financial year | 1,423,709 | 894,192 | – | – |

The Group's unabsorbed capital allowances and unutilised business losses which can be carried forward to offset against future taxable profit amounted to RM15,500 (2015: RM15,500) and RM8,658,867 (2015: RM6,029,920) respectively.

PRC tax

The provision for PRC income tax is calculated based on statutory income tax rate of 25% (2015: 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.

Notes To **The Financial Statements** (cont'd)

30. 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:-

| | 2016 | Group | 2015 |
|--|-------------|--------------|-------------|
| | RM | | RM |
| Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM) | 1,594,972 | | (871,204) |
| Weighted average number of ordinary shares at 1 January | 135,701,075 | | 131,701,075 |
| Effects of ordinary shares issued during the year | - | | 3,101,370 |
| Weighted average number of ordinary shares at 31 December | 135,701,075 | | 134,802,445 |
| Basic earnings/(losses) per share (sen) | 1.18 | | (0.65) |

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:-

| | 2016 | Group | 2015 |
|--|-------------|--------------|-------------|
| | RM | | RM |
| Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM) | 1,594,972 | | (871,204) |
| Weighted average number of ordinary shares as above | 135,701,075 | | 134,802,445 |
| Effects of ESOS outstanding | (484,400) | | 300,971 |
| Weighted average number of shares assumed to be in issue at 31 December | 135,216,675 | | 135,103,416 |
| Diluted earnings/(losses) per share (sen) | 1.18 | | (0.64) |

Notes To The Financial Statements

(cont'd)

31. EMPLOYEES BENEFITS EXPENSE

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Salaries | 10,749,451 | 9,086,277 | 404,681 | 456,508 |
| Social security contributions | 1,794 | 2,267 | 1,794 | 2,267 |
| Contribution to defined contribution plans | 1,202,255 | 1,040,568 | 56,077 | 63,788 |
| Others | 1,178,232 | 459,377 | 68,847 | 73,738 |
| | 13,131,732 | 10,588,489 | 531,399 | 596,301 |

Included in the employees benefits expense are Directors' remuneration.

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

| Group | 2016 RM | 2015 RM |
|--------------------------------------|------------|------------|
| <u>Existing Directors</u> | | |
| Directors' fee | 295,473 | 187,103 |
| Salaries, wages and other emoluments | 2,008,158 | 1,772,254 |
| Defined contribution plans | 52,414 | 40,071 |
| | 2,356,045 | 1,999,428 |
| <u>Past Director</u> | | |
| Director's fee | 5,276 | - |
| | 2,361,321 | 1,999,428 |
| Company | | |
| <u>Existing Directors</u> | | |
| Directors' fee | 258,073 | 149,652 |
| Salaries, wages and other emoluments | 351,322 | 334,502 |
| Defined contribution plans | 42,075 | 40,071 |
| | 651,470 | 524,225 |
| <u>Past Director</u> | | |
| Director's fee | 5,276 | - |
| | 656,746 | 524,225 |

Notes To **The Financial Statements** (cont'd)

32. 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 | 2016 RM | 2015 RM |
|--|--------------------|--------------------|
| Sales to a corporate shareholder | 1,491,547 | 2,648,600 |
| Purchases from a corporate shareholder | 95,121 | 78,992 |
| Licensing fee paid to a corporate shareholder | 446,490 | 420,915 |
| Commission fee paid to a corporate shareholder | 20,432 | 29,546 |
| <hr/> | | |
| Company | | |
| Dividend received from a subsidiary | 698,590 | - |
| Licensing fee paid to a corporate shareholder | 446,490 | 420,915 |
| <hr/> | | |

(b) Related party balances

The outstanding balances arising from related party transactions as at the reporting date were disclosed in Notes 13, 14 and 15 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 Company.

