



CHUAN HUAT RESOURCES BERHAD

(290729-W)

ANNUAL REPORT 2016



YOUR RELIABLE BUSINESS PARTNER



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YOUR RELIABLE BUSINESS PARTNER



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI ABDUL AZIZ BIN ABDUL RAHMAN
(Independent Non-Executive Chairman)

DATO' LIM KHOON HENG
(CEO/Group Managing Director)

DATO' LIM LOONG HENG
(Deputy Managing Director)

NICHOLAS LIM KEAN HOONG
(Executive Director)

LIM KAH POON
(Independent Non-Executive Director)

DALI KUMAR @ DALI BIN SARDAR
(Independent Non-Executive Director)

CHOW FOONG YEW
(Independent Non-Executive Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

LIM KAH POON (Chairman)
DALI KUMAR @ DALI BIN SARDAR
CHOW FOONG YEW

NOMINATION AND REMUNERATION COMMITTEE

DALI KUMAR @ DALI BIN SARDAR (Chairman)
TAN SRI ABDUL AZIZ BIN ABDUL RAHMAN
LIM KAH POON
CHOW FOONG YEW
DATO' LIM KHOON HENG

SECRETARY

FOO SIEW LOON (MAICSA 7006874)

REGISTERED OFFICE

Wisma Lim Kim Chuan
Lot 50A, Jalan 1/89B
3½ Mile Off Jalan Sungai Besi
57100 Kuala Lumpur
Tel : +603-7983 3333
Fax : +603-7980 3333
E-mail : enquiries@chuanhuat.com.my

WEBSITE

<http://www.chuanhuat.com.my>

REGISTRAR

SECTRARS MANAGEMENT SDN. BHD.
Lot 9-7 Menara Sentral Vista
No 150 Jalan Sultan Abdul Samad Brickfields
50470 Kuala Lumpur
Tel : +603-2276 6138
Fax : +603-2276 6131

PRINCIPAL BANKERS

AmBank (M) Berhad
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad
Amlslamic Bank Berhad
CIMB Bank Berhad
AL Rajhi Banking & Investment Corporation (Malaysia) Bhd

AUDITORS

ONG BOON BAH & CO.
B-10-1, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
Tel : +603-2163 0292
Fax : +603-2163 0316

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
(Trading/Services Sector)
Stock Name : CHUAN
Stock Code : 7016

GROUP STRUCTURE

CHUAN HUAT RESOURCES BERHAD

(Listed in the Main Market Bursa Malaysia Securities Berhad)

CHUAN HUAT HARDWARE HOLDINGS SDN BHD

100% CH REBAR SDN BHD

100% CHRB PROPERTIES SDN BHD

100% BARS & MESH INDUSTRIES SDN BHD

100% CHRS SAMAWIRA MESH SDN BHD

100% CH SAMAWIRA MESH SDN BHD

100% CH STEEL WIRE INDUSTRIES (CAMBODIA) CO., LTD.

PINEAPPLE RESOURCES BERHAD

(Listed in the ACE Market Bursa Malaysia Securities Berhad)

100% SC-PNP EDARAN SDN BHD

100% PINEAPPLE OFFICE SUPPLIES SDN BHD

100% AGVA MARKETING MALAYSIA SDN BHD

100% PINEAPPLE COMPUTER UTARA SDN BHD

100% PINEAPPLE COMPUTER SYSTEMS SDN BHD

100% PINEAPPLE COMPUTERS & ACCESSORIES SDN BHD

100% PINE SYSTEM TECHNOLOGY SDN BHD

CHUAN HUAT STEEL SDN BHD

100% CHRB CORPORATION SDN BHD

100% PEMASARAN ESYFENCE SDN BHD

100% CHRB TIMURAN SDN BHD

70% KEYLINE CONSULTING SDN BHD

75% CH SWEESTECH DOOR SDN BHD

CHRB BAHAN BINAAN SDN BHD

48.5% CHRB UTARA SDN BHD

100% CHRB SELATAN SDN BHD

100% CHUAN HUAT INDUSTRIAL MARKETING SDN BHD

80% CHUAN HUAT METAL SDN BHD

60% CHRB BUILDING MATERIALS SDN BHD

60% CHRB TRADING SDN BHD

BOARD OF DIRECTORS



1. Tan Sri Abdul Aziz Bin Abdul Rahman

2. Dato' Lim Khoon Heng

3. Dato' Lim Loong Heng

4. Nicholas Lim Kean Hoong

5. Lim Kah Poon

6. Dali Kumar @ Dali Bin Sardar

7. Chow Foong Yew



PROFILE OF DIRECTORS

TAN SRI ABDUL AZIZ BIN ABDUL RAHMAN

(Independent Non-executive Chairman)

71 years of age
Male
Malaysian

Chairman and Director, holding a non-executive and independent position since 2 August 2013.

YBhg Tan Sri Abdul Aziz Bin Abdul Rahman graduated with a Bachelor of Commerce from University of New South Wales, Sydney, Australia. He is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

He has served as Chairman and Board member of several government institutions, agencies and public listed companies, both in Australia and Malaysia. At the corporate level he was with Price Waterhouse & Co. Sydney, Malaysia Airlines and Managing Director of Bank Rakyat Bhd before venturing into politics and public service as the Pahang State Assemblyman, State Executive Councillor and Deputy Chief Minister of Pahang. He was a Senator of Malaysian Parliament for a maximum period of two (2) terms. Presently he is a Board member of Affin Islamic Bank Berhad, International Islamic University Malaysia, Tanah Makmur Berhad and Asian Healthcare Group Berhad.

YBhg Tan Sri Abdul Aziz Bin Abdul Rahman attended five out of five Board Meetings held in the financial year ended 31 December 2016.



DATO' LIM KHOON HENG, PATRICK

(CEO/Group Managing Director)

64 years of age
Male
Malaysian
DSSA

Chief Executive Officer and Group Managing Director, holding an executive and non-independent position since 2 May 1997.

YBhg Dato' Lim Khoo Heng is the Managing Director of Chuan Huat Steel Sdn Bhd since 14 December 1976. He is responsible for the operation, management and strategic planning of the Chuan Huat Resources Berhad Group. He was conferred with the DSSA award which carries the title of "Dato" by the Sultan of Selangor on 13 March 1999. He has been appointed as the Advisor of the Malaysia Hardware, Machinery & Building Materials Dealers' Association and Malaysia Steel And Metal Distributors' Association. He was awarded the Outstanding Entrepreneurship Award on 29 July 2010 in the Asia Pacific Entrepreneurship Awards 2010 (APEA 2010). He was again awarded the Asia Pacific Entrepreneurship Award-Building Material Industry on August 2016 in the Asia Pacific Entrepreneurship Award 2016 (APEA 2016).

YBhg Dato' Lim Khoo Heng is also the Non-Executive Chairman in Pineapple Resources Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2016.



PROFILE OF DIRECTORS (cont'd)

DATO' LIM LOONG HENG, MARK

(Deputy Managing Director)

62 years of age
Male
Malaysian
DIMP

Deputy Managing Director, holding an executive and non-independent position since 2 May 1997.

YBhg Dato' Lim Loong Heng was attached to Schinger Ltd in UK as an Assistant Accountant for two years prior to his appointment to the Board of Directors of Chuan Huat Hardware Holdings Sdn Bhd. He currently takes charge of corporate planning matters of the Chuan Huat Resources Berhad Group. He was conferred with the DIMP award which carries the title of "Dato" by the Sultan of Pahang on 26 February 2005.

YBhg Dato' Lim Loong Heng is also the Managing Director in Pineapple Resources Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2016.



NICHOLAS LIM KEAN HOONG

(Executive Director)

36 years of age
Male
Malaysian

Director, holding an executive position since 25 February 2011.

Mr. Nicholas Lim Kean Hoong joined the Chuan Huat Group in June 2006 as the Manager responsible for the operation and marketing of the steel services centre division of Chuan Huat Group. He is an Executive Director of CHRS Samawira Mesh Sdn Bhd, CH Samawira Mesh Sdn. Bhd, Bars & Mesh Industries Sdn Bhd and CH Steel Wire Industries (Cambodia) Co., Ltd. He holds a Bachelor's Degree in Computer Science and Management Studies (Hons) from Nottingham University.

Mr. Nicholas Lim Kean Hoong attended five out of five Board Meetings held in the financial year ended 31 December 2016.



PROFILE OF DIRECTORS (cont'd)

LIM KAH POON

(Independent Non-Executive Director)

68 years of age
Male
Malaysian



Director, holding a non-executive and independent position since 27 February 2015.

Mr. Lim Kah Poon is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA). Mr. Lim is a Chartered Accountant with a broad based business experience, spent the early part of his professional career with Ernst & Whinney in Dublin, Ireland and Price Waterhouse in Kuala Lumpur / Penang for approximately 12 years. Mr. Lim was the Branch Manager of Price Waterhouse, Penang when he left the firm in 1983.

He joined Malaysian Tobacco Company Berhad ("MTC") - a subsidiary of British American Tobacco Company Ltd ("BAT"), in June 1983, where he held various senior finance positions over a 15 year-period, including the position of Financial Controller from 1990 to June 1996. From July 1996, he assumed the Regional Audit role, responsible for facilitating and identifying the key business risks and evaluating the respective control environment in all the key BAT operations in the Asia Pacific Region with the top management and ensuring that the business risks and weaknesses in the control environment were properly addressed, managed or minimized.

In 1998, he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. His finance and regional audit portfolios in both MTC and the local company had provided him with the wide experience covering financial and management accounting and control, formulation of corporate policies and strategies, risks management, corporate governance, business and tax planning and the role of internal audit under the ever changing corporate environment.

He left his last company in September 2001 in order to focus on his consultancy work.

Mr. Lim Kah Poon is also an Independent Non-Executive Director in Pineapple Resources Berhad, HeveaBoard Berhad and Spring Energy Resources Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2016.

DALI KUMAR @ DALI BIN SARDAR

(Independent Non-Executive Director)

58 years of age
Male
Malaysian



Director, holding a non-executive and independent position since 15 July 1999.

Mr. Dali Kumar @ Dali Bin Sardar was with Citibank/Citicorp (NY/KL) from 1982 to 1996. Prior to his departure, he was the Managing Director of Citicorp Capital Sdn Bhd, a venture capital subsidiary of Citicorp. He left to become the CEO of Utama Merchant Bank Berhad. He left the position at the end of 1996 and set up DTA Capital Partners Sdn Bhd. DTA is a boutique corporate finance set-up. DTA now has two fully-owned subsidiaries managing two venture capital funds of Mavcap which is fully owned by the Ministry of Finance (MOF). He also served several terms as Chairman on the Malaysian Venture Capital and Private Equity (MVCA) and Treasurer of Asia Pacific Venture Capital and Private Equity Association (APVCA).

Mr. Dali Kumar @ Dali Bin Sardar also serves as an Independent Director of Maybank Islamic and Director in M Development Ltd (listed on SGX main board) as well as numerous private companies. He attended three out of five Board Meetings held in the financial year ended 31 December 2016.

PROFILE OF DIRECTORS (cont'd)

CHOW FOONG YEW, FRANKIE

(Independent Non-Executive Director)

58 years of age

Male

Malaysian



Director, holding a non-executive and independent position and was appointed on 27 February 2017.

Mr. Chow Foong Yew has served in numerous multi-national companies and conglomerates in his 31 years career in various senior management positions. He graduated with a BSc. (Hons) degree in Electrical and Electronics Engineering from Portsmouth University in 1980 and commenced his career in ASEA Brown Boveri. He joined Malaysian Tobacco Company (MTC) a subsidiary of British American Tobacco (BAT) in 1981 and served 15 years with MTC in various positions in Engineering, Production, Product Development and Export Logistics.

He then joined Philip Morris Asia Limited (PMAL) in Hong Kong in 1995 as the Regional Manufacturing Manager overseeing the company's third party contract and licensee manufacturing facilities in Vietnam, Indonesia, Philippines and Nepal with key responsibilities in ensuring the contract and licensee manufacturing facilities meet PM International product quality integrity and production standards. He was instrumental in setting up the green field manufacturing facility in Nepal to meet PM International stringent manufacturing requirements as a qualified facility.

Mr. Chow Foong Yew joined PT HM Sampoerna (PTHMS) in Indonesia in 2000 as Head of Global Logistics and Supply Chain Management responsible for the management, development and execution of global supply chain management strategies and plans in the procurement, logistics and warehousing of processed tobacco and non-tobacco materials, machinery and spare-parts for PTHMS third party contract manufacturers in the UK, Germany and Russia. In 2004, he was appointed Country Manager of Sampoerna Brazil Latin America (SAMTA) based in Sao Paulo responsible for turnaround strategies to improve profitability and increase in market share.

He joined GemsTV Holdings Ltd (GTV), a SGX public listed company in 2006 as its Chief Manufacturing Officer at its jewellery manufacturing facility NCS Group Co. Ltd in Thailand and as a member of GTV's senior management business strategic team. He developed and modernized the Thailand manufacturing facility to achieve higher efficiency, productivity and profitability. He was involved in the setting up of the Institute of Jewellery Technology under the Thailand Board of Investment (BOI) privileges to train and develop local Thai nationals on the latest Skills, Technology and Innovation in jewellery manufacturing technology.

Mr. Chow Foong Yew left GTV in 2010 to pursue his personal interests.

Mr. Chow Foong Yew is also an Independent Non-Executive Director in Pineapple Resources Berhad. He did not attend any of the Board Meeting held in the financial year ended 31 December 2016 as he joined the Board on 27 February 2017.

Family Relationship

Except for Dato' Lim Khoon Heng and Dato' Lim Loong Heng who are brothers while Nicholas Lim Kean Hoong is the nephew to both Dato' Lim Khoon Heng and Dato' Lim Loong Heng, none of the other Directors are related to one another, nor with any major shareholders.

Conviction for Offences

None of the Directors have been convicted of any offences (excluding traffic offences) within the last 10 years.

PROFILE OF SENIOR MANAGEMENT

CHAN KIM FOO

Chief Operating Officer since 2013

71 years

Male

Malaysian

Mr. Chan Kim Foo holds a Bachelor of Art degree and was the Chief Operating Officer of SYG Thailand Co Ltd, Bangkok before his joining with the Chuan Huat Group. During his tenure of office, he also oversees SYG's business in Shanghai, China.

He has been attached with Malayan Banking Berhad and just prior to his departure, he was the Regional Head of Business Banking with Maybank for more than 15 years. He was also a lecturer with the Bank's training campus.

He joined Thong Fook Group as Head of Human Resources immediately after leaving the bank and eventually became its Chief Operating Officer managing the operations of the Group's two JV/MNC companies, and a property entity.

During his career, he was also a part-time public speaker on management practices by invitation.

JEFFREY SEE CHOK HOCK

Executive Director – Chuan Huat Industrial Marketing Sdn Bhd since 1994

59 years

Male

Malaysian

Mr. Jeffery See Chok Hock has more than 30 years of experience in the building materials industry. Prior to his employment to the Chuan Huat Group, he was attached to a local steel mill, in charge of the sales and marketing division to promote local steel products to the construction industry in the country. In 1994, he was appointed as a director of Chuan Huat Industrial Marketing Sdn Bhd, a wholly owned subsidiary of CHRB. Since then he was responsible for the building material trading operation of the Group, during his leadership, the Group have position itself as a leading trading house for the supply of wide range of building materials for the needs of the building industry of the country.

He was tasked further to promote the in-house products manufactured by the Group viz, steel wire mesh and welded security fencing and brands as well as to expand the products range of the Group.

CHIN YEE HONG

Group General Manager – Finance since 1997

57 years

Male

Malaysian

Mr. Chin Yee Hong holds a bachelor degree in Business, a member of Australian Society of Accountant, an Associate member of Australian Society of Certified Practicing Accountant as well as Professional member of Institute of Internal Auditors Malaysia.

Prior to joining Chuan Huat Group, he was attached to Ernst & Young under Audit and Corporate Consultancy divisions assisting in auditing, IPO exercise, liquidation as well as receivership. He was appointed as audit manager in an accounting firm after his departure from Ernst & Young.

He joined an insurance company as head of internal audit, a subsidiary of a public listed company, overseeing the smooth running of internal audit function.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S HISTORY AND BUSINESS

The Group business started off 60 years ago as a scrap metal merchant by the late Mr. Lim Kim Chuan as a partnership under the name of Chuan Huat & Co. The business evolved over the period of time till today to be a leading supplier and stockist of all type of structural steel and a trader for a full range of building material. It also ventures further to be a steel related value added processor for BRC (steel reinforcement mesh) and a service center for cut and bend steel rebar. It also has a division to retail a full range of computer products.

Trading Division

- 1 Chuan Huat Steel Sdn Bhd - Importer, stockist and distributor for all types of structural steel
- 2 Chuan Huat Industrial Marketing Sdn. Bhd - Appointed distributors and reseller for a full range of building materials for most of the local manufacturers of building material. Major products includes steel bars, BRC (steel reinforcement mesh), ironmongery and sanitary wares.
- 3 Chuan Huat Metal Sdn. Bhd - Trading of building material in Sarawak, East Malaysia.
- 4 CHRB Building Materials Sdn. Bhd - Trading of building materials in Sabah, East Malaysia.
- 5 Keyline Consulting Sdn. Bhd - Distribution and reselling for full range of imported and local brands ironmongery.

Steel Processor and Service Center

- 1 CHRS Samawira Mesh Sdn. Bhd - Processor of standard and cut to size BRC (steel reinforcement mesh) and fencing products.
- 2 CH Rebar Sdn. Bhd. - Service Center providing cut and bend steel rebar to the construction industry.
- 3 CH Sweestech Door Sdn. Bhd. - Processor of all doors, including fire resistance door.

Overseas Operation

CH Steel Wire Industries (Cambodia) Co. Ltd. - Processor of BRC (steel reinforcement mesh) in Phnom Penh, Cambodia.

IT Division

Pineapple Resources Berhad - Distribution and reselling a full range of computer related products.

OVERVIEW OF GROUP FINANCIAL RESULTS

Group Revenue

The Group's revenue for the financial year ended 31st December 2016 was relatively unchanged at RM646 million, as compared to RM663 million in the previous year.

Profit and Loss Before Tax

The Group recorded a Profit Before Tax (PBT) of RM2.7 million for the fourth quarter ended 31st December 2016 and a Profit Before Tax (PBT) of RM13.5 million for the twelve months period ended 31st December 2016 as compared to a Loss Before Tax (LBT) of RM4.1 million and RM0.9 million respectively in the previous year. This turnaround was mainly due to higher selling price in line with global increase in steel prices.

Gross Profit Ratio

The Gross Profit Ratio for 2016 was at 12.3% as compared to 9.2% in the previous year.

Net Profit Before Tax Ratio

The Net Profit Before Tax Ratio for 2016 was at 2.1% as compared to (0.14%) in the previous year.

Earning Per Share

The earning per share for 2016 was at 5.97 sen as compared to (0.90) sen in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OVERVIEW OF GROUP FINANCIAL RESULTS (cont'd)

Gearing Ratio

The gearing ratio for 2016 was at 0.85 time as compared to 0.88 time in the previous year.

Stock Turnover Ratio

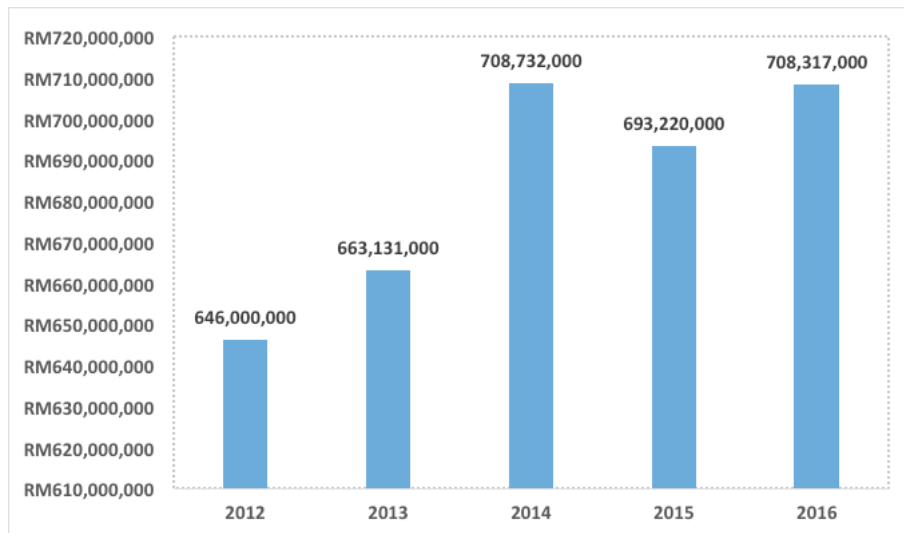
The stock turnover ratio was recorded as 2.18 months in 2016 as compared to 2.43 months in the previous year.