The remuneration of key management personnel of the Group during the financial year are then follows:-

| | 2016 RM | 2015 RM |
|-------------------------------|--------------------|--------------------|
| Fees | 412,949 | 299,456 |
| Salaries and other emoluments | 2,597,226 | 2,307,942 |
| | <hr/> | <hr/> |
| | 3,010,175 | 2,607,398 |
| <hr/> | | |

33. SUMMARY OF EFFECT ON DECONSOLIDATION OF SUBSIDIARIES

During the financial year, the Company had liquidated its subsidiaries, 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 2016 RM |
|---|------------------------------|
| Translation reserve | 419,133 |
| Net assets deconsolidated/Loss on deconsolidation | 419,133 |
| <hr/> | |

Notes To The Financial Statements (cont' d)

34. RENTAL COMMITMENTS

The future contractual rental commitments are as follows:-

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Within one year | 273,661 | 284,038 | - | - |
| Later than one year but not more than 5 years | 379,219 | 83,202 | - | - |
| | 652,880 | 367,240 | - | - |

Operating lease commitments represent rental payables for rent of a subsidiary's factory building. Leases are negotiated for a term of 2 years (2015: 2 years).

35. LICENSING FEES COMMITMENTS

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.

36. CAPITAL COMMITMENT

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

| | Group | |
|----------------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Capital expenditure | | |
| - Authorised and contracted for: | | |
| - Property, plant and equipment | 523,514 | 808,393 |

37. 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.

Notes To The Financial Statements (cont'd)

37. ESOS (CONT'D)

The salient features of the ESOS are as follows:- (Cont'd)

- (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 31.12.2016 |
|---------------|---------------|----------------|------------------------------------|---------|-------------|-----------------------|
| | | | Balance at 1.1.2016 | Granted | Exercised | |
| 25 March 2014 | 24 March 2019 | – | 2,300,075 | – | – | 2,300,075 |
| | | | Balance at 1.1.2015 | Granted | Exercised | Balance at 31.12.2015 |
| | | RM0.21 | 6,300,075 | – | (4,000,000) | 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.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 10 December 2015, the Company announced that its wholly-owned subsidiary, IJR has filed an application for striking off pursuant to Section 308(1) of the Companies Act, 1965 with the Companies Commission of Malaysia. The striking off process was completed as at the date of this report.
- (ii) On 31 December 2015, the Company announced that ILSZ had on 2 December 2015 commenced a members' voluntary winding-up in accordance with the law in PRC. The winding-up process was completed as at the date of this report.

Notes To The Financial Statements (cont'd)

39. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

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.

| 2016 | Industrial labels RM | Laser/ die-cut product RM | Fabrication of plastic parts RM | Trading of non-core products RM | Other RM | Elimination RM | Total RM |
|---|----------------------------|------------------------------------|--|--|-------------|-------------------|-------------|
| Revenue:- | | | | | | | |
| 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 | 698,590 | (4,839,745) | - |
| | 15,038,967 | 17,569,647 | 13,925,948 | 354,691 | 698,590 | (4,839,745) | 42,748,098 |
| Results: | | | | | | | |
| Interest income | | | | | | | 249,169 |
| Finance costs | | | | | | | (1,037,079) |
| Depreciation and amortisation | | | | | | | (1,327,272) |
| Other non-cash expense (a) | | | | | | | (643,915) |
| Taxation | | | | | | | (1,423,709) |
| Segment profit | | | | | | | 1,347,070 |
| Assets:- | | | | | | | |
| Additions to non-current assets (b) | | | | | | | 1,721,083 |
| Unallocated corporate assets | | | | | | | 60,519,015 |
| Liabilities:- | | | | | | | |
| Unallocated corporate liabilities | | | | | | | 33,164,352 |

Notes To The Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Business Segment (cont'd)

| 2015 | Industrial labels RM | Laser/ die-cut product RM | Fabrication of plastic parts RM | Trading of non-core products RM | Elimination RM | Total RM |
|-------------------------------------|-------------------------|------------------------------------|--|--|-------------------|-------------|
| Revenue:- | | | | | | |
| External customers | 13,234,582 | 13,897,613 | 9,285,052 | 337,809 | - | 36,755,056 |
| Inter-segment | 268,496 | 888,893 | 1,263,926 | 15,479 | (2,436,794) | - |
| | 13,503,078 | 14,786,506 | 10,548,978 | 353,288 | (2,436,794) | 36,755,056 |
| Results: | | | | | | |
| Interest income | | | | | | 231,731 |
| Finance costs | | | | | | (392,264) |
| Depreciation and amortisation | | | | | | (878,335) |
| Other non-cash income (a) | | | | | | 1,660,670 |
| Taxation | | | | | | (894,192) |
| Segment profit | | | | | | 1,311,108 |
| Assets:- | | | | | | |
| Additions to non-current assets (b) | | | | | | 10,481,067 |
| Unallocated corporate assets | | | | | | 57,596,426 |
| Liabilities:- | | | | | | |
| Unallocated corporate liabilities | | | | | | 31,314,968 |

Notes:

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

| | 2016 RM | Group 2015 RM |
|--|------------|---------------------|
| Reversal of impairment loss on trade receivables | 592,963 | 92,789 |
| Inventories written down | - | (116,573) |
| Unrealised loss on foreign exchange | (47,535) | (72,314) |
| Property, plant and equipment written off | (163,836) | (159,884) |
| Loss on disposal of property, plant and equipment | (39,049) | (46,886) |
| Loss on deconsolidation of subsidiaries | (419,133) | - |
| Reversal of impairment loss on other receivables | - | 50,000 |
| Bad debts written off | (573,091) | (50,000) |
| Reversal of inventories written down | 5,766 | - |
| Waiver of debts by a corporate shareholder of a subsidiary | - | 1,963,538 |
| | (643,915) | 1,660,670 |

Notes To **The Financial Statements** (cont'd)

40. OPERATING SEGMENT (CONT'D)

Business Segment (cont'd)

Notes (cont'd):

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

| | 2016 | Group | 2015 |
|-------------------------------|-------------|--------------|-------------|
| | RM | | RM |
| Property, plant and equipment | 1,721,083 | | 10,481,067 |

- (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.

Geographical information

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

| | Group | | | |
|--------------------------|----------------|--------------------|----------------|--------------------|
| | 2016 | 2016 | 2015 | 2015 |
| | Revenue | Non-current | Revenue | Non-current |
| | RM | assets | RM | assets |
| | | RM | | RM |
| PRC | 26,833,492 | 23,377,615 | 26,624,153 | 23,787,683 |
| Hong Kong | 1,979,866 | - | 919,838 | - |
| United States of America | 4,228,498 | - | 3,980,677 | - |
| England | 399,357 | - | 398,803 | - |
| Thailand | 4,669,272 | - | 2,459,204 | - |
| Malaysia | 1,205,802 | 39,844 | 661,044 | 39,681 |
| Netherlands | 358,223 | - | 297,392 | - |
| Taiwan | 367,639 | - | 349,888 | - |
| Philippines | 61,659 | - | - | - |
| Singapore | 57,640 | - | 60,771 | - |
| India | 57,456 | - | 63,342 | - |
| Canada | 168,077 | - | 101,512 | - |
| Germany | 17,677 | - | - | - |
| France | 19,447 | - | 102,701 | - |
| Japan | 22,479 | - | 43,655 | - |
| Korea | - | - | 2,047 | - |
| Australia | 1,633 | - | 14,808 | - |
| New Zealand | 160,079 | - | 70,767 | - |
| Israel | 896,089 | - | 469,900 | - |
| Poland | 51,160 | - | 25,029 | - |
| Mexico | 168,633 | - | 768 | - |

Notes To The Financial Statements (cont'd)

40. OPERATING SEGMENT (CONT'D)

Geographical information (cont'd)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:- (cont'd)

| | Group | | | |
|-------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|
| | 2016 Revenue RM | 2016 Non-current assets RM | 2015 Revenue RM | 2015 Non-current assets RM |
| Finland | 4,740 | - | 1,508 | - |
| Vietnam | 105,184 | - | 93,363 | - |
| Lithuania | 28,579 | - | 9,466 | - |
| Hungary | 9,157 | - | 4,420 | - |
| Sweden | 839,723 | - | - | - |
| Romania | 29,900 | - | - | - |
| Switzerland | 1,632 | - | - | - |
| Spain | 5,005 | - | - | - |
| | 42,748,098 | 23,417,459 | 36,755,056 | 23,827,364 |