Debtors Turnover Ratio

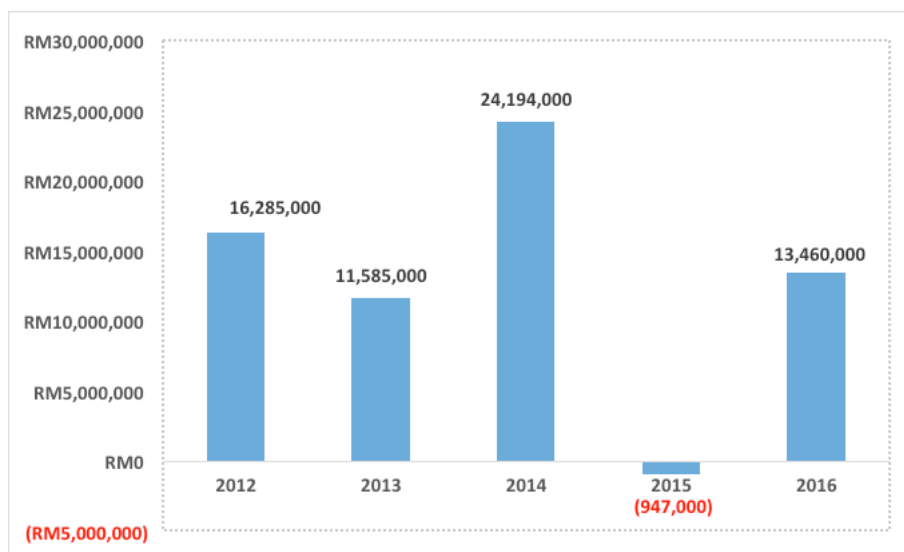
The debtors turnover ratio for 2016 was at 3.11 months as compared to 2.87 months in the previous year

GROUP'S 5 YEAR FINANCIAL PERFORMANCE

CHRB 5 Year Turnover



CHRB 5 Year Profit & Loss Before Tax

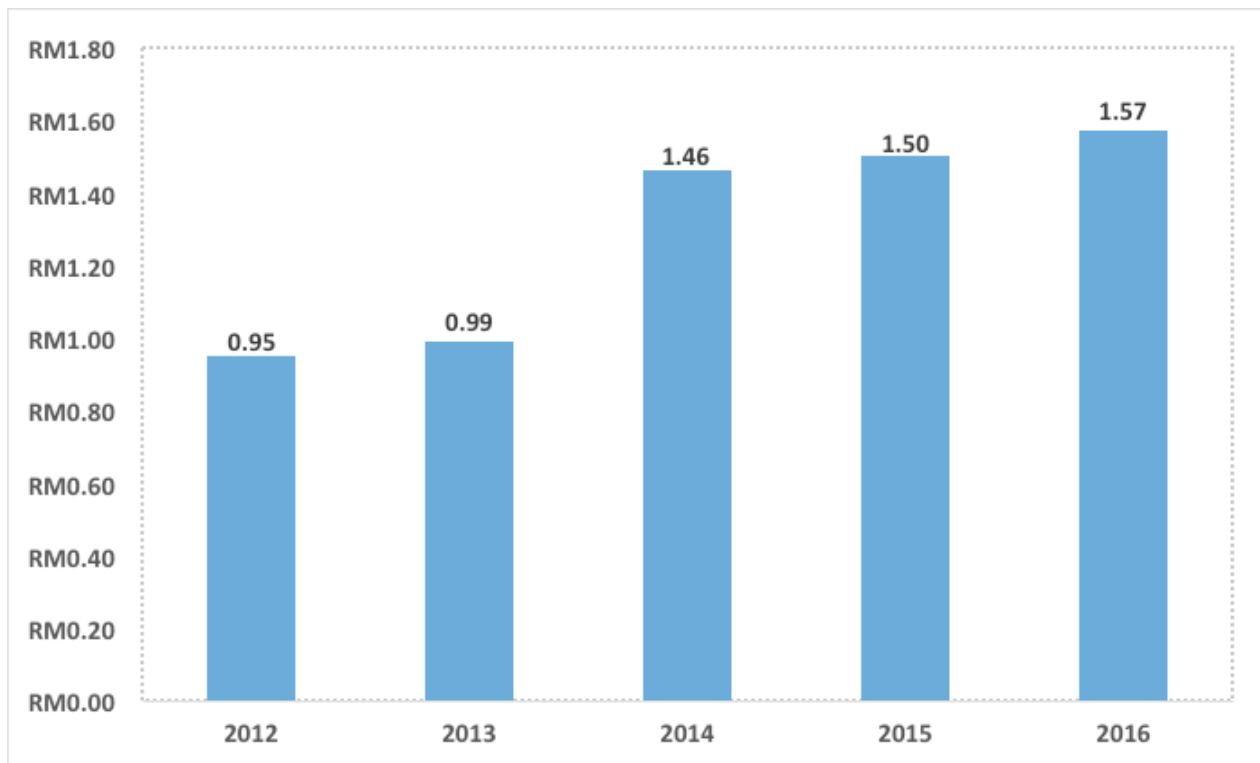


The sharp drop in the profit and loss for year 2015 from a profit of RM24 million in the previous year to a loss of RM0.95 million was mainly due to the sharp drop in global steel prices which inadvertently reduces the closing stock value.

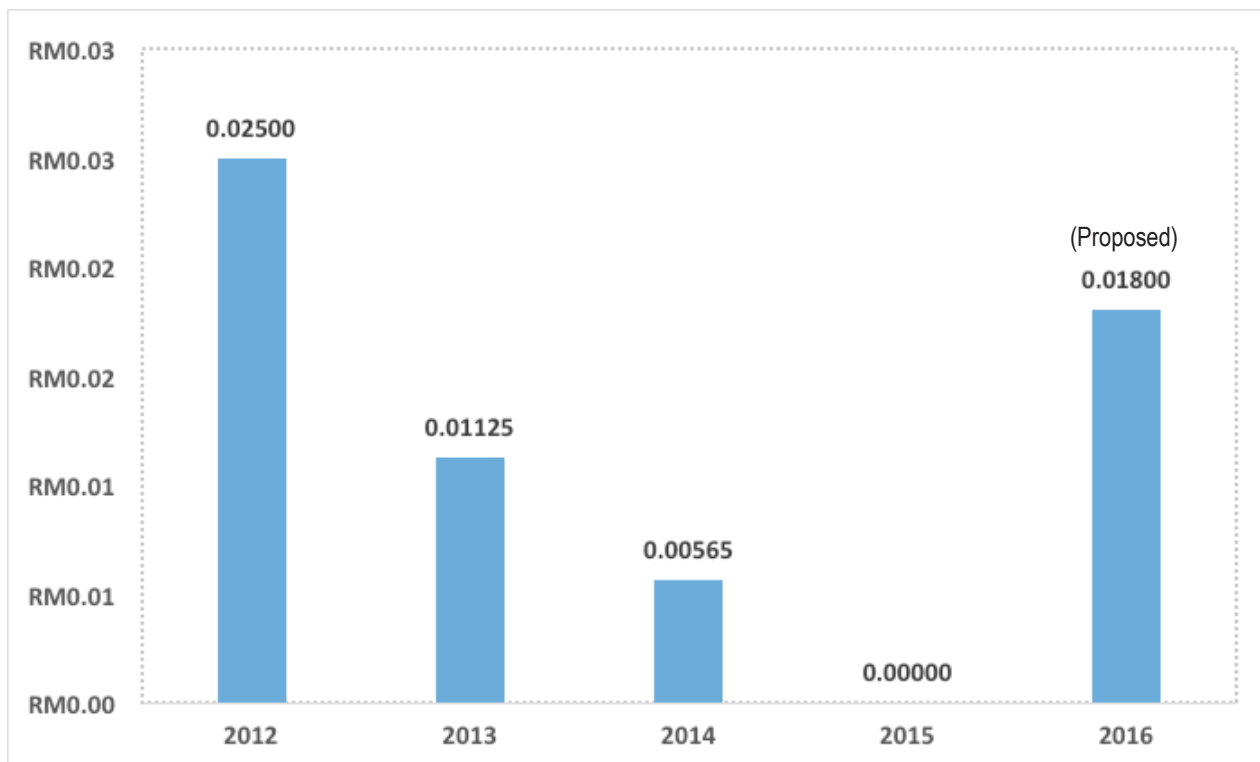
MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

GROUP'S 5 YEAR FINANCIAL PERFORMANCE (cont'd)

CHRB 5 Years NTA Per Share



CHRB 5 Year Dividend Per Share



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OUTLOOK 2017

The domestic economic climate will remain with challenges and uncertainties brought forward from the previous year. However, the economic fundamentals are still strong and 2017 is looking to be a more positive year.

The recent announcement by the government on the massive spending on infrastructure development, in particular the East Coast Rail Link (ECRL), the High Speed Rail (HSR) and the Kuala Linggi International Port in Malacca which is slated to commence in the first quarter of 2017 will spur the construction industry despite the less than stellar outlook for the economy in 2017. The World Bank has forecasted a slight improvement for Malaysia economy with GDP to rise by 4.3% accordingly. This is good news for the Group as the core business is directly related to the construction industry.

Segmental prospect

1 Trading Division

With the existing projects like the MRT (Mass Railway Transit) and the various huge infrastructure projects in the pipeline, we see an increase in the demand for our products. However, we may see a contraction in the private sector for housing but this slowdown will be compensated by infrastructure projects. Global prices for steel products are also looking stable with the increase in prices of commodity.

2 Steel processor and service center

The construction industry is currently facing a major problem in getting enough legal workers to work in the job site and contractors are turning more to IBS (industrialized building systems) products to mitigate this problem. Both BRC and cut and bend rebar are considered as an IBS product. We are positive for this division to grow in line with the government call to use more IBS products.

The demand for fire door is also seeing an increase in the demand with more condominium being built.

3 Overseas operation

After 3 years of operation in Cambodia, the local market is beginning to understand and accept the product and will see an upward trend in the revenue and contribution.

4 IT Division

Consumers spending have affected the overall IT industry after the implementation of GST (Goods and Services Tax) and the management expect this division to improve as the overall economy stabilised. The change over on the focus of the business to hypermarkets and online sales will see a —turnaround on the performance.

CONCLUSION

Despite the challenges and uncertainties along the way, the management is optimistic to maintain or better the performance for year 2017.

STATEMENT OF SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

The Group takes cognisance of Corporate Social Responsibility practices which endeavour to continue the commitment to behave ethically and contribute to economic development while improving the quality of life of its employees as well as the local community and society at large. At the same time, the Group is also mindful of the importance of business sustainability, which focuses on managing the impacts of the Group's business on the economy, environment and society. The Group integrate these practices into its day to day operations by the adoption and application of environmentally responsible practices, sound social policies and good governance structures while ensuring a good balance of these aspects. The practices include:-

- the role as a caring corporate citizen and continues to contribute to the charitable, social and welfare programs. During the year, Group have contributed the following projects/organisations:-
 - Selangor King George V Silver Jubilee Fund
 - Pertubuhan Penganut Dewa San Kau Tong
 - Surau Al-Ulum, Seksyen 9 Kota Damansara
 - Little Sisters of The Poor
 - Hospis Malaysia
 - Charis Christian Centre
 - National Cancer Society of Malaysia
 - National Kidney Foundation of Malaysia
- continuous improvements and enhancements to minimize any negative impacts on the environment while ensuring all operations and activities are in compliance with the applicable environment rules, regulations and guidelines.
- recognising that its employees are the most valuable asset and acknowledged their invaluable contributions. As such the Group believes that long term sustainability depends on the ability to attract and retain talented and dedicated employees which includes training and development while ensuring a conducive and safe environment for them to work in. Activities to promote teamwork and create a harmonious environment for employees will include social events, sports activities and company trips.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Chuan Huat Resources Berhad ("Board") is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescribed principles and best practices set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission Malaysia and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board has directed and managed the business and affairs of the Group towards enhancing business prosperity, corporate responsibility, integrity and accountability and providing greater disclosure and transparency with the ultimate objective of realising long term shareholders' values whilst taking into account the interests of other stakeholders.

The Board is pleased to provide the following statements, which outlines the main corporate governance practices adopted by the Group throughout the financial year ended 31 December 2016.

A. BOARD OF DIRECTORS

(a) Board Responsibilities

The Group is controlled and led by a dynamic Board. It has a balanced board composition with effective independent directors. The Board acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

(b) Division of Roles and Responsibilities between the Chairman and the Chief Executive Officer

There is a distinct and clear division of the roles and responsibilities between the Chairman of the Board and the Group Chief Executive Officer ("CEO") to ensure that there is a proper balance of power and authority. The Chairman is primarily responsible for the effective conduct of the Board and ensuring that all Directors have full and timely access to all relevant information necessary for informed decision making. The Chairman encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings in order to reflect the consensus of the whole Board and not the views of any individual or group. The Group CEO has overall responsibilities over the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions.

(c) Board Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2016, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, corporate proposals, the business plan and direction of the Group.

The attendance record of each Director are as follows:

Director	Numbers of Meeting attended
Tan Sri Abdul Aziz Bin Abdul Rahman	5/5
Dato' Lim Khoo Heng	5/5
Dato' Lim Loong Heng	5/5
Nicholas Lim Kean Hoong	5/5
Lim Kah Poon	5/5
Dali Kumar @ Dali Bin Sardar	3/5
Leow Bock Lim (Resigned on 1/1/2017)	5/5
Chow Foong Yew (Appointed on 27/2/2017)	*-

* Mr Chow Foong Yew did not attend any of the Board Meetings held in the financial year ended 31 December 2016, as he recently joined the Board on 27 February 2017.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(c) Board Meetings (cont'd)

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers providing updates on operational, financial and corporate developments as well as minutes of meetings of the Board which are circulated prior to the meeting, are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting. The Board has full access to senior management and the advice and services of the Company Secretary, who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may also seek independent professional advice, at the Company's expense, if required. The Directors may also consult with the Group Managing Director and other Board members prior to seeking any independent professional advice.

(d) Board Balance

As at the date of this statement, the Board consists of seven (7) members; comprising one (1) CEO/Group Managing Director, two (2) Executive Director and four (4) Non-Executive Directors. A brief profile of each Director can be found in the "Profile of Directors".

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Paragraph 1.01 of the MMLR of Bursa Securities. The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive director) and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Group. The Board complies with Paragraph 15.02 of the MMLR which requires that at least two (2) directors or one-third of the Board, whichever is the higher, are independent directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the deliberation.

The Board has yet to adopt a gender diversity policy. Board membership is dependent on each candidate's skills, experience, core competencies and other qualities as well as the needs of the Company for the time being, regardless of gender. The Board does not consider gender to be a bar to Board membership. While compliance with the Code is voluntary, the Board will continue to assess the needs to adopt a gender diversity policy.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Group.

(e) Tenure of Independent Directors

Dali Kumar @ Dali Bin Sardar is an independent non-executive director who has been serving in the Board for more than nine (9) years. The Board is satisfied that Dali Kumar @ Dali Bin Sardar has satisfactorily demonstrated that he is independent from management and free from any business or other relationships which may interfere with the exercise of their independent judgement, in line with the requirements of Chapter 1 of the MMLR of Bursa Securities. The Board considers that their continuing position as independent non-executive directors will enable him to be objective and clear in directing and reviewing the Group's business strategies and direction.

The Board has reviewed and was satisfied with the professional skills, contribution and independent judgement and advised that Dali Kumar @ Dali Bin Sardar should continue with his appointment in the Board. Therefore, the Board recommends and proposes that his re-appointment as Independent Non-executive Director of the Company, be tabled for shareholders' approval at the forthcoming AGM.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(f) Supply of Information

The members of the Board in their individual capacity have full and timely access to information with Board papers distributed in advance of meetings for the discharge of their duties and responsibilities. Prior to the meetings of the Board, Board papers which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, were circulated to all the directors. The Board meets, reviews and approves all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Securities. Besides direct access to management staff, external professional advisers as well as company secretary are also made available to render their independent views and advice to the Board.

(g) Board Committees

i. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") of the Board has been in place since 2001. It presently comprises three (3) Independent Non-Executive Directors. A brief report on the ARMC can be found in the "Audit and Risk Management Committee Report".

ii. Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") of the Board has been in place since 2013. The terms of references and the activities are aimed to enhance the effectiveness of the Board.

There was one (1) NRC meeting convened during the financial year ended 31 December 2016.

Members	Designation
Dali Kumar @ Dali Bin Sardar (Chairman)	Independent Non-Executive Director
Tan Sri Abdul Aziz Bin Abdul Rahman	Independent Non-Executive Chairman
Lim Kah Poon	Independent Non-Executive Director
Leow Bock Lim (Resigned on 1/1/2017)	Independent Non-Executive Director
Chow Foong Yew (Appointed on 27/2/2017)	Independent Non-Executive Director
Dato' Lim Khoo Heng	CEO / Group Managing Director

The NRC will on an ongoing basis serves to assist the Board in the following responsibilities:-

- To nominate candidates for directorship on the Board, assessing the effectiveness of the Board, its Committees and the contribution of each individual Director;
- To review and recommend the appropriate remuneration package of the Executive Directors. The determination of the remuneration package of the Directors is a matter for the Board as a whole and individuals are required to abstain from discussing or deliberating on their own remuneration; and
- To assess the performance of directors of the Company.

Terms of Reference

- To recommend to the Board, candidates for all directorships to be filled by Shareholders or Board of directors.
- To consider and in making its recommendations candidates for directorship proposed by Managing Director and, within the bounds of practicability, by any other Director or Shareholder.
- To recommend to the Board, nominees to be appointed as members of the Board, its Committees and Senior Management.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(g) Board Committees (cont'd)

ii. Nomination and Remuneration Committee (cont'd)

Terms of Reference (cont'd)

- To assess the effectiveness of the Board and Board Committees, as well as capabilities of individual Members.
- To review, assess and recommend, with or without other independent professional advice, remuneration packages of Directors and Senior Management.
- To ensure that the remuneration packages offered are sufficiently attractive to retain the best talents required to run the Company successfully.
- To structure component parts of the remuneration package so as to link rewards to corporate and individual performance.
- To assess the needs of the Company for talent at the Board-level at any particular time.

Activities

- Shall annually review and determine the required mix of skills, experience, core competencies and other qualities which Executive Directors should possess for recommendation to the Board.
- Shall assess on an annual basis the effectiveness of the Board as a whole, the Board Committees and contributions of each Director.
- Shall conduct periodic reviews of the overall remuneration policies and packages for Executive for recommendation to the Board.
- Shall be entitled to services of the Company Secretary who must ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the Company's records and to meet statutory obligations.

Details of the directors' remuneration

The aggregate remuneration of directors who served during the financial year ended 31 December 2016 are as follows:

Received from the Company

Directorate	Fees (RM)	Salaries (RM)	Defined Contribution (RM)	Other emoluments (RM)	Total (RM)
Executive Directors	45,000	-	-	-	45,000
Non-Executive Directors	148,000	-	-	-	148,000
Total	193,000	-	-	-	193,000

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(g) Board Committees (cont'd)

ii. Nomination and Remuneration Committee (cont'd)

Details of the directors' remuneration (cont'd)

Received on Group basis

Directorate	Fees (RM)	Salaries (RM)	Defined Contribution (RM)	* Other emoluments (RM)	Total (RM)
Executive Directors	45,000	1,569,905	299,008	436,459	2,350,372
Non-Executive Directors	196,000	-	-	-	196,000
Total	241,000	1,569,905	299,008	436,459	2,546,372

*Other emoluments comprise bonuses, incentives, provisions for leave and allowances

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands is as follows:

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
RM 50,000 and below	-	2
RM 50,001 – RM 100,000	-	2
RM 150,000 – RM 200,000	1	-
RM 800,000 – RM 850,000	1	-
RM1,100,000 – RM1,150,000	1	-
Total	3	4

The Board chose to disclose the remuneration bands pursuant to the MMLR of Bursa Securities and is of the opinion that detailed disclosure of individual Director's remuneration will not add significantly to the understanding and evaluation of the Group's governance.

The new Committee met recently and endorsed changes to its Terms of Reference and affirmed the Remuneration package for the executive Boards members. The Committee would also look into the development of Remuneration Framework for Executive Directors.

(h) Directors' Training

All the Directors have completed the Mandatory Accreditation Programme and fulfilled the Continuous Education Programme as prescribed by Bursa Securities.