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

| | Group | |
|-------------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Property, plant and equipment | 20,175,594 | 20,477,432 |
| Prepaid land lease payment | 1,671,778 | 1,752,080 |
| Investment property | 1,461,266 | 1,489,031 |
| Other investment | 108,821 | 108,821 |
| | 23,417,459 | 23,827,364 |

Information about major customer

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

| | Revenue | | Segments |
|--------------|------------|------------|-------------------|
| | 2016 RM | 2015 RM | |
| - Customer A | 5,914,793 | 6,250,011 | Industrial labels |

Supplementary Information

– 31 December 2016

REALISED AND UNREALISED PROFITS OR LOSSES

With the purpose of improving transparency, Bursa Malaysia Securities Berhad had on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of accumulated losses into realised and unrealised on Group and Company basis in the annual audited financial statements.

The breakdown of the Group's and of the Company's accumulated losses into realised and unrealised profit or losses are analysed as follows:-

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Total accumulated losses of the Company and its subsidiaries | | | | |
| - realised | (3,627,718) | (5,112,420) | (11,412,352) | (9,481,724) |
| - unrealised | 14,899 | (9,881) | (384,272) | (703,002) |
| | (3,612,819) | (5,122,301) | (11,796,624) | (10,184,726) |
| Less: Consolidated adjustments | (774,832) | (116,497) | - | - |
| Total accumulated losses as per consolidated statement of financial position | (4,387,651) | (5,238,798) | (11,796,624) | (10,184,726) |

The determination of realised and unrealised profits or losses is complied based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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

Analysis of Shareholdings

as at 31 March 2017

| | | |
|----------------------|---|-----------------------------|
| Issued Share Capital | : | RM13,570,107.50 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per ordinary share |

SIZE OF SHAREHOLDINGS

as at 31 March 2017

| Size of Holdings | No. of Shareholders | Total Holdings | % |
|-------------------------------------|---------------------|----------------|--------|
| Less than 100 shares | 3 | 173 | 0.00 |
| 100 – 1,000 shares | 220 | 179,302 | 0.13 |
| 1,001 – 10,000 shares | 464 | 3,287,500 | 2.42 |
| 10,001 – 100,000 shares | 715 | 27,601,700 | 20.34 |
| 100,001 – below 5% of issued shares | 131 | 50,741,400 | 37.39 |
| 5% and above of issued shares | 3 | 53,891,000 | 39.72 |
| | 1,536 | 135,701,075 | 100.00 |

DIRECTORS' SHAREHOLDINGS

as at 31 March 2017

| No. | Name | No. of Shares Held | | | |
|-----|----------------------|--------------------|------|---------------------------|-------|
| | | Direct | % | Indirect | % |
| 1. | Andrew Conrad Jacobs | 1,929,900 | 1.42 | 36,619,600 ⁽¹⁾ | 26.99 |
| 2. | Dato' Meng Bin | – | – | 17,436,400 ⁽²⁾ | 12.85 |
| 3. | Chen Shien Yee | – | – | – | – |
| 4. | Hing Kim Tat | – | – | – | – |
| 5. | Koong Lin Loong | – | – | – | – |
| 6. | Tan Kean Huat | – | – | – | – |
| 7. | Lai Kian Huat | – | – | – | – |
| 8. | Rizvi Bin Abd Halim | – | – | – | – |

Notes

- ⁽¹⁾ Deemed interested in Ideal Jacobs Corporation and BAK Investment LLC pursuant to Section 8 of the Companies Act 2016
- ⁽²⁾ Deemed interested by virtue of the shareholding of his spouse, Foo Chong Lee pursuant to Section 59(11)(c) of the Companies Act 2016

SUBSTANTIAL SHAREHOLDERS

as at 31 March 2017

| No. | Name | Direct Interest | | Deemed Interest | |
|-----|--------------------------|-----------------|-------|---------------------------|-------|
| | | Shares | % | Shares | % |
| 1. | Ideal Jacobs Corporation | 36,454,600 | 26.86 | – | – |
| 2. | Andrew Conrad Jacobs | 1,929,900 | 1.42 | 36,619,600 ⁽¹⁾ | 26.99 |
| 3. | Foo Chong Lee | 17,436,400 | 12.85 | – | – |
| 4. | Dato' Meng Bin | – | – | 17,436,400 ⁽²⁾ | 12.85 |

Notes

- ⁽¹⁾ Deemed interested in Ideal Jacobs Corporation and BAK Investment LLC pursuant to Section 8 of the Companies Act 2016
- ⁽²⁾ Deemed interested by virtue of the shareholding of his spouse, Foo Chong Lee pursuant to Section 59(11)(c) of the Companies Act 2016

Analysis of Shareholdings (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

as at 31 March 2017

| NO. | NAME | NO. OF SHARES HELD | PERCENTAGE (%) |
|-----|---|-----------------------|-------------------|
| 1. | IDEAL JACOBS CORPORATION | 25,654,510 | 18.91 |
| 2. | FOO CHONG LEE | 17,436,400 | 12.85 |
| 3. | IDEAL JACOBS CORPORATION | 10,800,090 | 7.96 |
| 4. | ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN PING PING | 3,703,000 | 2.73 |
| 5. | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KHIM GEE @ CHANG KHIM GEE | 2,569,100 | 1.89 |
| 6. | LOW KOK YEW | 2,437,800 | 1.80 |
| 7. | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR FOO CHONG MING | 2,160,000 | 1.59 |
| 8. | CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY SMITH BARNEY LLC | 1,929,900 | 1.42 |
| 9. | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG HE YAM | 1,450,000 | 1.07 |
| 10. | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YIP TUCK LEONG | 1,300,000 | 0.96 |
| 11. | ANG SZE CHAMP | 1,003,000 | 0.74 |
| 12. | LOH SIEW HOOI | 990,000 | 0.73 |
| 13. | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PAU YU TIONG | 893,900 | 0.66 |
| 14. | YEONG KING HUI | 821,000 | 0.61 |
| 15. | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SINNY UNITED SDN. BHD. | 735,000 | 0.54 |
| 16. | MUHAMMAD IKMAL OPAT BIN ABDULLAH | 726,800 | 0.54 |
| 17. | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH SING HUAT | 700,000 | 0.52 |
| 18. | TAN PING PING | 650,000 | 0.48 |
| 19. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN WEI THENG | 610,000 | 0.45 |
| 20. | KHOO WAI TUCK | 600,000 | 0.44 |

Analysis of Shareholdings (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D) as at 31 March 2017

| NO. | NAME | NO. OF SHARES HELD | PERCENTAGE (%) |
|-----|---|-----------------------|-------------------|
| 21. | OOI POH KEOH | 600,000 | 0.44 |
| 22. | CHONG SIAK KEE | 560,000 | 0.41 |
| 23. | SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MICHEAL LEE FOOK SOON | 555,000 | 0.41 |
| 24. | SIN BEE LEAN | 550,000 | 0.41 |
| 25. | ONG TECK WAN | 535,000 | 0.39 |
| 26. | FOO CHONG MING | 518,000 | 0.38 |
| 27. | GOH AH BAH | 500,000 | 0.37 |
| 28. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAU YOKE LAN | 500,000 | 0.37 |
| 29. | NG MEI YEE | 460,000 | 0.34 |
| 30. | LOW KIM PENG | 457,000 | 0.34 |