The Board recognises the need to broaden the Board's perspectives, skills and knowledge and to keep abreast with the development in the corporate environment. The training programme or seminars attended by the Directors and senior management of Group for the financial year ended 31 December 2016 includes:-

- Independent Directors Programme – The Essence of independence
- Fraud Risk Management - Workshop
- Advocacy Sessions on Management Discussion & Analysis

At the same time, the Board also benefited from various briefings on regulatory and legal developments by the Company Secretary and External Auditors during the Board meetings, with an intention to keep the Board updated with the MMLR, Companies Act, 1965, relevant accounting standards, regulatory and related legal developments.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(h) Directors' Training (cont'd)

The Board believes that continuous training for Directors is vital to the Board members to gain insight into the state of economy, investment opportunities (local and abroad), technological advances, regulatory updates and management strategies to enhance the Board's skills and knowledge to enable them to discharge their roles, duties and responsibilities effectively. As such every member of the Board is always evaluating their own training needs on a regular basis and actively identifying relevant seminars / courses / conferences to ensure that they are kept abreast on various issues pertaining to the constantly changing environment within which the business of the Group operates, particularly in areas of corporate governance and regulatory compliance.

(i) Retirement and Re-election

The Articles of Association provide that at least one-third of the Board, including the Group Managing Director, are subject to retirement by rotation at each Annual General Meeting. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. A retiring director is eligible for re-appointment.

The Articles of Association also provide that all Directors including the Group Managing Director who shall be elected from amongst the Board members shall also retire once at least in each three (3) years and shall be eligible for re-election. These provide an opportunity for the shareholders to renew their mandates. The election of each director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings' attendance and the shareholdings in the Company of each director standing for election are disclosed under the Directors' Profile and Statement of Shareholdings.

B. CODE OF CONDUCT

The Board observes the Code of Ethics of the Malaysian Companies Act, 1965 and the Code of Ethics for the Company Director issued by the Companies Commission of Malaysia ("CCM") – Regulatory Code of Ethics.

The CCM - Regulatory Code of Ethics provide the ground rules and guidance for proper standard of conduct and ethical behaviour for the Board based on the principle of sincerity, integrity, responsibility and corporate social responsibility.

The Group has adopted a standard "CHRB Code of Ethics" relating to its operations for all its employees. New employees will be briefed on the CHRB Code of Ethics as documented in the CHRB Employee's Handbook upon joining.

C. WHISTLE BLOWING POLICY

The Group's Whistle Blowing Policy was established with the intention of promoting the highest standard of corporate governance and business integrity which aims to provides an avenue for all employees of the Group and members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve them effectively.

D. SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, Company's website and analyst meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders a clear and complete picture of the Company's performance and position as possible.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Company at the Annual General Meeting. At the Annual General Meeting, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference may be held immediately after the Annual General Meeting where the Group Managing Director advises the press of the resolutions passed, and answers questions on the Group's operation. The Group Deputy Managing Director and the Executive Directors are also present at the press conference to clarify and explain any issue.

The Company also responds to fund managers, institutional investors, investment analysts and members of media upon request, to brief them on key events of the Company. Investors' and analysts' feedback are sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

E. ACCOUNTABILITY AND AUDIT

(a) Financial reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the ARMC to oversee the Group's financial reporting processes and the quality of its financial reporting.

The quarterly financial results and audited financial statements are reviewed by the ARMC and approved by the Board before being released to Bursa Securities. The details of the Company and the Group's financial statements for the financial year ended 31 December 2016 can be found from pages 44 to 107 of this Annual Report.

(b) Directors' responsibility statement in respect of the state of internal controls

The Board acknowledges its responsibility for the internal control system in the Company and the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business unit's particular need and to manage the risks to which it is exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be completely eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

(c) Relationship with the Auditors

The Board maintains a transparent relationship with its auditors and seeks their professional advice to ensure that accounting standards are complied with. The ARMC discusses with the external auditors the nature and scope of the audit and reporting obligations before the audit commences. The ARMC ensures that the management provides timely responses on all material queries raised by the external auditors after the audit in respect of the accounting records, financial accounts or systems of control.

It is a policy of the ARMC to meet up with the external auditors at least twice a year without the presence of the Executive Director and the Management to discuss on audit findings, audit plan and the Company's financial statements.

In 2016, the ARMC met up twice with the external auditors in the absence of the Executive Director and Management.

F. COMPLIANCES STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board consider that the Statement on Corporate Governance provides the information necessary to enable shareholders to evaluate how the MCGG 2012 has been applied. The Board considers and is satisfied that the Company has fulfilled its obligation under the MCGG 2012, the MMLR and all applicable laws and regulations throughout the Financial year ended 31 December 2016.

This Statement was made in accordance with the resolution of the Board dated 30 March 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee (“ARMC”) was established by the Board of Directors with the primary objective to assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate governance, system of internal controls, risk management processes and management and financial reporting practices of the Group.

COMPOSITION OF ARMC

The ARMC shall be appointed by the Board from amongst its members and shall consist of no fewer than three members, all the members must be non-executive directors of which the majority shall comprise independent directors. The chairman of the ARMC shall be an independent director.

Name	Designation
Lim Kah Poon (Chairman)	Independent Non-Executive Director
Dali Kumar @ Dali Bin Sardar	Independent Non-Executive Director
Leow Bock Lim (Resigned on 1/1/2017)	Independent Non-Executive Director
Chow Foong Yew (Appointed on 27/2/2017)	Independent Non-Executive Director

NUMBER OF ARMC MEETINGS AND DETAILS OF ATTENDANCE

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

Name	No. of meetings attended
Lim Kah Poon	5/5
Dali Kumar @ Dali Bin Sardar	3/5
Leow Bock Lim	5/5

The Company Secretary and the Group General Manager, Finance were also present by invitation at all the meetings, whilst the internal and external auditors also attended when invited to do so.

SUMMARY OF WORK OF THE ARMC

During the financial year ended 31 December 2016, the ARMC has carried out the following works in accordance with its terms of reference to meet its responsibilities:-

- reviewed the audited financial statements of the Group for the financial year ended 31 December 2016 prior to the Board's approval, taking into consideration also:-
 - changes in or implementation of any major accounting policies and practices, if any;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transaction, and how these matters are addressed, if any;
 - compliance with accounting standards, regulatory and other legal requirements;
 - deliberated on major issues the external auditors raised, and to review the going concern assumptions and problems and reservations arising from the interim and final external audits, if any;
- reviewed the unaudited quarterly reports on the consolidated results prior to the Board's approval;
- reviewed the recurrent related party transactions of a revenue of trading nature of the Group and any related party transactions, if any entered by the Group;
- discussed and reviewed with the external auditors, the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK OF THE ARMC (cont'd)

- discussed and reviewed the scope of work and audit plan for the financial year ended 31 December 2016, including any significant issues and concerns arising from the audit;
- reviewed the external audit reports and assessed the auditor's findings and the management's responses thereto;
- reviewed with the external and internal auditors, the adequacy of the internal control and risk management systems and evaluated the systems with the external and internal auditors;
- met twice with the external auditors without the presence of the executive directors and management in the ARMC meetings to enquire on significant findings, fraud consideration, if any, and/ or management cooperation level;
- reviewed the suitability and independence of the external auditors in order to recommend their re-appointment to the Board for recommendation to the shareholders on the re-appointment of the external auditors in the forthcoming annual general meeting;
- reviewed the audit fees prior to the Board's approval;
- assessed the adequacy of the scope, functions, competency and resources of the outsourced internal auditors and that they have the necessary authority to carry out their work;
- reviewed the internal audit plan and reports presented on the state of internal control of the Group and steps taken by management in response to the audit findings;
- reviewed and assessed the performance of the internal auditors;

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Company acknowledged and the ARMC had put emphasis on the importance of having an internal audit function within the Group and as such, had outsourced its internal audit function to PKF Advisory Sdn Bhd ("Internal Auditors"), a professional services firm to assist the Board and the ARMC in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control and risk management system.

The costs incurred for maintaining the outsourced internal audit function for the financial year ended 31 December 2016 amounted to RM68,868.

A summary of the works of the internal audit function for the financial year ended 31 December 2016 is as follows:-

- reviewed and approved the Internal Audit Plan for the financial year ended 31 December 2016 including the audit methodology in assessing and rating risks of auditable areas to ensure adequate scope and comprehensive coverage on the audit activities of the Group.

The Internal Audit Plan which encompassed the following audit issues :-

- identified high risk areas for compliance with established policies, procedures, rules, guidelines, laws and regulations;
- evaluating the adequacy of controls for safeguarding assets; and
- identifying business risks which have not been appropriately addressed.
- reviewed the internal audit reports relating to Sales and Marketing and Inventory Management of selected subsidiary of the Company;
- carried out sampling test on the Group's compliance with its policies and procedures as well as relevant rules and regulations;
- evaluation of the Group's adequacy and effectiveness of the internal control review covering the accounting records and administration, fixed asset management, IT general controls and project management cycle;
- reviewed the internal audit findings and recommendations to improve any weakness or non-compliance, and the respective Management's response thereon, and monitored the implementation recommendations;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION (cont'd)

- sought and obtained periodic updates on the status of implementations of post-audit recommendations from previous, as well as current, internal audit cycles;
- suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement;
- reviewed the effectiveness of the Group's Risk Management Framework including the process for identifying, evaluating and managing business risks, and reviewed the key strategic risks and changes to the risk profiles of the Group and measures implemented to manage risks; and
- reviewed the adequacy and effectiveness of corrective actions taken by the management on all significant matters raised and monitored the corrective actions on the outstanding issues to ensure that all the key risks and control lapses have been addressed.

No major weaknesses that have resulted in any material losses, contingencies or uncertainties were noted. The ARMC had reviewed the quality of the internal audit function and assessed the effectiveness of the internal audit process and found them to be satisfactory.

OTHER ACTIVITIES

A. Recurrent Related Party Transactions ("RRPTs")

During the financial year, the following activities were carried out by the ARMC in relation to RRPTs:-

- Reviewed and recommended to the Board for approval on any material related party transactions and recurrent related party transactions arising;
- Reviewed related party transactions and the adequacy of the group's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner; and
- Reviewed the draft Circular to shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same for Board's approval.

B. Annual Report

The ARMC reviewed the Statement on Corporate Governance, Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control in respect of the financial year ended 31 December 2016 and recommended to the Board for consideration and approval for inclusion in the Company's Annual Report 2016.

BOARD'S CONCLUSION

The Board is satisfied that the ARMC and its members have carried out their functions, duties and responsibilities in accordance with the Terms of Reference of the ARMC and there were no material misstatements, frauds and deficiencies in the systems of internal control not addressed by the management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and The Malaysian Code on Corporate Governance 2012 (“the Code” or “MCCG 2012”) which requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets, the Board of Directors (“the Board”) of CHUAN HUAT RESOURCES BERHAD (“the Company”) is pleased to present the following Statement on Risk Management and Internal Control.

BOARD’S RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s systems of risk management and internal control to safeguard the shareholders’ investment, the interest of customers and the Group’s assets as well as reviewing its effectiveness, adequacy and integrity.

The Board’s responsibility in relation to the system of internal control extends to all subsidiaries of the Group. The system of internal control covers not only financial controls but operational and compliance controls.

Owing to the inherent limitations, the internal controls implemented are intended to reasonably manage but not expected to eliminate all risks of failure to achieve business and corporate objectives of the Group and can only provide reasonable and not absolute assurance against material misstatements, financial losses and fraud.

The Board confirms that through its Audit and Risk Management Committee (“ARMC”), there is an ongoing process to regularly review the results of this process, including mitigating measures taken by Management to address areas of key risks identified for the Group which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The objective of risk management and internal control processes is to add maximum sustainable value to all the business activities in the Group. Risk management and internal control systems are in place to enhance the efficiency and effectiveness of the Group’s operations. Such measures will help to minimise possible risks and uncertainties so that the Group will be able to achieve its set objectives and goals.

The Board recognises the importance of maintaining an adequate and effective risk management and internal control system and has implemented an Enterprise Risk Management (ERM) Framework, in line with Recommendation 6.1 of MCCG 2012. This framework includes a risk management process which is on-going and results in the compilation of a specific risk profile and action plans for mitigating the identified risks.

In this context, the risk management function is co-ordinated by the outsourced internal audit professional consultant whereby the process is integrated into the operation system of the respective subsidiaries within the Group with each manager and head of department assigned to ensure appropriate risk response actions are carried out in a timely manner.

The ARMC and the Board meet at least once every quarter to review the adequacy, effectiveness and integrity of the system of internal controls in the Group and to ensure relevant mitigating controls are carried out to mitigate the significant business risks faced by the Group.

The Board is of the view that the risk management and internal control system in place for the financial year under review is adequate and effective. Nevertheless, it will continuously be reviewed, enhanced and updated in line with changes in the operating environment.

INTERNAL AUDIT FUNCTION

The Group has engaged a professional consulting firm to provide outsourced internal audit services, which provides support to the ARMC in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the year under review, internal auditors carried out audit based on the internal audit plan approved by the ARMC. The audit findings are deliberated and resolved with the management. The ARMC on behalf of the Board, reviews internal control issues identified and recommendations from reports by the internal and external auditors on a regular basis.

Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group’s Annual Report.

The internal audit function also ensures that the Management follows up in the implementation of action plans where control deficiencies were noted during the internal audits.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

KEY ELEMENTS OF INTERNAL CONTROL

In addition to the risk management and internal audits, the Board has put in place the following salient internal control systems regulating the Group's operations:

i. Monitoring and Reviewing

- a. Scheduled operational, management as well as financial meetings are held with the Senior Management team to discuss, review and evaluate the business plans, budgets, financial and operational performances, Key Performance Indicators (KPIs) for the targets established, reports as well as to monitor the business development and resolve key operational and management issues of the Group;
- b. The ARMC reviews the Group's quarterly financial statements containing key financial results and comparisons, which are subsequently presented to the Board for review; and
- c. Management information systems have been established to enable transactions to be captured, compiled and reported in a timely and accurate manner.

ii. Policies and Procedures

- a. Standing internal policies and operating procedures have been established to cover as far as possible any significant business processes of the Group and have been updated to reflect changing risks or to resolve operational deficiencies;
- b. An operational structure with defined lines of responsibility or delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability;
- c. A documented delegation of authority with clear lines of responsibility has been established to provide the approving authority and the execution of various day-to-day transactions;
- d. Information critical to the achievement of the Group's business objectives have been communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management attention are highlighted for review, deliberation and decision on a timely basis;
- e. Employees have been briefed on Code of Ethics during induction. They are required to sign and adhere to the Code of Ethics, which upholds the Group's corporate values and ethical code of conduct. Formal guidelines are also available to govern staff's termination and resignation; and
- f. Insurance and physical safeguards over major assets are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.

WEAKNESSES IN INTERNAL CONTROLS

There were no material losses, contingencies or uncertainties during the financial year ended 31 December 2016 as a result of weaknesses in internal control that would require disclosure in the Group's Annual Report. The Board, in striving for continuous improvement, will continue to take appropriate measures and action plans, where necessary to comply with the Group's internal policies and best practices.

ASSURANCE FROM MANAGEMENT

In accordance with the Paragraph 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers by The Institute of Internal Auditors Malaysia ("IIAM"), the Board has received assurance from the Group Managing Director and Deputy Managing Director that to the best of their knowledge, the risk management and internal control of the Group are operating effectively and adequately in all material respects, based on the risk management and internal control framework adopted by the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to both to paragraph 15.23 of the MMLR of Bursa Securities and the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") 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 intended to be included in the Annual Report of the Group is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls and in all material aspects:

- a. had not been prepared in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (IIAM); or
- b. is factually inaccurate.

RPG 5 (Revised) does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon.

The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is of the view that the Group has implemented an adequate and effective system of risk management and internal controls with a view to provide itself with effective measures to prevent or mitigate any possible negative effects arising from any challenging scenario which may occur that can impact the Group's performance.

The Board and the Management are also fully committed to ongoing improvements and enhancements and view such measures as both critical and necessary to the Group's operations. New procedures will be introduced in the course of time as well as changes and improvements will also be made to the existing systems of risk management and internal controls.

This Statement is made in accordance with the resolution of the Board dated 30 March 2017.

OTHER COMPLIANCE INFORMATION

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, additional disclosures by the Group for the financial year ended 31 December 2016 are as follows:-

1. Utilisation of proceeds raised from Corporate Proposals

During the financial year, the Company has issued 415,134 new ordinary shares of RM0.50 each for cash at RM0.50 each pursuant to the exercise of Warrants 2011/2016 and the total cash proceeds arising from the exercise of Warrants 2011/2016 amounted to RM207,567. The proceeds was used as working capital funding the Company's operating and administration expense.

2. Options, Warrants or Convertible Securities Exercised

As a result of the exercise of the Warrants 2011/2016, the total number of issued and paid up shares of RM0.50 each of the Company has increased from 168,254,720 shares to 168,669,854 shares. The shares arising from the exercise of Warrants 2011/2016 shall rank pari passu in all respect with the existing ordinary shares of the Company, save and except that the new shares shall not be entitled to any dividends, rights, allotments and/or distributions, unless the exercise of warrants is effected before the book closure of the share registers for the determination of the entitlement to such dividends, rights or distributions.

Pursuant to the Notice to Warrant Holders in relation to the expiry and final exercise of the Warrants 2011/2016 dated 4 December 2015, Warrants 2011/2016 has expired on 6 January 2016. After the expiry date, total number of Warrants 2011/2016 not exercised and has lapsed was 40,275,478.

3. Sanctions and/or Penalties

During the financial year, there were no material sanctions and /or penalties imposed on the Company and its subsidiaries arising from any significant breach of rules/guidelines/legislation by the relevant regulatory authorities.

4. Non-audit fees to External Auditors

There were no non-audit fees were paid to the external auditors during the financial year.

5. Material Contract involving Directors'/Substantial Shareholders' Interest

There is no material contract subsisting as at 31 December 2016 or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors or major shareholders save as disclosed under notes 30 of the Financial Statement herein on the Related Party Transactions.

6. Recurrent Related Party Transactions of Revenue or Trading Nature

The Company is also seeking shareholders' mandate on Recurrent Related Party Transactions of a revenue or trading nature for transactions to be entered by the Company or its subsidiaries with Related Parties in the ordinary course of business in the forthcoming Annual General Meeting. The details of Recurrent Related Party Transactions of a revenue or trading nature for transactions to be entered by the Company or its subsidiaries with Related Parties are included in the Circular dated 28 April 2017.

7. Shares Buy-Back

There were no shares buy-back during the financial year.

8. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

The Company did not sponsor any ADR or GDR for the financial year.

9. Profit Guarantee

The Company did not issue any profit forecast or profit guarantee for the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been drawn up in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Directors take responsibility in ensuring that the 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 the results and the cash flows of the Group and of the Company for the financial year then ended.