List of Properties

The details of the properties of the Group as at 31.12.2016 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 31.12.2016 (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 | 5 | 17.02.2011 | 1,461,266 |
| 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 | 1,671,778 |
| IJX | Factory | Building | Tong An District, Industry Zone, East to Tongsheng Road, South to Jicheng Road, North to Second Ring South Road | | | | 2015 | 15,427,662 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting (“AGM”) of the Company will be held at Platinum 1 Room, 2nd Floor, Novotel Kuala Lumpur City Centre Hotel, No. 2, Jalan Kia Peng, 50450 Kuala Lumpur on Friday, 16 June 2017 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 2016 together with the Directors’ and Auditors’ Reports thereon.
2. To approve the payment of Directors’ Fees amounting to RM180,000 for the financial year ended 31 December 2016. **Ordinary Resolution 1**
3. To approve the payment of Directors’ fees and benefits up to RM300,000 from 1 January 2017 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. Andrew Conrad Jacobs **Ordinary Resolution 3**
 - (ii) Dato’ Meng Bin **Ordinary Resolution 4**
 - (iii) Mr. Koong Lin Loong **Ordinary Resolution 5**
5. To re-appoint Messrs SJ Grant Thornton as Auditors for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 6**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions: -

6. **AUTHORITY TO ISSUE SHARES** **Ordinary Resolution 7**

“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.”

Notice of **Annual General Meeting** (cont'd)

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")**

Ordinary Resolution 8

"THAT subject to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval is hereby given for the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.2.1 of the Circular to Shareholders dated 28 April 2017, provided that such transactions are necessary for the day-to-day operations and are undertaken in the ordinary course of business, on transaction price, and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders' of the Company.

AND THAT the Proposed Renewal of Shareholders' Mandate, unless revoke or varied by the Company in general meeting, shall continue in force until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete all and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate."

8. 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: 28 April 2017
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 Eighth AGM, the Company shall be requesting the Record of Depositors as at 9 June 2017. Only a depositor whose name appears on the Record of Depositors as at 9 June 2017 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.

Explanatory Notes on Special Business

(i) **Ordinary Resolution 7 – Authority to issue shares**

A general mandate has been granted by the shareholders of the Company at the Seventh AGM on 27 May 2016. 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.

(ii) **Ordinary Resolution 8 – Proposed Renewal of Shareholders' Mandate**

The explanatory notes on the Ordinary Resolution 8 is set out in the Circular to Shareholders dated 28 April 2017.

Other Disclosure Requirements

1) Material Contracts and Contracts relating to Loans

There were no material contracts entered into by the Group which involves directors and substantial shareholders' interest during the financial year.

2) 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 2016 (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⁾ | 1,491 |
| | <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 | | 95 |
| 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⁾ | 446 |
| 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⁾ | 20 |

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.

3) Corporate Social Responsibility ("CSR")

There were some cash contribution made by Ideal Jacobs group to University Tunku Abdul Rahman in 2016. At the same time, Ideal Jacobs subsidiary, namely Ideal Jacobs (Xiaman) Corporation sponsored some under privileged (college/high school) students in their studies.

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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 Eighth Annual General Meeting ("AGM") of the Company to be held at Platinum 1 Room, 2nd Floor, Novotel Kuala Lumpur City Centre Hotel, No. 2, Jalan Kia Peng, 50450 Kuala Lumpur on Friday, 16 June 2017 at 10 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 RM180,000 for the financial year ended 31 December 2016 | | | | |
| 2 - Payment of Directors' fees and benefits up to RM300,000 from 1 January 2017 until the next AGM of the Company. | | | | |
| 3 - Re-election of Director, Mr. Andrew Conrad Jacobs | | | | |
| 4 - Re-election of Director, Dato' Meng Bin | | | | |
| 5 - Re-election of Director, Mr. Koong Lin Loong | | | | |
| 6 - Re-appointment of Messrs SJ Grant Thornton as Auditors | | | | |
| 7 - Authority to issue shares | | | | |
| 8 - Proposed Renewal of Shareholders' Mandate | | | | |

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.....2017

.....
Signature/Common Seal

Notes:-

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Eighth AGM, the Company shall be requesting the Record of Depositors as at 9 June 2017. Only a depositor whose name appears on the Record of Depositors as at 9 June 2017 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.



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AFFIX
STAMP

The Company Secretary
**IDEAL JACOBS (MALAYSIA)
CORPORATION BHD**
(Company No. 857363-U)
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