In order to ensure that the financial statements are properly drawn up, the Board has taken the following measures:-

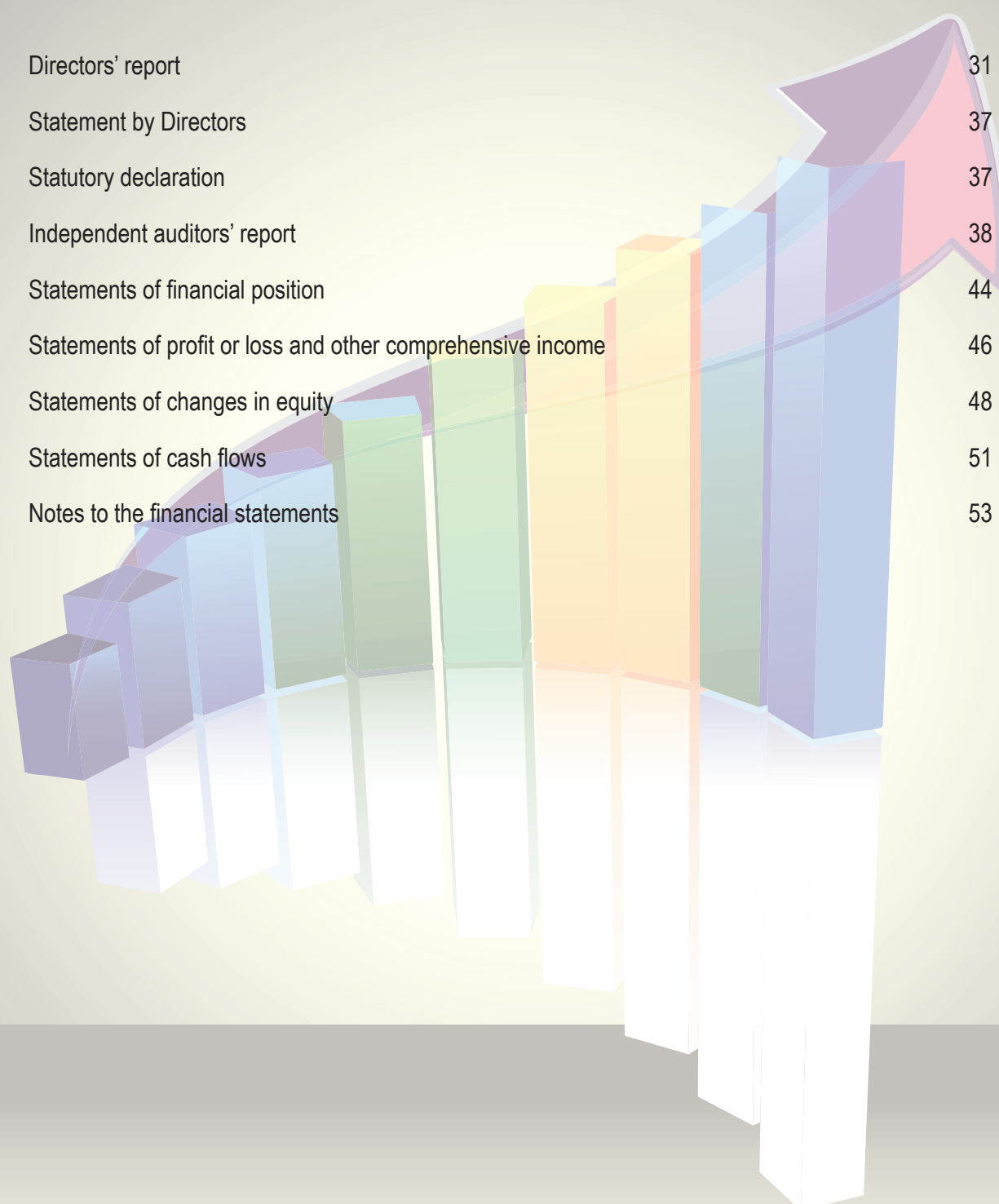
- adopted appropriate, adequate and applicable accounting standards and policies and applied them consistently;
- ensured that applicable approved accounting standards have been followed;
- where applicable, judgments and estimates are made on a reasonable and prudent basis; and
- upon due inquiry into the state of affairs of the Company, there are no material matters that may affect the ability of the Company to continue in business on a going concern basis.

The Board has also ensured that the quarterly and year-end audited financial statements of the Company and the Group are released to Bursa Malaysia Securities Berhad in a timely manner in order to keep our investing public informed of the Group's latest performance and developments.

The Directors are responsible to ensure that the Company maintains proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the requirements of Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This Statement was made in accordance with the resolution of the Board dated 30 March 2017.



DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is engaged in investment holding. The principal activities of its subsidiary companies are shown in Note 6 to the financial statements.

There have been no significant changes in the activities of the Company and of its subsidiary companies during the financial year except as disclosed in Note 6 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the financial year	10,046,454	2,006,909
Profit attributable to:		
Owners of the Company	9,986,242	2,006,909
Non-controlling interests	60,212	-
	10,046,454	2,006,909

DIVIDEND

The Directors recommend the payment of a single tier first and final dividend of 1.8 sen per ordinary share in respect of the financial year ended 31 December 2016, subject to the approval of members at the forthcoming Annual General Meeting.

WARRANTS

The Company had issued 41,789,066 units 5 years warrants ("Warrants 2011/2016") pursuant to the Chuan Huat Resources Berhad ("CHRB") Rights Issue exercise announced on 16 December 2010, on the basis of 1 warrant for every 4 existing CHRB shares at issue price at RM0.02 per warrant. The Warrants were in registered form and are constituted by the Deed Poll dated 30 November 2010 ("Deed Poll"). The Warrants were admitted to the official list of the Exchange on the Main Market on 11 November 2011.

The movement in the warrants during the financial year are as follows:-

	As at 1.1.2016	Number of Warrants		As at 31.12.2016
Warrants	40,690,612	Exercised 415,134	Expired 40,275,478	-

The salient terms of the warrants are as follows:-

- Each warrant entitles the registered holder/(s) at any time during the exercise period to subscribe for 1 new ordinary share of RM0.50/- each at an exercise price of RM0.50/- per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.
- The exercise price for the warrants is fixed at RM0.50/- per new ordinary share of the Company subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
- The exercise period is 5 years from the date of issuance until the maturity date, i.e. the date preceding the 5th anniversary of the date of issuance. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes.
- The new ordinary shares of RM0.50/- each to be issued pursuant to the exercise of the warrants will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the said new ordinary shares.

DIRECTORS' REPORT (cont'd)

ISSUES OF SHARE CAPITAL

During the financial year, the Company increased its issued and fully paid up share capital from 168,254,720 ordinary shares of RM0.50 each to 168,669,854 ordinary shares of RM0.50 each through the issuance of 415,134 ordinary shares via the exercise of 415,134 Warrants.

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

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

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri Dato' Sri Abdul Aziz Bin Abdul Rahman

Dato' Lim Khoon Heng

Dato' Lim Loong Heng

Dali Kumar @ Dali Bin Sardar

Nicholas Lim Kean Hoong

Lim Kah Poon

Chow Foong Yew

Leow Bock Lim

(Appointed on 27.2.2017)

(Resigned on 1.1.2017)

In accordance with the Company's Articles of Association, Nicholas Lim Kean Hoong, Lim Kah Poon and Chow Foong Yew retire by rotation at the forthcoming Annual General Meeting of the Company, and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company 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 the Directors as disclosed in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 23(b) and Note 30 to the financial statements.

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

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings and warrant holdings, the interests of Directors in office at the end of the financial year in shares and warrants in the Company during and at the end of the financial year were as follows:

	Number of Ordinary shares of RM 0.50 each			
	As at 1.1.2016	Addition	Disposal	As at 31.12.2016
Direct Interests				
Dato' Lim Khoon Heng	18,001,186	-	-	18,001,186
Dato' Lim Loong Heng	17,801,182	-	-	17,801,182
Indirect Interests				
Dato' Lim Khoon Heng #	11,997,621	500,000	-	12,497,621
Dato' Lim Loong Heng #	11,997,621	500,000	-	12,497,621
	Number of Warrants			
	As at 1.1.2016	Bought	Expired on 6.1.2016	As at 31.12.2016
Direct Interests				
Dato' Lim Khoon Heng	4,693,000	-	4,693,000	-
Dato' Lim Loong Heng	4,693,000	-	4,693,000	-
Indirect Interests				
Dato' Lim Khoon Heng #	3,932,945	-	3,932,945	-
Dato' Lim Loong Heng #	3,932,945	-	3,932,945	-

Indirect interest held through Lim Kim Chuan & Sons Holdings Sdn Bhd

By virtue of the above Directors' interests in the shares of the Company, the abovementioned Directors are also deemed to have an interest in the shares of the subsidiary companies and its related companies to the extent that the Company has an interest.

Other than as disclosed above, the Directors of the Company do not have any other interest in shares of the Company or its related companies during and at the end of the financial year.

DIRECTORS' REPORT (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up any unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

- a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of impairment loss on receivables and had satisfied themselves that all known bad receivables had been written off and that adequate impairment had been made for doubtful receivables; and
- b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records had 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 amount written off for bad receivables or the amount of the impairment loss on receivables 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 the 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; and
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) except as disclosed in the financial statements, any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

In the opinion of the Directors:

- (a) except as disclosed in the financial statements, the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) 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 the operations of the Group and of the Company for the financial year in which this report is made.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Group maintains Directors' and officers' liability insurance for purpose of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance coverage for the Directors and officers of the Company amounted to RM10 million.

AUDITORS

The details of the auditors' remuneration and other services for the financial year ended 31 December 2016 is as disclosed in Note 23(a) to the financial statements.

DIRECTORS' REPORT (cont'd)

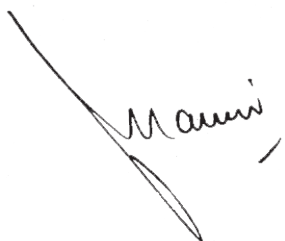
AUDITORS (cont'd)

The auditors, Ong Boon Bah & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 March 2017.



DATO' LIM KHOON HENG
Director



DATO' LIM LOONG HENG
Director

Kuala Lumpur

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

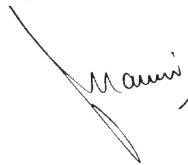
We, DATO' LIM KHOON HENG and DATO' LIM LOONG HENG, being two of the Directors of CHUAN HUAT RESOURCES BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 44 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 year then ended.

The information set out in Note 38 to the financial statements has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 March 2017.



DATO' LIM KHOON HENG
Director



DATO' LIM LOONG HENG
Director

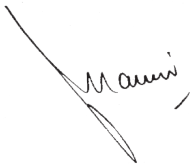
Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, DATO' LIM LOONG HENG, being the Director primarily responsible for the financial management of CHUAN HUAT RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 44 to 107 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed DATO' LIM LOONG HENG at Kuala Lumpur in the Federal Territory on 30 March 2017.



DATO' LIM LOONG HENG

Before me



Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO. 290729 W

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CHUAN HUAT RESOURCES BERHAD, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 107.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

ONG BOON BAH & CO
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO. 290729 W (cont'd)

Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<p><u>Revenue Recognition</u> <i>Refer to Notes to the financial statements - Note 1(p)(i, ii, iii, iv, v, vi) (Significant accounting policies) and Note 21 (Revenue)</i></p> <p>Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and that the revenue can be measured reliably. The main stream of revenue is as disclose in the Note 21 (Revenue).</p> <p>Revenue recognition is highly dependent on the accuracy of the transactions recognised and recorded.</p> <p>The revenue may be at the risk of being overstated arising from pressure faced by the Group in achieving performance targets.</p>	<p>Our audit procedures included the following:</p> <p>We tested the operating effectiveness of internal control procedure implemented as well as test of details to ensure the accurate processing of revenue transactions;</p> <p>We assessed sales invoices as well as credit notes issued, both before and after the year end date to assess whether the revenue was recognised in the correct period;</p> <p>We tested the sales transactions as recorded to duly acknowledged customer delivery orders for ascertaining the validity of sales; and</p> <p>We evaluated the adequacy of the financial statements disclosure on revenue in accordance with accounting standards.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>
<p><u>Existence and Valuation of Inventories</u> <i>Refer to Notes to the financial statements - Note 1(j) (Significant accounting policies) and Note 9 (Inventories)</i></p> <p>Total inventories of RM103 million represents 20% of total assets of the Group. These inventories mainly consist of inventories in the stores, consignment stores and distribution centre.</p> <p>Valuation of the inventories is at the lower of cost and net realisable value and is determined by using the weighted average method</p> <p>Based on the significance of inventories as part of total assets, we have concluded that the existence and valuation of inventories is a key audit matter to be addressed in our audit.</p>	<p>Our audit procedures included the following:</p> <p>We had observed physical inventories count to ensure existence;</p> <p>We performed a net realisable value test to ensure that inventories are stated at the lower of cost and net realisable value and test checked the costing of the weighted average method; and</p> <p>We also considered and assessed the adequacy of allowance for slow moving, damaged and obsolete inventories.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>

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ONG BOON BAH & CO
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO. 290729 W (cont'd)

Key Audit Matters (cont'd)

The Key Audit Matters	How the matters was addressed in our audit
<p><u>Impairment of Trade Receivables</u> <i>Refer to Notes to the financial statements - Note 1(h)(i) (Significant accounting policies) and Note 10 (Trade receivables)</i></p> <p>As at 31 December 2016, trade receivables that had been past due but not impaired amounted to RM20,494,588.</p> <p>The management recognised impairment losses on trade receivables amounting to RM23,901,120 based on specific known facts or circumstances or abilities of customers to pay.</p> <p>Assessing the net recoverability of trade receivables including review of credit worthiness and past collection history of receivables involves significant management judgement.</p>	<p>Our audit procedures included the following:</p> <p>We evaluated and tested key control within the credit control process including credit account application approvals and credit limit review;</p> <p>We also assessed the recoverability of debts that were past due but not impaired with reference to the past historical repayment trends, customers credit profiles, post year end cash receipts and discussion with management to enquire the status of attempts by management to collect the amounts outstanding; and</p> <p>We assessed the management's assessment that no further impairment loss was required based on analysis of customer credit worthiness, past historical repayment trends and expectation of repayment patterns.</p> <p>Based on the above procedures performed, we noted no significant exceptions.</p>

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO. 290729 W (cont'd)

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 Directors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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ONG BOON BAH & CO
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO. 290729 W (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 access 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 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 auditor's 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 auditor's 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 the 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHUAN HUAT RESOURCES BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO. 290729 W (cont'd)

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

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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on 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 6 to the financial statements, being accounts that have been included in the consolidated accounts.
- (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 report 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 in Note 38 is disclosed to meet the requirement of the 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 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



ONG BOON BAH & CO
AF: 0320
Chartered Accountants



WONG SOO THIAM
01315/12/2018 J
Chartered Accountant

Kuala Lumpur
30 March 2017

B-10-1, MEGAN AVENUE 1, 189, JALAN TUN RAZAK, 50400 KUALA LUMPUR.
P.O.BOX 11077, 50734 KUALA LUMPUR.
TEL: 03-21630292 FAX: 03-21630316

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		GROUP		COMPANY	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	169,896,762	172,699,160	5,107	6,515
Investment properties	5	30,190,200	30,869,002	-	-
Subsidiary companies	6	-	-	43,743,927	43,743,927
Investments	7	3,777,706	2,841,198	-	-
Intangible assets	8	39,338	-	-	-
		<u>203,904,006</u>	<u>206,409,360</u>	<u>43,749,034</u>	<u>43,750,442</u>
Current assets					
Inventories	9	103,461,965	103,634,535	-	-
Trade receivables	10	176,698,413	157,934,534	-	-
Other receivables, deposits and prepayments	11	5,689,836	6,610,559	1,992	7,397
Amounts due from subsidiary companies	12	-	-	43,955,639	43,105,639
Tax recoverable		1,710,499	1,744,322	-	-
Fixed deposits with licensed banks	13	2,895,756	930,489	-	-
Cash and bank balances		21,675,569	23,559,660	2,108,126	775,665
		<u>312,132,038</u>	<u>294,414,099</u>	<u>46,065,757</u>	<u>43,888,701</u>
TOTAL ASSETS		<u>516,036,044</u>	<u>500,823,459</u>	<u>89,814,791</u>	<u>87,639,143</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	84,334,927	84,127,360	84,334,927	84,127,360
Reserves	15	94,277,954	91,796,887	565,554	565,554
Retained earnings	16	86,817,217	76,830,975	4,765,470	2,758,561
		<u>265,430,098</u>	<u>252,755,222</u>	<u>89,665,951</u>	<u>87,451,475</u>
Non-controlling interest		<u>14,538,024</u>	<u>14,477,812</u>	<u>-</u>	<u>-</u>
Total equity		<u>279,968,122</u>	<u>267,233,034</u>	<u>89,665,951</u>	<u>87,451,475</u>

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

STATEMENTS OF FINANCIAL POSITION (cont'd)

AS AT 31 DECEMBER 2016

		GROUP		COMPANY	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Current liabilities					
Trade payables	17	49,837,625	50,372,772	-	-
Other payables, deposits received and accruals	18	9,495,706	18,020,394	103,500	187,600
Loans and borrowings	19	149,928,049	133,604,244	-	-
Tax liabilities		69,830	19,226	45,340	68
		<u>209,331,210</u>	<u>202,016,636</u>	<u>148,840</u>	<u>187,668</u>
Net current assets		<u>102,800,828</u>	<u>92,397,463</u>	<u>45,916,917</u>	<u>43,701,033</u>
Non-current liabilities					
Loans and borrowings	19	16,892,260	19,161,494	-	-
Deferred tax liabilities	20	9,844,452	12,412,295	-	-
		<u>26,736,712</u>	<u>31,573,789</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>236,067,922</u>	<u>233,590,425</u>	<u>148,840</u>	<u>187,668</u>
TOTAL EQUITY AND LIABILITIES		<u>516,036,044</u>	<u>500,823,459</u>	<u>89,814,791</u>	<u>87,639,143</u>

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	21	645,999,727	663,130,930	2,434,100	360,000
Other operating income		3,358,585	3,842,920	-	-
Changes in inventories		(793,507)	(681,339)	-	-
Purchases of finished goods		(467,645,015)	(500,759,996)	-	-
Raw materials and consumables used		(98,075,139)	(100,372,822)	-	-
Employee benefits expenses	22	(31,958,200)	(29,763,222)	(193,000)	(187,170)
Depreciation of property, Plant and equipment		(8,075,306)	(8,214,675)	(1,408)	(1,408)
Changes in fair value of investment properties		-	-	-	-
Administrative expenses		(21,667,659)	(19,916,278)	(154,563)	(166,593)
Profit from operations	23	21,143,486	7,265,518	2,085,129	4,829
Finance costs	24	(7,645,239)	(8,212,630)	-	-
Profit / (Loss) before tax		13,498,247	(947,112)	2,085,129	4,829
Tax expenses	25	(3,451,793)	(622,758)	(78,220)	(32,865)
Net profit/(loss) for the financial year		10,046,454	(1,569,870)	2,006,909	(28,036)
Attributable to:					
Owners of the Company		9,986,242	(1,521,562)	2,006,909	(28,036)
Non-controlling interests		60,212	(48,308)	-	-
		10,046,454	(1,569,870)	2,006,909	(28,036)
Earnings/(Loss) per share attributable to owners of the Company (sen per share)					
- Basic	26	5.92	(0.90)		
- Diluted	26	5.92	(0.73)		

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
Net profit/(loss) for the financial year		10,046,454	(1,569,870)	2,006,909	(28,036)
Other comprehensive income, net of tax					
Translation difference on net asset of a foreign subsidiary company and other movement		80,079	171,826	-	-
Revaluation reserves		2,400,988	9,688,756	-	-
		2,481,067	9,860,582	-	-
Total comprehensive income/ (expenses) for the financial year		12,527,521	8,290,712	2,006,909	(28,036)
Attributable to:					
Owners of the Company		12,467,309	8,339,020	2,006,909	(28,036)
Non-controlling interests		60,212	(48,308)	-	-
		12,527,521	8,290,712	2,006,909	(28,036)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

—Attributable to equity holders of the Company —

Group	Note	Non-distributable		Distributable	Total	Non-controlling interests	Total equity
		Share capital RM	Reserves RM	Retained earnings RM			
Balance at 1 January 2015		83,578,133	81,936,305	79,296,968	244,811,406	14,574,120	259,385,526
Total comprehensive income for the financial year		-	9,860,582	(1,521,562)	8,339,020	(48,308)	8,290,712
Issuance of shares		549,227	-	-	549,227	-	549,227
Acquisition of additional equity interest in subsidiary company		-	-	-	-	355,000	355,000
Dividend	27	-	-	(944,431)	(944,431)	(403,000)	(1,347,431)
Balance at 31 December 2015		84,127,360	91,796,887	76,830,975	252,755,222	14,477,812	267,233,034

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

—Attributable to equity holders of the Company —

Group	Note	Non-distributable		Distributable	Total RM	Non-controlling interests RM	Total equity RM
		Share capital RM	Reserves RM	Retained earnings RM			
Balance at 1 January 2016		84,127,360	91,796,887	76,830,975	252,755,222	14,477,812	267,233,034
Total comprehensive income for the financial year		-	2,481,067	9,986,242	12,467,309	60,212	12,527,521
Issuance of shares		207,567	-	-	207,567	-	207,567
Balance at 31 December 2016		84,334,927	94,277,954	86,817,217	265,430,098	14,538,024	279,968,122

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

COMPANY	Note	<u>Distributable</u>			Total equity RM
		Share capital RM	Reserve RM	Retained earnings RM	
Balance at 1 January 2015		83,578,133	565,554	3,731,028	87,874,715
Issuance of shares		549,227	-	-	549,227
Total comprehensive expense for the financial year		-	-	(28,036)	(28,036)
Dividend	27	-	-	(944,431)	(944,431)
Balance at 31 December 2015		84,127,360	565,554	2,758,561	87,451,475
Issuance of shares		207,567	-	-	207,567
Total comprehensive income for the financial year		-	-	2,006,909	2,006,909
Balance at 31 December 2016		84,334,927	565,554	4,765,470	89,665,951

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
GROUP			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		13,498,247	(947,112)
Adjustments for non-cash items, interests and dividend	28(a)	13,590,446	17,144,921
Operating profit before changes in working capital		27,088,693	16,197,809
Decrease in inventories		1,382,280	35,231,831
(Increase)/Decrease in trade and other receivables		(18,337,016)	1,596,474
(Decrease)/Increase in trade and other payables		(9,156,730)	16,559,474
Cash generated from operations		977,227	69,585,588
Tax paid		(2,620,031)	(905,558)
Interest paid		(6,256,621)	(6,791,215)
Interest received		477,935	912,927
Net cash (outflow)/inflow from operating activities		(7,421,490)	62,801,742
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		300,369	221,775
Proceeds from disposal of investment properties		1,018,000	107,800
Purchase of property, plant and equipment	28(b)	(4,653,816)	(9,089,445)
Purchase of intangible assets		(39,338)	-
Proceeds from disposal of quoted shares		35,320	-
Purchase of investment properties		(221,198)	-
Net cash inflow from acquisition of a subsidiary company		-	355,000
Interest received		77,688	82,472
Net cash outflow from investing activities		(3,482,975)	(8,322,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		207,567	549,227
Net repayments of term loans		(1,731,882)	(1,007,562)
Repayments of finance lease liabilities		(1,487,521)	(1,302,429)
Net advances from/(repayments to) short term borrowings		16,850,413	(52,840,214)
Decrease/(Increase) in fixed deposit pledged		134,733	(76,826)
Dividend paid		-	(1,347,431)
Interest paid		(1,388,618)	(1,421,413)
Net cash inflow/(outflow) from financing activities		12,584,692	(57,446,648)
Net increase/(decrease) in cash and cash equivalents		1,680,227	(2,967,304)
Effects of changes in exchange rates		(80,079)	(171,826)
Cash and cash equivalents at beginning of the financial year		20,789,952	23,929,082
Cash and cash equivalents at end of the financial year	28(c)	22,390,100	20,789,952

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

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2016 RM	2015 RM
COMPANY			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,085,129	4,829
Adjustments for non-cash items, interests and dividend	28(a)	1,408	1,408
Operating profit before changes in working capital		2,086,537	6,237
Decrease in trade and other receivables		5,405	101,624
(Decrease)/Increase in other payables and accruals		(84,100)	80,024
Cash generated from operations		2,007,842	187,885
Net of tax paid		(32,948)	(18,137)
Net cash inflow from operating activities		1,974,894	169,748
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	28(b)	-	(5,000)
(Advances to)/Repayments from subsidiary companies		(850,000)	950,000
Proceeds from issuance of share capital		207,567	549,227
Net cash (outflow)/inflow from investing activities		(642,433)	1,494,227
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		-	(944,431)
Net cash outflow from financing activity		-	(944,431)
Net increase in cash and cash equivalents		1,332,461	719,544
Cash and cash equivalents at beginning of the financial year		775,665	56,121
Cash and cash equivalents at end of the financial year	28(c)	2,108,126	775,665

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and are in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events of similar circumstances.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 1(f)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholder's equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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 cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(h).

Land and building is stated at revalued amount, which is the fair value at the date of revaluation less any impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and building at the reporting date.

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

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

Freehold land is not amortised as it has an infinite life. Leased assets are depreciated over shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Capital work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives, at the following annual rates:

Buildings	2%
Plant, machinery and cabin	10% - 15%
Renovation	10% - 20%
Motor vehicles	20%
Furniture and fittings and office equipment	10%
Yard establishment and renovation	10% - 20%
Cranes	10%

The residual values, useful life and depreciation method are reviewed at each financial year end 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. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group is able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group shall measure that property at its fair value.

The fair value of investment properties reflect among other things, rental income from current leases and other assumptions that market participants would use when pricing investment properties under current market conditions.

Fair values of investment properties are based on valuations by registered independent valuers with appropriate recognised professional qualification and has recent experience in the location and category of the investment properties being valued.

A gain or loss arising from a change in the fair value of investment properties is recognised in profit or loss for the period in which it arises.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

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 retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Subsidiary companies

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Under the purchase method of accounting, the financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(f) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 1(g).

(ii) Research and development costs

All research costs are recognised in the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and to use or sell the asset. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at costs less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. The development costs are amortised when the future economic benefits starts flowing into the Group. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at reporting date. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(g).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, investment properties that are measured of fair values are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. The goodwill acquired in a business combination is allocated to CGU that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGU are to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses, if any, recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(h) Financial instruments

Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial instruments (cont'd)

Financial assets (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the preceding categories.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest income using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

All financial assets are subject to review for impairment as described in Note 1(i).

Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment of financial assets

All financial assets (except for investment in subsidiary companies) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

(j) Inventories

Inventories of the Group are stated at the lower of cost and net realisable value and are determined using the weighted average method. Cost of raw materials and consumables comprises purchase cost and in the case of finished goods and work-in-progress comprises original purchase price plus costs incurred in bringing the inventories to their present location and conditions. Completed property for sale of the Group and of the Company are valued at the lower of cost and net realisable value. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion, selling and distribution cost and applicable variable selling expenses.

(k) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except for property interest held under operating lease which is held to earn rental income or for capital appreciation on both, is classified as investment property. The policy for the recognition and measurement of investment property is in accordance with Note 1(d).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Leases (cont'd)

(ii) Finance leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 1(c).

(iii) Operating leases - the Group as lessee

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

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(l) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is provided for, using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Income taxes (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

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

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

Where there is a change in the carrying amount of asset arising from revaluation, the tax effects of the asset revaluation are credited to equity. Where amounts are transferred from revaluation surplus to retained earnings, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to profit or loss.

(m) Borrowing costs

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

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

(n) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions 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 years. Such contributions are recognised as an expense in the period in which the related service is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

The Group's and the Company's contributions to defined contribution plans are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's Functional Currency ("Foreign Currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in either the Functional Currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in a currency other than the Functional Currency of either the reporting entity or the foreign operation, are recognised in the profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- assets and liabilities are translated into RM at the rate of exchange ruling at the reporting date;
- income and expenses for each profit or loss are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken to the foreign currency translation reserve within equity.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2016 RM	2015 RM
1 USD Dollar	4.4860	4.2935

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company, and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of sales tax returns and discounts and is recognised in the profit or loss when significant risks and rewards of ownership has been transferred to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised when the Group's or the Company's right to receive payment is established.

(iv) Management fees

Management fees are recognised when services are rendered.

(v) Interest income

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

(vi) Sales of completed property units

Revenue is recognised when the agreements are executed.

(q) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks 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 bank overdraft and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy as described in Note 1(h).

(r) Share capital

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Contingencies

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

(t) Provisions

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

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

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Goods and services tax ("GST")

On and after 1 April 2015, revenue, expenses and assets are recognised net of the amount of GST except:

- (i) where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of GST included.

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

(w) Segment reporting

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

2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group and the Company adopted the following new and amended MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are mandatory for annual financial periods beginning on or after 1 January 2016.

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities: Applying the Consolidation Exception
MFRS 12	Disclosure of Interests in Other Entities: Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation; and Agriculture: Bearer Plants
Amendments to MFRS 127	Separate Financial Statements: Equity Method in Separate Financial Statements
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141	Agriculture: Bearer Plants
Annual Improvements to MFRSs 2012 - 2014 Cycle	

The adoption of these new and revised MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company.

At the date of authorisation for issue of these financial statements, the following new MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective and have not been applied by the Company:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (cont'd)

Effective for financial periods beginning on or after 1 January 2017:

Amendments to MFRS 12	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets or Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 140	Investment Property: Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019:

MFRS 16	Leases
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Deferred to a date to be determined by the MASB:

Amendments to MFRS 10	Consolidation Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company have not adopted the new MFRSs and Amendments to MFRSs that have been issued but not yet effective and will adopt these standards when they become effective. The adoption of the above standards and interpretations is not expected to have a material impact on the financial statements in the period of initial application, except as described below:

MFRS 9: Financial Instruments

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

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

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group and the Company are currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (cont'd)

MFRS 9: Financial Instruments (cont'd)

The Group and the Company is in the process of assessing the impact of implementing these Amendments since the effect would only be observable for the future financial years.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principles by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contracts

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The application of MFRS 15 in the future will require careful evaluation by the Group and the Company on their existing and future contracts. However, the Directors of the Group and of the Company do not anticipate that the application of MFRS 15 in the future will have a significant impact on the amounts reported and disclosures made in the financial statements of the Company.

MFRS 16: Leases

MFRS 16 specifies how an MFRSs reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The Directors of the Group and of the Company acknowledge that the application of MFRS 16 will affect how leases are being reported and disclosed the Group's and the Company's financial statements. The Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives up to its residual value. Management reviews the residual values, useful lives and depreciation method at the end of each financial year and ensures consistencies with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives and residual values of property, plant and equipment may result in revision of future depreciation charges.

(b) Impairment of assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and change the recoverable amounts of assets and impairment losses needed.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad receivables, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(d) Impairment of goodwill

The Group determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Deferred tax

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

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties, the Directors have concluded that investment properties are not being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the presumption that the carrying amounts of the investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, deferred taxes have not been recognised on changes in fair value of investment properties as no tax consequences would arise on disposal of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(f) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(g) Impairment of investment securities

Investment securities are reviewed and assessed at each financial year end on whether there is sufficient allowance for impairment loss provided.

The impairment review shall determine whether there is significant increase in credit risk since initial recognition of the investment securities, such as from deterioration of the credit quality of the issuers or obligors and significant financial difficulties of the issuers or obligors.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings RM	Plant, machinery, cabin, renovation and motor vehicles RM	Furniture and fittings, and office equipment RM	Capital work-in- progress RM	Total RM
2016					
COST/VALUATION					
At 1 January 2016	142,053,278	70,951,095	9,543,136	3,690,951	226,238,460
Additions	251,447	3,169,455	839,133	2,201,581	6,461,616
Disposals	-	(1,263,639)	-	-	(1,263,639)
Reclassification	-	(50,550)	51,550	-	1,000
Adjustments	(763,515)	-	(230)	-	(763,745)
Written off	-	(2,377,009)	(1,945,530)	-	(4,322,539)
At 31 December 2016	141,541,210	70,429,352	8,488,059	5,892,532	226,351,153
LESS: ACCUMULATED DEPRECIATION					
At 1 January 2016	3,170,503	43,662,341	6,706,456	-	53,539,300
Charge for the financial year	1,561,085	5,860,258	653,963	-	8,075,306
Translation difference	(1,188)	(2,527)	(75)	-	(3,790)
Disposals	-	(1,174,265)	-	-	(1,174,265)
Reclassification	-	(92,981)	93,981	-	1,000
Adjustments	(102,442)	-	(376)	-	(102,818)
Written off	-	(2,374,989)	(1,751,330)	-	(4,126,319)
At 31 December 2016	4,627,958	45,877,837	5,702,619	-	56,208,414
LESS: ACCUMULATED IMPAIRMENT LOSS					
At 1 January 2016	-	-	-	-	-
Impairment losses	245,977	-	-	-	245,977
At 31 December 2016	245,977	-	-	-	245,977
CARRYING AMOUNTS					
At 31 December 2016	136,667,275	24,551,515	2,785,440	5,892,532	169,896,762

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP 2015	Land and Buildings RM	Plant, machinery, cabin, renovation and motor vehicles RM	Furniture and fittings, and office equipment RM	Capital work-in- progress RM	Total RM
COST/VALUATION					
At 1 January 2015	127,281,093	64,746,576	8,977,154	510,710	201,515,533
Additions	162,999	7,249,666	624,739	3,180,241	11,217,645
Disposals	-	(1,038,433)	-	-	(1,038,433)
Revaluation surplus	14,609,186	-	-	-	14,609,186
Written off	-	(6,714)	(58,757)	-	(65,471)
At 31 December 2015	142,053,278	70,951,095	9,543,136	3,690,951	226,238,460

LESS: ACCUMULATED DEPRECIATION

At 1 January 2015	1,108,412	38,958,340	6,139,565	-	46,206,317
Charge for the financial year	2,043,532	5,557,220	613,923	-	8,214,675
Translation difference	18,559	39,984	1,185	-	59,728
Disposals	-	(887,833)	-	-	(887,833)
Written off	-	(5,370)	(48,217)	-	(53,587)
At 31 December 2016	3,170,503	43,662,341	6,706,456	-	53,539,300

CARRYING AMOUNTS

At 31 December 2015	138,882,775	27,288,754	2,836,680	3,690,951	172,699,160
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Included in carrying amounts above are assets acquired under finance leases:

CARRYING AMOUNTS

At 31 December 2016	-	16,187,956	-	-	16,187,956
At 31 December 2015	-	12,729,683	-	-	12,729,683

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Analysis of land and buildings as follows:

GROUP	Leasehold Land RM	Freehold Land RM	Buildings RM	Total RM
2016				
COST/VALUATION				
At 1 January 2016	55,415,438	33,326,080	53,311,760	142,053,278
Additions	74,647	-	176,800	251,447
Reclassification	(14,139,759)	13,673,920	465,839	-
Adjustments	(367,099)	-	(396,416)	(763,515)
At 31 December 2016	40,983,227	47,000,000	53,557,983	141,541,210
LESS: ACCUMULATED DEPRECIATION				
At 1 January 2016	932,418	-	2,238,085	3,170,503
Charge for the financial year	723,102	-	837,983	1,561,085
Reclassification	(219,862)	-	219,862	-
Adjustments	312,000	-	(414,442)	(102,442)
Translation difference	(271)	-	(917)	(1,188)
At 31 December 2016	1,747,387	-	2,880,571	4,627,958
LESS: ACCUMULATED IMPAIRMENT LOSS				
At 1 January 2016	-	-	-	-
Impairment losses	-	-	245,977	245,977
At 31 December 2016	-	-	245,977	245,977
CARRYING AMOUNTS				
At 31 December 2016	39,235,840	47,000,000	50,431,435	136,667,275

2015

COST/VALUATION

At 1 January 2015	40,666,319	33,326,080	53,288,694	127,281,093
Additions	150,123	-	12,876	162,999
Revaluation surplus	14,598,996	-	10,190	14,609,186
At 31 December 2015	55,415,438	33,326,080	53,311,760	142,053,278

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Analysis of land and buildings as follows: (cont'd)

	Leasehold Land RM	Freehold Land RM	Buildings RM	Total RM
GROUP (cont'd)				
2015 (cont'd)				
LESS: ACCUMULATED DEPRECIATION				
At 1 January 2015	226,471	-	881,941	1,108,412
Charge for the financial year	701,897	-	1,341,635	2,043,532
Translation difference	4,050	-	14,509	18,559
At 31 December 2015	932,418	-	2,238,085	3,170,503

CARRYING AMOUNTS

At 31 December 2015	54,483,020	33,326,080	51,073,675	138,882,775
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	Computer and software RM	Office equipment RM	Total RM
COMPANY			
2016			
COST			
At 1 January 2016/ 31 December 2016	9,080	4,500	13,580
LESS: ACCUMULATED DEPRECIATION			
At 1 January 2016	2,565	4,500	7,065
Charge for the financial year	1,408	-	1,40
At 31 December 2016	3,973	4,500	8,473
CARRYING AMOUNTS			
At 31 December 2016	5,107	-	5,107

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY	Computer and software RM	Office equipment RM	Total RM
2015			
COST			
At 1 January 2015	4,080	4,500	8,580
Addition	5,000	-	5,000
At 31 December 2015	9,080	4,500	13,580
LESS: ACCUMULATED DEPRECIATION			
At 1 January 2015	1,157	4,500	5,657
Charge for the financial year	1,408	-	1,408
At 31 December 2015	2,565	4,500	7,065
CARRYING AMOUNTS			
At 31 December 2015	6,515	-	6,515

- (a) Land and buildings was revalued by Jones Lang Wootton, a registered member of the Board of Valuers, Appraisers and Estate Agents Malaysia in March 2014. Valuations were made on the basis of open market values.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Leasehold land	8,650,239	14,821,870	-	-
Freehold land	15,615,668	15,615,668	-	-
Buildings	29,109,948	29,760,343	-	-
	53,375,855	60,197,881	-	-

A freehold land and building of the Group has been pledged as security for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENT PROPERTIES

GROUP	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Capital work-in- progress RM	Total RM
2016				
VALUATION				
At 1 January 2016	5,237,160	25,688,587	705,671	31,631,418
Addition	111,198	110,000		221,198
Disposal	-	(900,000)	-	(900,000)
Reclassification	80,000	(8,587)	(71,413)	-
At 31 December 2016	5,428,358	24,890,000	634,258	30,952,616
LESS: ACCUMULATED IMPAIRMENT LOSS				
At 1 January 2016/ 31 December 2016	28,160	100,000	634,256	762,416
CARRYING AMOUNTS				
At 31 December 2016	5,400,198	24,790,000	2	30,190,200
2015				
VALUATION				
At 1 January 2015	5,207,160	25,813,587	705,671	31,726,418
Disposal	(95,000)	-	-	(95,000)
Reclassification	125,000	(125,000)	-	-
At 31 December 2015	5,237,160	25,688,587	705,671	31,631,418
LESS: ACCUMULATED IMPAIRMENT LOSS				
At 1 January 2015	28,160	100,000	162,000	290,160
Charge for the financial year	-	-	472,256	472,256
At 31 December 2015	28,160	100,000	634,256	762,416
CARRYING AMOUNTS				
At 31 December 2015	5,209,000	25,588,587	71,415	30,869,002

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENT PROPERTIES (cont'd)

	GROUP	
	2016 RM	2015 RM
At 1 January	30,869,002	31,436,258
Addition	221,198	-
Disposals	(900,000)	(95,000)
Impairment losses	-	(472,256)
At 31 December	30,190,200	30,869,002
Analysed as:		
At cost:		
Leasehold land	71,413	-
Freehold land and building under construction	1	1
Leasehold land and buildings under construction	1	71,414
At fair value:		
Freehold land and buildings	5,400,198	5,209,000
Leasehold land and buildings	24,718,587	25,588,587
	30,190,200	30,869,002

- (a) As disclosed in Note 21, the rental income earned by the Group for the financial year ended 31 December 2016 from its investment properties amounted to RM475,777 (2015: RM329,937).
- (b) Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	GROUP	
	2016 RM	2015 RM
Insurance	12,305	13,552
Repairs and maintenance	46,449	51,909
Quit rent and assessment	51,264	54,828
	110,018	120,289

- (c) Land and buildings was revalued by Jones Lang Wootton, a registered member of the Board of Valuers, Appraisers and Estate Agents Malaysia in March 2014. Valuations were made on the basis of open market values.

The issuance of title deed of a leasehold land of its subsidiary company is pending from the relevant authorities as at 31 December 2016.

The title deeds and strata titles of certain investment properties of the Group have not been issued in the name of its subsidiary companies as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. SUBSIDIARY COMPANIES

	COMPANY	
	2016 RM	2015 RM
Unquoted shares, at cost	43,743,927	43,743,927

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Holding 2016 %	In Equity 2015 %	Principal Activities
Subsidiary companies of the Company				
Chuan Huat Hardware Holdings Sdn Bhd ("CHHH")	Malaysia	100.0	100.0	Investment holding
Chuan Huat Steel Sdn Bhd ("CHS")	Malaysia	100.0	100.0	Hardware merchants, suppliers of steel and iron products, building and construction materials of all kinds importers and exporters, marketing and holding of securities for investments
Subsidiary companies of CHHH				
Pineapple Resources Berhad ("PRB")	Malaysia	63.9	63.9	Distribution of printing consumables, computers and computer accessories and investment holding
Bars & Mesh Industries Sdn Bhd	Malaysia	100.0	100.0	Ceased operations
CHRS Samawira Mesh Sdn Bhd	Malaysia	100.0	100.0	Processing and trading of steel wire products
CH Rebar Sdn Bhd	Malaysia	100.0	100.0	Cutting and bending of steel bars
CHRB Properties Sdn Bhd	Malaysia	100.0	100.0	Trading in properties
CH Samawira Mesh Sdn Bhd	Malaysia	100.0	100.0	Contract labour and investment holding
CH Steel Wire Industries (Cambodia) Co Ltd*	Cambodia	100.0	100.0	To manufacture and supply steel wire products for the construction industries

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. SUBSIDIARY COMPANIES (cont'd)

Name of Company	Country of Incorporation	Holding 2016 %	In Equity 2015 %	Principal Activities
Subsidiary companies of PRB				
SC-PNP Edaran Sdn Bhd	Malaysia	100.0	100.0	Suppliers of computer hardware, software, accessories and services
Pineapple Office Supplies Sdn Bhd	Malaysia	100.0	100.0	Dormant
Pineapple Computer Systems Sdn Bhd ("PCS")	Malaysia	100.0	100.0	Retailing in computers and related accessories
Pineapple Computer Utara Sdn Bhd	Malaysia	100.0	100.0	Dormant
AGVA Marketing Malaysia Sdn Bhd	Malaysia	100.0	100.0	Trading of multimedia storage products
Subsidiary companies of PCS				
Pineapple Computers & Accessories Sdn Bhd	Malaysia	100.0	100.0	Dormant
Pine System Technology Sdn Bhd	Malaysia	100.0	100.0	Dormant
Subsidiary companies of CHS				
Chuan Huat Industrial Marketing Sdn Bhd	Malaysia	100.0	100.0	Trading as hardware merchant, retailers, importers and exporters and suppliers of building and construction materials of all kinds
CHRB Selatan Sdn Bhd	Malaysia	100.0	100.0	Ceased operations
CHRB Utara Sdn Bhd	Malaysia	100.0	100.0	Ceased operations
CHRB Corporation Sdn Bhd ("CHRB Corp")	Malaysia	100.0	100.0	Investment holding
CHRB Bahan Binaan Sdn Bhd	Malaysia	100.0	100.0	Ceased operations
Chuan Huat Metal Sdn Bhd	Malaysia	80.0	80.0	Trading in building materials
CHRB Building Materials Sdn Bhd	Malaysia	60.0	60.0	Trading in building material
CHRB Trading Sdn Bhd	Malaysia	60.0	60.0	Dormant
Subsidiary companies of CHRB Corp				
CHRB Timuran Sdn Bhd	Malaysia	100.0	100.0	Ceased operations
Pemasaran Esysence Sdn Bhd	Malaysia	100.0	100.0	Ceased operations
Keyline Consulting Sdn Bhd ("Keyline")	Malaysia	70.0	70.0	Trading and retailing of ironmongery products and architectural hardware

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. SUBSIDIARY COMPANIES (cont'd)

Name of Company	Country of Incorporation	Holding 2016 %	In Equity 2015 %	Principal Activities
Subsidiary companies of Keyline				
CH Sweestech Door Sdn Bhd ("CHSD")	Malaysia	75.0	75.0	Manufacturing and marketing of fire doors and all parts, component and accessories

*The financial statements of the subsidiary company as at 31 December 2016 not audited by Ong Boon Bah & Co.

7. INVESTMENTS

	GROUP	
	2016 RM	2015 RM
Non-current Available For Sale financial assets		
Unquoted shares, at cost	18,001	18,001
Accumulated impairment losses	(18,001)	(13,300)
	-	4,701
Quoted shares in Malaysia, at fair value/cost	3,632,217	2,691,008
Club membership, at cost	145,489	145,489
Total investment securities	3,777,706	2,841,198
Market value of quoted shares	3,630,858	2,691,008
The movement in the allowance for impairment losses during the financial year were:		
At 1 January	13,300	583,300
Addition	4,701	-
Written off	-	(570,000)
At 31 December	18,001	13,300

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INTANGIBLE ASSETS

GROUP

2016

	Goodwill RM	Development cost RM	Total RM
Cost:			
At 1 January 2016	1,196,434	-	1,196,434
Addition	-	39,338	39,338
At 31 December 2016	1,196,434	39,338	1,235,772
Accumulated impairment losses:			
At 1 January 2016/ 31 December 2016	(1,196,434)	-	(1,196,434)
	-	39,338	39,338

2015

	Goodwill RM	Development cost RM	Total RM
Cost:			
At 1 January 2015/ 31 December 2015	1,196,434	-	1,196,434
Accumulated impairment losses:			
At 1 January 2015	(419,828)	-	(419,828)
Charge for the financial year	(776,606)	-	(776,606)
At 31 December 2015	(1,196,434)	-	(1,196,434)
	-	-	-

Goodwill acquired in business combination is allocated, at acquisition, to cash-generating units ("CGU") that are expected to benefit from that business combination. Goodwill has been allocated to the steel operations of the Group.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INVENTORIES

	GROUP	
	2016 RM	2015 RM
At cost:		
Raw materials	20,289,508	18,528,074
Finished goods	66,332,162	54,614,569
Work-in-progress	4,849,092	3,003,965
Consumables	261,182	629,292
Completed properties	11,756,930	11,756,930
Goods in transit	42,877	5,449,981
	<u>103,531,751</u>	<u>93,982,811</u>
Allowance for inventories obsolescence		
- finished goods	(115,116)	(115,116)
	<u>103,416,635</u>	<u>93,867,695</u>
At net realisable value:		
Finished goods	45,330	9,766,840
	<u>103,461,965</u>	<u>103,634,535</u>

As at 31 December 2016, the strata titles of certain completed properties in total amounting to RM4,112,357 (2015 : RM2,405,613) have not been registered in the name of the subsidiary company.

10. TRADE RECEIVABLES

	GROUP	
	2016 RM	2015 RM
Trade receivables	200,599,533	181,849,145
Allowance for impairment losses	(23,901,120)	(23,914,611)
	<u>176,698,413</u>	<u>157,934,534</u>

Trade receivables are non-interest bearing except for 1.5% impose on overdue account and are generally on 7 days to 90 days (2015: 7 days to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. TRADE RECEIVABLES (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	GROUP	
	2016 RM	2015 RM
Neither past due nor impaired	156,203,825	143,758,097
1 to 90 days past due not impaired	15,092,205	11,197,659
91 to 180 days past due not impaired	1,813,955	2,809,811
More than 181 days past due not impaired	3,588,428	168,967
	20,494,588	14,176,437
Impaired	23,901,120	23,914,611
	<u>200,599,533</u>	<u>181,849,145</u>

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

The Group has trade receivables amounting to RM20,494,588 (2015: RM14,176,437) that are past due at the reporting date but not impaired are unsecured in nature.

The Group has trade receivables amounting to RM8,205,256 (2015: RM2,433,419) due from a company in which a substantial shareholder have interest.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	GROUP	
	2016 RM	2015 RM
At 1 January	23,914,611	24,567,297
Charge for the financial year	792,944	374,484
Reversal of impairment losses	(806,435)	(1,027,170)
At 31 December	<u>23,901,120</u>	<u>23,914,611</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	3,364,781	2,958,848	301	197
Allowance for impairment losses	(36,549)	-	-	-
	<u>3,328,232</u>	<u>2,958,848</u>	<u>301</u>	<u>197</u>
Deposits	1,052,114	2,120,867	1,000	1,000
Prepayments	1,309,490	1,530,844	691	6,200
	<u>5,689,836</u>	<u>6,610,559</u>	<u>1,992</u>	<u>7,397</u>

Included in deposits of the Group is an amount of RM 239,989 (2015: RM240,000) which represents a security deposit of Financial Service Reserve Account ("FSRA") which is secured by term loan facilities as disclosed in Note 19.

12. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

The amounts due from subsidiary companies which arose mainly from inter-company transactions, advances and payments made on behalf is unsecured, interest free (2015: interest free) and is repayable in cash on demand.

13. FIXED DEPOSITS WITH LICENSED BANKS

The deposits of the Group carry interest rates ranging from 2.15% to 3.30% (2015: 2.30% to 3.45%) per annum and have maturity periods range from 5 days to 365 days (2015: 7 days to 365 days) except a deposit pledged under financial service reserve account without interest rate and maturity period.

The Group's fixed deposits with carrying value of RM795,756 (2015: RM930,488) have been pledged to licensed banks for banking facilities and banking guarantee granted to its certain subsidiary companies.

14. SHARE CAPITAL

	GROUP AND COMPANY			
	2016		2015	
	Number of shares	Amount RM	Number of shares	Amount RM
Authorised:				
Ordinary shares of RM0.50 each	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January	168,254,720	84,127,360	167,156,266	83,578,133
Issued for cash under warrant exercised	415,134	207,567	1,098,454	549,227
At 31st December	<u>168,669,854</u>	<u>84,334,927</u>	<u>168,254,720</u>	<u>84,127,360</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. SHARE CAPITAL (cont'd)

During the financial year, the Company increased its issued and fully paid up share capital from 168,254,720 ordinary shares of RM0.50 each to 168,669,854 ordinary shares of RM0.50 each through the issuance of 415,134 ordinary shares via the exercise of 415,134 Warrants 2011/2016.

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

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

15. RESERVES

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:				
Capital reserve	21,923,153	21,923,153	-	-
Warrant reserve	565,554	565,554	565,554	565,554
Exchange translation reserve	756,324	676,245	-	-
Revaluation reserve	71,032,923	68,631,935	-	-
	<u>94,277,954</u>	<u>91,796,887</u>	<u>565,554</u>	<u>565,554</u>

The nature and movements of the reserves of the Group and of the Company as at 31 December are as follows:

(i) The movements in the capital reserves of the Group during the financial year were:

	GROUP	
	2016 RM	2015 RM
Accretion arising from change in equity interest in subsidiary companies	73,154	73,154
Capitalisation of bonus issue by subsidiary companies	21,849,999	21,849,999
	<u>21,923,153</u>	<u>21,923,153</u>

(ii) The movements in the warrant reserves of the Group and of the Company during the financial year were:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Warrants reserve arising from:				
Public issue	835,781	835,781	835,781	835,781
Listing expenses	(270,227)	(270,227)	(270,227)	(270,227)
	<u>565,554</u>	<u>565,554</u>	<u>565,554</u>	<u>565,554</u>

The warrants issued on 16 December 2010 are constituted under a Deed Poll executed by the Company. The warrants were issued at an issue price RM0.02/- per warrant. Warrant reserve is pertaining to the issuance of 41,789,006 five (5) years warrants at an issue price of RM0.02 per warrant and net of listing expense incurred in relation to listing exercise on the basis of one (1) warrant ("CHRB Warrants") for every four (4) CHRB Shares held after the Proposed Bonus issue.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. RESERVES (cont'd)

- (ii) The movements in the warrant reserves of the Group and of the Company during the financial year were: (cont'd)

The movement in the warrants during the financial year are as follows:-

	Number of Warrants			
	As at 1.1.2016	Exercised	Expired	As at 31.12.2016
Warrants	40,690,612	415,134	40,275,478	-

The salient terms of the warrants are as follows:-

- Each warrant entitles the registered holder/(s) at any time during the exercise period to subscribe for 1 new ordinary share of RM0.50/- each at an exercise price of RM0.50/- per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.
 - The exercise price for the warrants is fixed at RM0.50/- per new ordinary share of the Company subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
 - The exercise period is 5 years from the date of issuance until the maturity date, i.e. the date preceding the 5th anniversary of the date of issuance. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes.
 - The new ordinary shares of RM0.50/- each to be issued pursuant to the exercise of the warrants will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the said new ordinary shares.
- (iii) The exchange reserve is used to record exchange difference arising from the translation of the financial statement of a foreign operation whose functional currency is different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in a foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.
- (iv) Revaluation reserve of the Group arising from revaluation surplus of land and buildings net of deferred taxation.

16. RETAINED EARNINGS

Retained earnings and capital reserves represent distributable reserves and are distributable by way of dividends.

Under the single-tier system which is fully effective from 1 January 2014, the Company is allowed to distribute in full its retained earnings and capital reserves. Dividend paid under the single-tier system is tax exempt in the hands of the shareholders.

17. TRADE PAYABLES

The normal trade credit terms granted to the Group for trade purchase range from 7 days to 90 days (2015: 7 days to 90 days).

Included in trade payables of the Group is an amount of RM397,979 (2015: RM257,047) due to a company in which the Group has indirect interest through its subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	3,616,921	11,311,495	85,000	173,100
Deposits received	485,018	469,320	-	-
Accruals	5,393,767	6,239,579	18,500	14,500
	<u>9,495,706</u>	<u>18,020,394</u>	<u>103,500</u>	<u>187,600</u>

Included in accruals of the Group and of the Company is Directors' fee amounting to RM85,000 (2015: RM85,000).

19. LOANS AND BORROWINGS

	GROUP	
	2016 RM	2015 RM
Current		
Secured:		
Bank overdrafts	1,385,469	2,769,708
Bankers' acceptance	142,202,289	125,351,876
Finance lease liabilities (Note 29)	1,089,849	1,047,150
Term loans	5,250,442	4,435,510
	<u>149,928,049</u>	<u>133,604,244</u>
Non-current		
Secured:		
Finance lease liabilities (Note 29)	2,409,955	2,132,375
Term loans	14,482,305	17,029,119
	<u>16,892,260</u>	<u>19,161,494</u>
Total loans and borrowings		
Bank overdrafts (Note 28(c))	1,385,469	2,769,708
Bankers' acceptance	142,202,289	125,351,876
Finance lease liabilities (Note 29)	3,499,804	3,179,525
Term loans	19,732,747	21,464,629
	<u>166,820,309</u>	<u>152,765,738</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. LOANS AND BORROWINGS (cont'd)

Maturity of loans and borrowings (excluding finance lease liabilities) as at reporting date are as follows:

	GROUP	
	2016 RM	2015 RM
Within one year	148,838,200	132,557,094
From one to two years	5,124,253	4,333,433
From two to five years	9,358,052	12,695,686
	<u>163,320,505</u>	<u>149,586,213</u>

The short term borrowings of the Group are secured by way of :

- (a) corporate guarantee executed by the company;
- (b) fixed deposits with a licensed bank;
- (c) first fixed charge over unquoted shares of its subsidiary company
- (d) a freehold land of its subsidiary company; and
- (e) security deposit of FSRA as disclosed in Note 11.

Short term borrowings of the Group carry interest rates ranging from 3.89% to 8.15% (2015: 4.04% to 8.35%) per annum.

Term loans of the Group are secured by a freehold land and building, fixed deposit and corporate guarantee executed by the Company and carry interest rate ranging from 5.08% to 6.05% (2015: 2.72% to 6.03%) per annum.

20. DEFERRED TAX LIABILITIES

	GROUP	
	2015 RM	2014 RM
At 1 January	12,412,295	14,186,793
Net recognised in profit and loss (Note 25)	747,335	(523,462)
Net recognised in revaluation reserve	(3,315,178)	(1,251,036)
At 31 December	<u>9,844,452</u>	<u>12,412,295</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. DEFERRED TAX LIABILITIES (cont'd)

The Group's movements in deferred tax liabilities and assets during the financial year prior to offsetting comprise the following:

Deferred tax liabilities

	Accelerated capital allowances RM	Revaluation surplus RM	Total RM
At 1 January 2015	(1,743,306)	(12,585,565)	(14,328,871)
Recognised in profit or loss	523,462	-	523,462
Recognised in revaluation reserve	-	1,251,036	1,251,036
At 31 December 2015	(1,219,844)	(11,334,529)	(12,554,373)
Recognised in profit or loss	(886,811)	-	(886,811)
Recognised in revaluation reserve	-	3,315,178	3,315,178
At 31 December 2016	(2,106,655)	(8,019,351)	(10,126,006)

Deferred tax assets

	Unabsorbed capital allowances RM	Unutilised tax losses RM	Total RM
At 1 January 2015	129,236	12,842	142,078
Recognised in profit or loss	-	-	-
At 31 December 2015	129,236	12,842	142,078
Recognised in profit and loss	139,476	-	139,476
At 31 December 2016	268,712	12,842	281,554

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

21. REVENUE

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	645,043,765	662,800,993	-	-
Rental income	955,962	329,937	-	-
Dividend income	-	-	2,074,100	-
Management fees from subsidiary companies	-	-	360,000	360,000
	645,999,727	663,130,930	2,434,100	360,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. EMPLOYEE BENEFITS EXPENSES

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, wages and bonuses	26,753,204	25,077,034	-	-
Defined contribution plans	2,920,310	2,756,944	-	-
Other benefits	2,284,686	1,929,244	193,000	187,170
	<u>31,958,200</u>	<u>29,763,222</u>	<u>193,000</u>	<u>187,170</u>

Included in employee benefits expenses of the Group and of the Company are Directors' remuneration as disclosed in Note 23(b).

23. PROFIT FROM OPERATIONS

(a) Profit from operations is arrived at:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging:				
Auditors' remuneration:				
- current year	184,831	150,747	16,000	13,000
- prior year	68,541	33,746	5,300	4,200
Depreciation of property, plant and equipment	8,075,306	8,214,675	1,408	1,408
Directors' remuneration (Note 23(b))	2,546,372	2,332,073	193,000	187,170
Rental of premises	972,077	1,066,119	-	-
Rental of credit card machine	6,317	-	-	-
Bad debts written off	470,802	46,537	-	-
Loss on foreign exchange				
- realised	109,824	326,179	-	-
Property, plant and equipment written off	196,220	11,884	-	-
Impairment losses on:				
- trade receivables	792,944	374,484	-	-
- other receivables	36,549	-	-	-
- property, plant and equipment	245,977	-	-	-
- unquoted investment	4,701	-	-	-
- investment properties	-	472,256	-	-
- goodwill	-	776,606	-	-
Allowance for obsolescence inventories	-	124,829	-	-
Inventories written off	-	249,294	-	-
Inventories written down	-	1,238,287	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. PROFIT FROM OPERATIONS (cont'd)

(a) Profit from operations is arrived at: (cont'd)

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
And crediting:				
Rental income from:				
- others	955,962	329,937	-	-
Interest income from:				
- fixed deposits	45,622	62,081	-	-
- repo	32,066	20,391	-	-
- others	477,935	912,927	-	-
Gain on disposal of:				
- property, plant and equipment	210,995	71,175	-	-
- investment property	118,000	12,800	-	-
- quoted shares	7,463	-	-	-
Reversal of impairment losses on trade receivables	806,435	1,027,170	-	-
Reversal of bad debts receivables	-	228	-	-
Allowances of obsolete inventories written back	1,209,710	85,922	-	-
Reversal of impairment of quoted shares	969,066	84,095	-	-
Dividend income	-	-	2,074,100	-
Management fee received from subsidiary companies	-	-	360,000	360,000

(b) The aggregate amount of remuneration receivable by Directors of the Group and the Company during the financial year were categorised as follows:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive Directors:				
Salaries and other emoluments	2,006,364	1,784,664	-	-
Fees	45,000	45,000	45,000	45,000
Defined contributions plans	299,008	312,409	-	-
Other benefits	-	-	-	170
Non-executive Directors:				
Fees	196,000	190,000	148,000	142,000
	2,546,372	2,332,073	193,000	187,170

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. PROFIT/(LOSS) FROM OPERATIONS (cont'd)

- (b) The aggregate amount of remuneration receivable by Directors of the Group and the Company during the financial year were categorised as follows: (cont'd)

The number of Directors whose remuneration fall into the respective bands as follows:

	GROUP	
	2016 RM	2015 RM
Executive Directors:		
RM 100,000 – RM 150,000	1	1
RM 850,000 – RM 900,000	1	1
RM 1,350,000 – RM 1,400,000	1	1
Non-executive Directors:		
RM 50,000 and below	2	2
RM 50,001 – RM100,000	2	2

24. FINANCE COSTS

	GROUP	
	2016 RM	2015 RM
Interest expenses on:		
- bankers' acceptance	6,156,552	6,605,029
- bank overdrafts	100,069	186,186
- term loans	1,198,575	1,259,260
- finance lease liabilities	190,043	162,155
	<u>7,645,239</u>	<u>8,212,630</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit or loss:				
Current tax:				
- current year	2,924,523	1,193,403	76,692	28,403
- prior years	(220,065)	(47,183)	1,528	4,462
	2,704,458	1,146,220	78,220	32,865
Deferred tax (Note 20):				
- origination and reversal of temporary differences	747,335	(523,462)	-	-
	3,451,793	622,758	78,220	32,865

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax	13,498,247	(947,112)	2,085,129	4,829
	RM	RM	RM	RM
Taxation at statutory tax rate	3,239,579	(236,778)	500,431	1,207
Expenses not deductible for tax purposes	3,958,080	2,622,098	74,045	-
Income not subject to tax	(1,913,032)	(248,534)	(497,784)	27,196
Prior years	(220,065)	(47,183)	1,528	4,462
Utilisation of capital allowances	(2,403,982)	(1,418,507)	-	-
Change in unrecognised temporary differences	791,213	(48,338)	-	-
	3,451,793	622,758	78,220	32,865

Income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2016 has reflected these changes.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2016 RM	2015 RM
Profit/(Loss) for the financial year attributable to owners of the Company (RM)	9,986,242	(1,521,562)
Weighted average number of ordinary shares (basic)	168,669,854	168,254,720
Effect of warrant issue	-	40,690,612
	168,669,854	208,945,332
Basic earnings/(loss) per share (sen)	5.92	(0.90)
Diluted earnings/(loss) per share (sen)	5.92	(0.73)

27. DIVIDEND

	GROUP AND COMPANY	
	2016 RM	2015 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- First and final single tier dividend of 0.565 sen per ordinary share	-	944,431

28. STATEMENTS OF CASH FLOWS

(a) Adjustments for non-cash items, interests and dividend

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Depreciation of property, plant and equipment	8,075,306	8,214,675	1,408	1,408
Interest income	(555,623)	(995,399)	-	-
Interest expenses	7,645,239	8,212,630	-	-
Property, plant and equipment written off	196,220	11,884	-	-
Reversal of impairment losses on trade receivables	(806,435)	(1,027,170)	-	-
Bad debts written off	470,802	46,537	-	-
Balance carried forward	15,025,509	14,463,157	1,408	1,408

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. STATEMENTS OF CASH FLOWS (cont'd)

(a) Adjustments for non-cash items, interests and dividend (cont'd)

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Balance brought forward	15,025,509	14,463,157	1,408	1,408
Impairment losses on:				
- trade receivables	792,944	374,484	-	-
- non-trade	36,549	-	-	-
- unquoted investment	4,701	-	-	-
- investment properties	-	472,256	-	-
- goodwill	-	776,606	-	-
- property, plant and equipment	245,977	-	-	-
Gain on disposal of:				
- property, plant and equipment	(210,995)	(71,175)	-	-
- investment property	(118,000)	(12,800)	-	-
- quoted shares	(7,463)	-	-	-
Inventories written off	-	249,294	-	-
Inventories written down	-	1,238,287	-	-
Reversal of unrealised profit	-	(300,000)	-	-
Reversal of impairment losses on quoted shares	(969,066)	(84,095)	-	-
Reversal of inventories written back	(1,209,710)	(85,922)	-	-
Allowance for obsolete Inventories	-	124,829	-	-
	<u>13,590,446</u>	<u>17,144,921</u>	<u>1,408</u>	<u>1,408</u>

(b) Purchase of property, plant and equipment

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Aggregate cost	6,461,616	11,217,645	-	5,000
Acquired by means of finance leases	(1,807,800)	(1,200,000)	-	-
Acquired by contra against trade receivables	-	(928,200)	-	-
Cash payments made to purchase property, plant and equipment	<u>4,653,816</u>	<u>9,089,445</u>	<u>-</u>	<u>5,000</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. STATEMENTS OF CASH FLOWS (cont'd)

(c) Cash and cash equivalents at end of the financial year

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits with licensed banks	2,895,756	930,489	-	-
Cash and bank balances	21,675,569	23,559,660	2,108,126	775,665
Bank overdrafts (Note 19)	(1,385,469)	(2,769,708)	-	-
	<u>23,185,856</u>	<u>21,720,441</u>	<u>2,108,126</u>	<u>775,665</u>
Fixed deposits pledged (Note 13)	(795,756)	(930,489)	-	-
	<u>22,390,100</u>	<u>20,789,952</u>	<u>2,108,126</u>	<u>775,665</u>

29. FINANCE LEASE LIABILITIES

	GROUP	
	2016 RM	2015 RM
Minimum lease payments:		
- within one year	1,243,951	1,175,058
- between one and five years	2,591,925	2,285,117
	<u>3,835,876</u>	<u>3,460,175</u>
Finance charges	(336,072)	(280,650)
	<u>3,499,804</u>	<u>3,179,525</u>
Portion due within one year (Note 19)	1,089,849	1,047,150
Non-current portion (Note 19)	<u>2,409,955</u>	<u>2,132,375</u>

The present value of payments are repayable as follows:

	GROUP	
	2016 RM	2015 RM
Within one year	1,089,849	1,047,150
Between one and five years	2,409,955	2,132,375
	<u>3,499,804</u>	<u>3,179,525</u>

The finance lease liabilities of the Group carry interest rates ranging from 2.21% to 5.10% (2015: 2.30% to 5.03%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. RELATED PARTY TRANSACTIONS

The related parties of the Group and of the Company comprise the following:

- related parties being companies in which Directors of the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.
- key management personnel includes the Company's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. Executive and Non-Executive Directors compensation is disclosed in Note 23(b).

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions took place at terms agreed between the parties during the financial year:

	GROUP	
	2016 RM	2015 RM
(a) Sale of goods		
Related party:		
- Ahmad Zaki Sdn Bhd	13,676,101	5,665,276
(b) Purchase of goods		
Related party:		
- Amalgamated Industrial Steel Berhad	-	511,681
- AIS Manufacturing Sdn Bhd	931,814	646,842
	931,814	1,158,523
(c) Others		
Management fees received from a subsidiary companies:		
- Chuan Huat Steel Sdn Bhd	284,400	360,000
- CHRB Building Materials Sdn Bhd	6,000	-
- Chuan Huat Metal Sdn Bhd	9,600	-
- Keyline Consulting Sdn Bhd	60,000	-
	360,000	360,000

Ahmad Zaki Sdn Bhd is company in which a substantial shareholder of the Company has substantial financial interest.

Amalgamated Industrial Steel Berhad is a company in which, the Company has indirect interest through Chuan Huat Hardware Holdings Sdn Bhd, a wholly owned subsidiary of the Company.

In the opinion of the Directors, the above related party transactions have been entered into in the normal course of business and have been established under terms that are not more favourable than those arranged with independent third parties.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. CAPITAL COMMITMENT

The Group has the following commitments:

	GROUP	
	2016 RM	2015 RM
Capital expenditure for property, plant and equipment - approved and contracted for	2,976,618	4,036,320

32. CONTINGENT LIABILITIES

	COMPANY	
	2016 RM	2015 RM
Unsecured:		
Guarantees in respect of banking facilities granted to subsidiary companies	352,792,000	302,792,000
Corporate guarantees given to suppliers for supply of goods to subsidiary companies	81,100,000	72,400,000
	433,892,000	375,192,000

33. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation:

	As restated RM	GROUP As Previously restated RM
BALANCE SHEET		
Current assets		
Other receivables, deposits and prepayments	6,610,559	6,370,559
Fixed deposits with licensed banks	930,489	1,170,489

34. SEGMENT INFORMATION

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

- The hardware and building materials segment is a hardware merchant supplier of steel and iron products, building and construction materials of all kinds.
- The technology related products segment includes distribution of printing consumables and retailers and suppliers of computer hardware, software accessories and related services.
- The property segment is in the business of trading and leasing out residential and commercial properties.
- The corporate segment is involved in Group-level corporate services, treasury functions and investments in marketable securities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. SEGMENT INFORMATION (cont'd)

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource 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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director and the Financial Controller. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director and the Financial Controller. Hence no disclosure is made on segment liability.

2016

	Hardware and building materials RM	Technology related products RM	Property RM	Corporate RM	Eliminations RM	Consolidated RM	Notes
REVENUE							
External customers	593,796,929	51,220,436	659,520	322,842	-	645,999,727	
Inter-segment	78,144,341	1,903,559	-	689,700	(80,737,600)	-	A
Total revenue	671,941,270	53,123,995	659,520	1,012,542	(80,737,600)	645,999,727	
RESULTS							
Interest income	538,665	16,788	170	-	-	555,623	
Depreciation of property, plant and equipment	6,775,990	654,566	1,308	643,442	-	8,075,306	
Gain on fair value of							
Other non-cash expenses	8,755,225	145,138	-	21,267	-	8,921,630	B
Segment profit/(loss)	13,192,738	(365,965)	473,670	41,560	156,246	13,498,249	C
ASSETS							
Additions to non-current assets	6,331,507	351,307	-	-	-	6,682,814	D
Segment assets	250,268,382	27,483,243	14,577,449	19,802,964	-	312,132,038	

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. SEGMENT INFORMATION (cont'd)

2015

	Hardware and building materials RM	Technology related products RM	Property RM	Corporate RM	Eliminations RM	Consolidated RM	Notes
REVENUE							
External customers	614,960,053	47,117,035	26,400	1,027,442	-	663,130,930	
Inter-segment	118,311,297	5,537,321	728,650	-	(124,577,268)	-	A
Total revenue	<u>733,271,350</u>	<u>52,654,356</u>	<u>755,050</u>	<u>1,027,442</u>	<u>(124,577,268)</u>	<u>663,130,930</u>	
RESULTS							
Interest income	961,897	32,758	-	744	-	995,399	
Depreciation of property, plant and equipment	6,492,642	706,290	1,308	1,014,435	-	8,214,675	
Gain on fair value of Other non-cash expenses	10,755,003	206,620	-	335,476	-	11,297,099	B
Segment profit/(loss)	<u>449,087</u>	<u>(399,729)</u>	<u>618,508</u>	<u>(1,614,978)</u>	<u>-</u>	<u>(947,112)</u>	C
ASSETS							
Additions to non-current assets	25,710,083	101,748	5,000	10,000	-	25,826,831	D
Segment assets	<u>237,271,126</u>	<u>26,615,404</u>	<u>13,811,546</u>	<u>16,716,023</u>	<u>-</u>	<u>294,414,099</u>	

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2016 RM	2015 RM
Interest expenses	7,645,239	8,212,630
Property, plant and equipment written off	196,220	11,884
Impairment losses on:		
- trade receivables	792,944	374,484
- other receivables	36,549	-
- unquoted investment	4,701	-
- investment properties	-	472,256
- property, plant and equipment	245,977	-
- goodwill	-	776,606
Inventories written off	-	249,294
Inventories written down	-	1,199,945
	<u>8,921,630</u>	<u>11,297,099</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. SEGMENT INFORMATION (cont'd)

C The following items are added to segment profit/(loss) to arrive at "Profit/(Loss) before tax" presented in the consolidated statement of comprehensive income:

	Note	2016 RM	2015 RM
Segment profit/(loss)	SOPL	13,498,247	(947,112)

D Additions to non-current assets consist of:

	Note	2016 RM	2015 RM
Property, plant and equipment	4	6,461,616	25,826,831
Investment properties	5	221,198	-
		6,682,814	25,826,831

No segment information by geographical area has been presented as the Group operates predominantly in Malaysia.

35. CORPORATE INFORMATION

- The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.
- The registered office and principal place of business of the Company are both located at Wisma Lim Kim Chuan, Lot 50A, Jalan 1/89B, 3½ Miles, Off Jalan Sungai Besi, 57100 Kuala Lumpur.
- The principal activity of the Company is engaged in investment holding. The principal activities of its subsidiary companies are shown in Note 6 to the financial statements.
- The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 March 2017.

36. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group and the Company are exposed to financial risk from operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, market price risk and liquidity risk.

The Board of Directors reviews and agree policies and procedures for the management of these risks, which are executed by the Executive Directors and the Financial Controller. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (cont'd)

(a) Foreign currency risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies other than its functional currency entered into by the Group. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level and the Group does not hedge its foreign currency risk.

(b) Interest rate risk

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

The Group's exposure to interest rate risk arises primarily from their borrowings as disclosed in Note 19. The interest rates of finance lease liabilities which are fixed at the inception of the financing arrangements are disclosed in Note 29. Under the current interest rate environment, management anticipates that any changes in interest rate in the near term are not expected to have a significant impact on the Group's profit or loss.

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM28,839 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate of loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount. As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies. As at end of the reporting date, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the results of the subsidiary companies regularly. As at the end of the reporting date, the maximum exposure to credit risk is represented by its carrying amounts in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (cont'd)

(c) Credit risk (cont'd)

As at the end of the reporting date, there was no indication that the loans and advances to the subsidiary companies are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiary companies. Nevertheless, these advances have been overdue for less than a year.

(d) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

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

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with FTSE Bursa Malaysia KLCI (FBMKLCI).

A 10 percent strengthening in FBMKLCI at the end of the reporting period would have increased equity by RM363,086 and post-tax profit or loss by RM363,086. A 10 percent weakening in FBMKLCI would have had equal but opposite effect on equity and profit or loss respectively.

(e) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of reporting date based on undiscounted contractual payments.

	Carrying amount RM	Contractual cash flows RM	Within one year RM	From two to five years RM
GROUP				
2016				
Financial liabilities:				
Trade and other payables	53,454,546	53,454,546	53,454,546	-
Bank overdraft	1,385,469	1,385,469	1,385,469	-
Bankers' acceptance	142,202,289	142,202,289	142,202,289	-
Term loans	19,732,747	19,732,747	5,250,442	14,482,305
Finance lease liabilities	3,499,804	3,499,804	1,089,849	2,409,955
Total undiscounted financial liabilities	220,274,855	220,274,855	203,382,595	16,892,260

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (cont'd)

(e) Liquidity risk (cont'd)

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

GROUP (cont'd)	Carrying amount RM	Contractual cash flows RM	Within one year RM	From two to five years RM
2015				
Financial liabilities:				
Trade and other payables	61,684,267	61,684,267	61,684,267	-
Bank overdraft	2,769,708	2,769,708	2,769,708	-
Bankers' acceptance	125,351,876	125,351,875	125,351,875	-
Term loan	21,464,629	21,464,629	4,435,510	17,029,119
Finance lease liabilities	3,179,525	3,179,525	1,047,150	2,132,375
Total undiscounted financial liabilities	<u>214,450,005</u>	<u>214,450,005</u>	<u>195,288,511</u>	<u>19,161,494</u>

COMPANY	Carrying amount RM	Contractual cash flows RM	Within one year RM	From two to five years RM
2016				
Financial liabilities:				
Other payables	85,000	85,000	85,000	-
Total undiscounted financial liabilities	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>

2015

Financial liabilities:

Other payables	173,100	173,100	173,100	-
Total undiscounted financial liabilities	<u>173,100</u>	<u>173,100</u>	<u>173,100</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (cont'd)

Determination of fair values

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group at the reporting date approximated their fair values except as set out below:

		2016		2015	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
GROUP					
Financial asset					
Available-for-sale financial assets	7	3,632,217	3,630,858	2,691,008	2,691,008
Financial liabilities					
Finance lease liabilities	29	3,499,804	3,435,440	3,179,525	3,091,411

No disclosure is made for unquoted shares because of the lack of market information and the assumptions used in valuation models to value these investments cannot be reasonably determined.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Deposits, cash and bank balances

The carrying amounts of cash and cash equivalents approximate fair values due to the relatively short term maturity of these instruments.

(ii) Quoted equity instrument

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting date or estimated by discounting expected future cash flows at estimated average cost of borrowing rate.

(iii) Trade and other receivables and payables

The carrying amounts of trade receivables and payables subject to normal trade credit terms approximate their fair values. The carrying amounts of other receivables and payables is reasonable approximation of fair values due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (cont'd)

(a) Financial instruments carried at amortised cost (cont'd)

(iv) Loans and borrowings

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting. The carrying amount of long term floating rate loans approximates their fair value as the loans will be repriced to market interest rate on or near reporting date.

The fair values of current loans and borrowings is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(v) Amounts due from subsidiary companies

The carrying amounts of the amounts due from subsidiary companies is a reasonable approximation of fair values due to its short maturity.

(b) Financial instruments carried at fair value

The fair value measurement hierarchies used to measure financial assets carried at fair value in the statements of financial position as at 31 December 2015 are as follows:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unabsorbed inputs).

The Group do not have any financial liabilities carried at fair value nor any instruments classified as Level 1, Level 2 and Level 3 as at 31 December 2016 and 31 December 2015.

The table below analyses the financial instruments measured at fair value at the reporting date, according to the level in the fair value hierarchy:

	Level 1 RM	Level 2 RM	Level 3 RM	Level 4 RM
Financial assets:				
Investment securities				
2016	3,630,858	-	-	3,630,858
2015	2,691,008	-	-	2,691,008

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. CAPITAL MANAGEMENT

The Group's primary objective in managing its capital is to maximise the Group's value by optimising its capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity. The Group targets a capital structure of an optimal mix of debt and equity in order to achieve an efficient cost of capital vis-à-vis maintaining financial flexibility for its business requirement and investing for future growth. The Group regularly reviews and manages its capital structure in accordance to the changes in economic conditions, its business plans and future.

The Group uses the debt to equity ratio, which is total debt dividend by total equity attributable to equity holders of the Company, as the key measurement for its capital structure management. The debt-to-equity ratio as at 31 December 2016 and 2015 were as follows:

	GROUP	
	2016 RM	2015 RM
Total loans and borrowings (Note 19)	166,820,309	152,765,738
Less: Cash and cash equivalents (Note 28(c))	(23,775,569)	(23,559,660)
Net debt	143,044,740	129,206,078
Total equity	279,968,122	267,233,034
Debt-to-equity ratio	0.51	0.48

The Group did not breach any gearing requirements during the financial years ended 31 December 2016 and 31 December 2015.

No changes were made in the objectives, policies or processes in regards to the Group's management of its capital structure during the years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earning or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 and 2015, into realised and unrealised profits, pursuant to the directive, is as follows:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings:				
- Realised	77,780,206	67,084,211	4,765,470	2,758,561
- Unrealised	9,037,011	9,746,764	-	-
	<u>86,817,217</u>	<u>76,830,975</u>	<u>4,765,470</u>	<u>2,758,561</u>
Consolidation adjustments	-	-	-	-
Retained earnings as per statements of financial position	<u>86,817,217</u>	<u>76,830,975</u>	<u>4,765,470</u>	<u>2,758,561</u>

The determination of realised and unrealised profits 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 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.

STATEMENTS OF SHAREHOLDINGS

AS AT 3 APRIL 2017

Issued and Paid-Up Capital : RM 84,334,927.00 divided into 168,669,854 shares
Voting Rights : On poll - one (1) vote for each share held

ANALYSIS OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less Than 100	150	6.59	5,735	0.01
100 - 1,000	69	3.03	36,264	0.02
1,001 - 10,000	1,312	57.59	6,683,163	3.96
10,001 - 100,000	652	28.62	19,728,650	11.70
100,001 - Less Than 5% Of Issue Share	89	3.91	55,211,876	32.73
5% And Above Of Issued Share	6	0.26	87,004,166	51.58
Total	2,278	100.00	168,669,854	100.00

SUBSTANTIAL SHAREHOLDERS

Names	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Lim Khoo Heng	18,511,286	10.97	26,273,579 ⁽¹⁾	15.58
Dato' Lim Loong Heng	17,801,182	10.55	26,273,579 ⁽¹⁾	15.58
Datin Cheong Yoke Ha	17,801,182	10.55	-	-
Hew Kwee Won	13,775,958	8.17	48,810,089 ⁽²⁾	-
Lim Kim Chuan & Sons Holdings Sdn Bhd	12,497,621	7.41	-	-
Nik Awang @ Wan Azmi Bin Wah Hamzah	10,671,216	6.33	-	-
Dato' Sri Haji Wan Zaki Bin Haji Wan Muda	9,107,967	5.40	-	-

DIRECTORS' SHAREHOLDINGS

Names	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Lim Khoo Heng	18,511,286	10.97	26,273,579 ⁽¹⁾	15.58
Dato' Lim Loong Heng	17,801,182	10.55	26,273,579 ⁽¹⁾	15.58
Nicholas Lim Kean Hoong	-	-	17,801,182 ⁽³⁾	10.55
Tan Sri Abdul Aziz Bin Abdul Rahman	-	-	-	-
Dali Kumar @ Dali Bin Sardar	-	-	-	-
Lim Kah Poon	-	-	-	-
Chow Foong Yew	-	-	-	-

Notes:

1. Deemed interest by virtue of their interests in Lim Kim Chuan & Sons Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 and by virtue of their mother's Hew Kwee Won shareholding in Chuan Huat Resources Berhad.
2. Deemed interest by virtue of interest in Lim Kim Chuan & Sons Holdings Sdn Bhd and children's (Dato' Lim Khoo Heng and Dato' Lim Loong Heng) shareholding in CHRB pursuant to Section 8 of the Companies Act, 2016.
3. Deemed interest by virtue of interest of his mother's Datin Cheong Yoke Ha shareholding in CHRB.

LIST OF 30 LARGEST SHAREHOLDERS

AS AT 3 APRIL 2017

No.	Name	No. of Shares Held	%
1	LIM KHOON HENG	18,511,286	10.97
2	CHEONG YOKE HA	17,801,182	10.55
3	LIM LOONG HENG	17,801,182	10.55
4	HEW KWEE WON	13,775,958	8.17
5	LIM KIM CHUAN & SONS HOLDINGS SDN BHD	10,006,591	5.93
6	WAN ZAKI BIN WAN MUDA	9,107,967	5.40
7	CHONG MOAN LAM @ CHEONG MOON LAM	7,856,639	4.66
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK AWANG @ WAN AZMI BIN WAN HAMZAH (E-KPG/JRL)	6,578,947	3.90
9	W MOHAMED @ NIK AZAM BIN WAN HAMZAH	6,209,917	3.68
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK AWANG @ WAN AZMI BIN WAN HAMZAH	4,092,269	2.43
11	EMINENT OASIS SDN. BHD.	2,333,332	1.38
12	HLB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU WENG KEONG	1,958,493	1.16
13	LIM KIM CHUAN & SONS HOLDINGS SDN BHD	1,804,364	1.07
14	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	1,091,933	0.65
15	W ZULKIFLI BIN W MUDA	1,000,000	0.60
16	WAN AZWAN SHAH BIN WAN ZAKI	1,000,000	0.60
17	WAN ZAKARIAH BIN WAN MUDA	1,000,000	0.60
18	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KIM CHUAN & SONS HOLDINGS SDN BHD	686,666	0.41
19	MUHAMAD ALOYSIUS HENG	662,000	0.40
20	ANG ENG THAI	612,233	0.36
21	LIM AH SENG	566,000	0.33
22	KHONG OW CHONG	560,066	0.33
23	HENG YONG LAI	540,000	0.32
24	CHOO WENG WAH	510,000	0.30
25	LIM SOK HORNG	505,700	0.30
26	ROSLAN BIN JAFFAR	500,000	0.29
27	WAN AZFA FARAHIAH BIN WAN ZAKI	500,000	0.29
28	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD JEFFRY HEW BIN ABDULLAH	452,700	0.27
29	TEE AH SWEE	446,300	0.26
30	GHO TIAN SIA	442,000	0.26
		128,913,725	76.43

LIST OF TOP 10 PROPERTIES

AS AT 31.12.2016

No.	Location	Year of Acquisition	Status	Description of Property/ Usage	Tenure/ Approx. age of building	Land area/ Build up area (in sq. metre)	Net Book Value as at 31.12.2016 (RM)
1	Lot 31381, Jalan Puchong Mesra 2, Batu 7 1/2, Off Jalan Puchong, 58200 Kuala Lumpur	1994	Own use	Industrial land with factory, warehouse & office	Freehold / 8	13,533 / 6,175	31,164,166
2	Lot 10464, 5th Mile, Jalan Nenas, Off Jalan Bukit Kemuning, Kg Jawa, 41000 Klang	2013	Own use	Industrial land with factory, warehouse & office	Freehold / 13	40,646 / 13,397	27,746,421
3	Lot 7401, PT 1888, Nilai Industrial Area, Phase II, 71800 Nilai	1997	Own use	Industrial land with factory, warehouse & office	Leasehold for 99 years expiring in 2091 / 22	28,420 / 12,600	18,613,151
4	Lot 718, PT 1651, Nilai Industrial Area, Phase II, 71800 Nilai	1997	Own use	Industrial land with factory, warehouse & office	Leasehold for 99 years expiring in 2090 / 22	15,570 / 6,462	14,427,217
5	Lot 50A, Jalan 1/89B, Batu 3 1/2, Off Jalan Sungai Besi, 57100 Kuala Lumpur	1997	Own use	Industrial land with warehouse & office	Leasehold for 60 years expiring in 2076 / 25	4,921 / 3,257	13,198,944
6	No. 302A, Jalan Tiga, Off Jalan Sungai Besi, Kuala Lumpur	1997	Rented	Industrial land	Leasehold for 60 years expiring in 2070 / 1	4,049	13,000,000
7	Lot 135, Jalan 1/89B, Batu 3 1/2, Off Jalan Sungai Besi, 57100 Kuala Lumpur	1997	Own use	Industrial land with warehouse & office	Leasehold for 60 years expiring in 2076 / 12	3,334 / 2,052	9,464,196
8	Lot P204, Bukit Minyak Industrial Area, Mukim 13, Bukit Mertajam, Penang	1997	Own use	Industrial land with warehouse & office	Leasehold for 60 years expiring in 2058 / 5	14,164 / 2,080	7,928,659
9	C43, Block C, Lot 1566, Nilai Industrial Area, 71800 Nilai	1998	Rented	Industrial land with factory, warehouse & office	Leasehold for 99 years expiring in 2089 / 27	16,820 / 2,358	7,700,000
10	Lot P2-073, Phnom Penh Special Economic Zone, Sangkat Kantouk, Sangkat Phleung Chhe Rotes, Sangkat Beung Thom, Khan Por Senchey, Phnom Penh, Cambodia	2013	Own use	Industrial land with factory, warehouse & office	Leasehold for 50 years expiring in 2062 / 3	9,703 / 4,479	7,596,582
							150,839,336

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 26 May 2016, the Company had obtained shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the Group.

In accordance with paragraph 10.09(2)(b) of the Listing Requirements of Bursa Securities, the details of the recurrent related party transactions conducted during the financial year ended 31 December 2016 pursuant to the shareholders' mandate are disclosed as follows:

Recurrent Transactions involving trading in hardware, building materials and ironmongery products.

No.	CHRB Group	Nature of transactions	Aggregate Value (RM'000)	Interested related parties
1	CHIM	Sales of steel bars or steel related products and building materials to AZSB CHM CHRB BM Keyline CHSD	12,695 12,298 371 - 94	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda ¹ Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Lim Kean Seng ⁴ Pan Yau Seng ⁵
2	CHM	Sales of steel bars or steel related products and building materials to CHIM CHRB BM	- 427	Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Lim Kean Seng ⁴
		Purchase of building materials from CHR	72	Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Nicholas Lim Kean Hoong ³ Lim Kean Seng ⁴
3	CHRS SM	Sales of steel bars or steel related products to CHM CHRB BM	1,454 791	Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Nicholas Lim Kean Hoong ³ Lim Kean Seng ⁴
4	CHS	Sales of steel bars or steel related products and building materials to AZSB CHM CHRB BM	606 594 10	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda ¹ Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Lim Kean Seng ⁴
		Purchase of steel pipes from AISB Group ⁶	932	Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Lim Kean Seng ⁴

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (cont'd)

No.	CHRB Group	Nature of transactions	Aggregate Value (RM'000)	Interested related parties
5	CHSD	Sales of fire-rated doors and related products to CHIM CHM CHRB BM Keyline	290 - - 61	Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Lim Kean Seng ⁴ Pan Yau Seng ⁵
6	Keyline	Sales of ironmongery products to AZSB CHIM CHM CHRB BM CHSD	375 2,066 - 268 6	Dato' Sri Haji Wan Zaki Bin Haji Wan Muda ¹ Dato' Lim Khoon Heng ² Dato' Lim Loong Heng ² Lim Kean Seng ⁴ Pan Yau Seng ⁵

- Dato' Sri Haji Wan Zaki Bin Haji Wan Muda is a major shareholder of CHRB, a director of AZSB and has 100% direct and indirect interests in AZSB.
- Dato' Lim Khoon Heng and Dato' Lim Loong Heng are the major shareholders and directors of CHRB. Dato' Lim Khoon Heng is a director of CHHH, CHIM, CHM, CHR, CHRB BM, CHRS SM, CHS, CHSD and Keyline whereas, Dato' Lim Loong Heng is a director of CHHH, CHIM, CHR, CHRS SM, and CHS.
- Nicholas Lim Kean Hoong is a director of CHRB, CHRS SM and CHR.
- Lim Kean Seng is a director of CHHH, CHIM, CHM, CHR, CHRB BM, CHRS SM, CHS, CHSD and Keyline.
- Pan Yau Seng is a director of CHSD and Keyline.
- CHHH the wholly-owned subsidiary of CHRB own 6.67% equity shareholding in AISB. Dato' Lim Khoon Heng and Dato' Lim Loong Heng are deemed to have an indirect interest of 6.67% equity shareholding in AISB through CHHH.

Abbreviations:

AISB Group	-	Amalgamated Industrial Steel Berhad and its subsidiaries
AZSB	-	Ahmad Zaki Sdn Bhd
CHR	-	CH Rebar Sdn Bhd
CHS	-	Chuan Huat Steel Sdn Bhd
CHIM	-	Chuan Huat Industrial Marketing Sdn Bhd
CHM	-	Chuan Huat Metal Sdn Bhd
CHRB	-	Chuan Huat Resources Berhad
CHRB BM	-	CHRB Building Materials Sdn Bhd
CHRS SM	-	CHRS Samawira Mesh Sdn Bhd
CHSD	-	CH Sweestech Door Sdn Bhd
Keyline	-	Keyline Consulting Sdn Bhd

The shareholdings of the respective interested related parties as shown above are based on the information disclosed in the Circular to Shareholders dated 28 April 2017 in relation to the proposed shareholders' mandate for recurrent related party transactions.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting ("AGM") of Chuan Huat Resources Berhad will be held at Wisma Pineapple, 2nd Floor, Lot 135 Jalan 1/89B, 3½ Mile off Jalan Sungai Besi, 57100 Kuala Lumpur on Thursday, 25 May 2017 at 11:00 am for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | |
|---|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1) | |
| 2. To approve the payment of a first and final dividend of 1.8 sen gross per ordinary share under the single-tier system in respect of the financial year ended 31 December 2016. | Resolution 1 |
| 3. To approve the payment of Directors' Fees for the financial year ended 31 December 2016 of RM241,000 (2015: RM235,000). (Please refer to Note 2) | Resolution 2 |
| 4. To approve the payment of Directors' Fees and any benefits up to RM361,542 payable to the Directors with effect from 1 January 2017 until the next Annual General Meeting of the Company. (Please refer to Note 2) | Resolution 3 |
| 5. To re-elect the following Directors who retire by rotation in accordance with Article 63 of the Company's Articles of Association : - | |
| <ul style="list-style-type: none"> Nicholas Lim Kean Hoong Lim Kah Poon | Resolution 4
Resolution 5 |
| 6. To re-elect the following Director who was appointed during the year and retires in accordance with Article 68 of the Company's Articles of Association: | |
| <ul style="list-style-type: none"> Chow Foong Yew | Resolution 6 |
| 7. To re-appoint Messrs. Ong Boon Bah & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 7 |

AS SPECIAL BUSINESS

- | | |
|---|--------------|
| 8. To consider and if thought fit, to pass the following Resolutions : | |
| 8.1 ORDINARY RESOLUTION
AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("THE ACT") | Resolution 8 |

"THAT subject to Sections 75 and 76 of the Act, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and THAT such authority shall continue in force until the conclusion of the next annual general meeting of the Company after the approval was given or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

AS SPECIAL BUSINESS (cont'd)

8.2 ORDINARY RESOLUTION

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Resolution 9

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company's subsidiaries to enter into recurrent transactions with the Related Parties of a revenue or trading nature as set out in Paragraph 3.3 of the Circular to Shareholders dated 28 April 2017, which are necessary for its day-to-day operations and are in the ordinary course of business and are on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders of the Company for:

- Recurrent related party transactions entered into by either of CHS, CHM, CHIM, CHRS SM, CHR, CHRB BM, Keyline, and CHSD with one another; and
- Recurrent related party transactions entered into by CHS with AISB.

THAT the approval shall continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company at which the ordinary resolution is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

8.3 ORDINARY RESOLUTION

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Resolution 10

"THAT subject always to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company's subsidiary to enter into recurrent transactions with the Related Parties of a revenue or trading nature as set out in Paragraph 3.3 of the Circular to Shareholders dated 28 April 2017, which are necessary for its day-to-day operations and are in the ordinary course of business and are on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders of the Company for:

- Recurrent related party transactions entered into by CHIM, CHS and Keyline with AZSB.

THAT the approval shall continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company at which the ordinary resolution is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

AS SPECIAL BUSINESS (cont'd)

8.3 ORDINARY RESOLUTION (cont'd)

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (cont'd)

AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

8.4 ORDINARY RESOLUTION

AUTHORITY TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT authority be and is hereby given to the following Director to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next annual general meeting in accordance with the Malaysian Code on Corporate Governance 2012."

- Dali Kumar @ Dali Bin Sardar

Resolution 11

9. To transact any other ordinary business of which due notice shall have been given in accordance with the Act and the Company's Articles of Association.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 23rd AGM, the Company shall be requesting Bursa Malaysia Depository Bhd in accordance with Article 25 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATE

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval for the payment of first and final dividend of 1.8 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2016 ("Dividend") under Resolution 1 at the 23rd AGM of the Company, the Dividend will be paid to the shareholders on 12 July 2017. The entitlement date for the Dividend shall be 30 June 2017.

Shareholders of the Company will only be entitled to the Dividend in respect of:

- (a) Securities transferred into the their Securities Account before 4:00 pm on 30 June 2017 for transfers; and
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad

BY ORDER OF THE BOARD



Foo Siew Loon
(MAICSA 7006874)
Secretary

Kuala Lumpur
28 April 2017

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. The Agenda item 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.
2. Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting. In this respect, the Board wishes to seek shareholders' approval for the following payments to Directors at the AGM in two (2) separate resolutions as below:-
 - Resolution 2 on payment of Directors' Fees totalling RM241,000 in respect of the financial year ended 31 December 2016; and
 - Resolution 3 on payment of Directors' Fees and benefits payable to the Directors totalling RM361,542 with effect from 1 January 2017 to the next AGM.
3. A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), 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.
5. Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of the omnibus account.
7. To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Jalan 1/89B, 3½ Mile off Jalan Sungai Besi, 57100 Kuala Lumpur not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
8. All resolutions set out in the notice of the 23rd AGM are to be voted by poll.

Explanatory Notes To Special Business:

(i) Resolution 8

The proposed Resolution under item 8.1 of the Agenda, is a renewal mandate of the previous general mandate obtained from the shareholders at the 22nd AGM held on 26 May 2016, which is expiring at the conclusion of the 23rd AGM. The proposed Resolution, if passed will avoid any delay and cost involved in convening a general meeting and will empower the Directors to issue up to 10% of the issued share capital of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

As at the date of this Notice, the Directors have not utilised the mandate granted to the Directors at the last AGM held on 26 May 2016 and the said mandate will lapse at the conclusion of the 23rd AGM.

The renewal of this mandate will provide flexibility to the Company to undertake any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding current and/or future investment project(s), working capital and/or acquisitions at any time to such persons in their absolute discretion without convening a general meeting.

(ii) Resolutions 9 and 10

The proposed Resolutions under items 8.2 and 8.3 of the Agenda, if passed, will allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day to day operations which shall expire at the next annual general meeting.

The class of related parties, the nature of the transactions, the rationale and the methods of determining the transaction prices with the related parties, are detailed out in the Circular to Shareholders dated 28 April 2017.

(iii) Resolution 11

The proposed Resolution under item 8.4 of the Agenda, if passed, will allow the named director to continue to act as independent director notwithstanding that he has served a cumulative term of over nine (9) years as independent director.

- Dali Kumar @ Dali Bin Sardar

Mr Dali Kumar was appointed Independent Non-Executive Director of the Company on 15 July 1999 and has therefore served for more than nine (9) years. As at the date of the notice of the 23rd AGM, he has served the Company for seventeen (17) years. Mr Dali has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and the Board considers him to be independent and recommends that he should be re-appointed and retained as Independent Non-Executive Director, in particular his experience and contributions to the Board.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

[Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities ("MMLR")]

Details of Individuals who are standing for re-election as Directors

Director appointed during the year and retires in accordance with Article 68 of the Articles of Association of the Company and standing for election :-

CHOW FOONG YEW, FRANKIE **PROFILE**

Director, holding a non-executive and independent position and was appointed on 27 February 2017.

Mr. Chow Foong Yew has served in numerous multi-national companies and conglomerates in his 31 years career in various senior management positions. He graduated with a BSc. (Hons) degree in Electrical and Electronics Engineering from Portsmouth University in 1980 and commenced his career in ASEA Brown Boveri. He joined Malaysian Tobacco Company (MTC) a subsidiary of British American Tobacco (BAT) in 1981 and served 15 years with MTC in various positions in Engineering, Production, Product Development and Export Logistics.

He then joined Philip Morris Asia Limited (PMAL) in Hong Kong in 1995 as the Regional Manufacturing Manager overseeing the company's third party contract and licensee manufacturing facilities in Vietnam, Indonesia, Philippines and Nepal with key responsibilities in ensuring the contract and licensee manufacturing facilities meet PM International product quality integrity and production standards. He was instrumental in setting up the green field manufacturing facility in Nepal to meet PM International stringent manufacturing requirements as a qualified facility.

Mr. Chow Foong Yew joined PT HM Sampoerna (PTHMS) in Indonesia in 2000 as Head of Global Logistics and Supply Chain Management responsible for the management, development and execution of global supply chain management strategies and plans in the procurement, logistics and warehousing of processed tobacco and non-tobacco materials, machinery and spare-parts for PTHMS third party contract manufacturers in the UK, Germany and Russia. In 2004, he was appointed Country Manager of Sampoerna Brazil Latin America (SAMTA) based in Sao Paulo responsible for turnaround strategies to improve profitability and increase in market share.

He joined GemsTV Holdings Ltd (GTV), a SGX public listed company in 2006 as its Chief Manufacturing Officer at its jewellery manufacturing facility NCS Group Co. Ltd in Thailand and as a member of GTV's senior management business strategic team. He developed and modernized the Thailand manufacturing facility to achieve higher efficiency, productivity and profitability. He was involved in the setting up of the Institute of Jewellery Technology under the Thailand Board of Investment (BOI) privileges to train and develop local Thai nationals on the latest Skills, Technology and Innovation in jewellery manufacturing technology.

Mr. Chow Foong Yew left GTV in 2010 to pursue his personal interests.

Mr. Chow Foong Yew is also an Independent Non-Executive Director in Pineapple Resources Berhad. He did not attend any of the Board Meeting held in the financial year ended 31 December 2016 as he joined the Board on 27 February 2017.

The Directors' Shareholdings in the Company are disclosed under the Statement of Shareholdings.

Statement relating to general mandate for issue of securities in accordance with paragraph 6.03(3) of the MMLR.

The details of the general mandate are set out in item (i) of the Explanatory Notes of the Notice of 23rd AGM dated 28 April 2017.



Chuan Huat Resources Berhad
(Company No. 290729-W)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

No of shares held	
CDS Account no.	

*I/We _____
(Full Name in Capital Letters)

*NRIC No./Passport No./Company No. _____
CDS Account No./Name of beneficial owner* _____
of _____
(Full Address)

being a member(s) of **Chuan Huat Resources Berhad**, hereby appoint:-

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 23rd Annual General Meeting ("AGM") of the Company to be held at Wisma Pineapple, 2nd Floor, Lot 135, Jalan 1/89B 3½ Mile Off Jalan Sungai Besi, 57100 Kuala Lumpur on Thursday, 25 May 2017 at 11:00 am and at every adjournment thereof in the manner as indicated below:

ORDINARY RESOLUTIONS		FOR	AGAINST
Resolution 1	To approve first and final dividend		
Resolution 2	To approve payment of Directors' fees for the financial year ended 31 December 2016		
Resolution 3	To approve payment of Directors' fees and benefits payable from 1 January 2017 to next AGM		
Resolution 4	To re-elect Director – Nicholas Lim Kean Hoong		
Resolution 5	To re-elect Director – Lim Kah Poon		
Resolution 6	To re-elect Director – Chow Foong Yew		
Resolution 7	To re-appoint Messrs Ong Boon Bah & Co. as auditors of the Company		
Resolution 8	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 9	Proposed Renewal of Existing Shareholders' Mandate for • Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by either of CHS, CHM, CHIM, CHRS SM, CHR, CHRB BM, Keyline and CHSD with one another; and • Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by CHS with AISB		
Resolution 10	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature entered into by CHIM, CHS and Keyline with AZSB		
Resolution 11	Authority for Dali Kumar @ Dali Bin Sardar to continue in office as an Independent Non-Executive Director		

Please indicate with an "X" in the appropriate box above as to how you wish your vote to be cast. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit. However, if more than one proxy is appointed, please specify in the table below the number of shares represented by each proxy, failing which the appointment shall be invalid.

Dated this _____ day of _____, 2017

Signature(s) / Common Seal of Shareholder(s)

Notes:-

- The Agenda item 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016, does not require a formal approval of the shareholders and hence, is not put forward for voting.
- A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), 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.
- Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of the omnibus account.
- To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Jalan 1/89B 3½ Mile Off Jalan Sungai Besi, 57100 Kuala Lumpur not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- All resolution set out on the notice of the 23rd AGM are to be voted by poll.

(FRONT)

Please send me a copy of the CHUAN HUAT RESOURCES BERHAD Annual Report 2016.
Sila hantar satu salinan Laporan Tahunan 2016 CHUAN HUAT RESOURCES BERHAD kepada saya.

Name>Nama : _____

Address/Alamat : _____

NRIC No./No. K.P. : _____

Company No./No. Syarikat : _____

Signature of Shareholder/Tandatangan Pemegang Saham

ANNUAL REPORT 2016

The Annual Report 2016 is in a CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholders within 4 market days from the date of receipt of the verbal or written request.

The request must be directed to:

Chuan Huat Resources Berhad

Wisma Lim Kim Chuan
Lot 50A, Jalan 1/89B
3½ Mile Off Jalan Sungai Besi
57100 Kuala Lumpur

Contact person : Mr Simon Lee or Ms Carmen Chan
Telephone No. : +603-7983 3333
Facsimile No. : +603-7980 3333
E-mail : enquiries@chuanhuat.com.my

(BACK)

Affix
stamp
here

CHUAN HUAT RESOURCES BERHAD (290729-W)

WISMA LIM KIM CHUAN
LOT 50A, JALAN 1/89B
3½ MILE OFF JALAN SUNGAI BESI
57100 KUALA LUMPUR
MALAYSIA

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