HWA TAI

Since 1962

Hwa Tai Industries Berhad

华大工业有限公司

(Company No. 19688-V)

55th ANNIVERSARY

SINCE 1962

ANNUAL REPORT 2016

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of the Company will be held at The Hwa Tai Grand Conference Room, Ground Floor, No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia on Thursday, 18 May 2017 at 11.00 a.m.

	AGENDA	RESOLUTION NO.
1.	To present the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon.	–
2.	To approve payment of Directors' fee of RM95,000 for the financial year ended 31 December 2016.	**1**
3.	To approve an amount of RM10,000 per month as allowance to the Non-Executive Chairman from 31 January 2017 to the next Annual General Meeting of the Company.	**2**
4.	To re-elect the following Directors who retire in accordance with the Company's Articles of Association (the Company's constitution):-	
	4.1 YBhg. Datuk Soo Chung Yee	**3**
	4.2 Mr. Kamal Bin Abd Karim	**4**
	4.3 Ms. Aisyah Kamaliah Binti Abu Bakar	**5**
5.	To re-elect the following Directors, who each had served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Directors of the Company in accordance with the Malaysian Code on Corporate Governance 2012:-	
	5.1 YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah	**6**
	5.2 Mr. Soo Wei Chian	**7**
6.	To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration.	**8**
7.	To transact any other business appropriate to an Annual General Meeting, for which due notice shall have been given in accordance with the Company's Articles of Association (the Company's constitution) and/or the Companies Act, 2016.	–
8.	As **SPECIAL BUSINESS**, to consider and, if thought fit, pass the following resolution:-	
	ORDINARY RESOLUTION - AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016	**9**
	"That, subject to the Companies Act, 2016 and approvals from the relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act, 2016 to allot and issue shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued shares of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."	

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary

Johor Darul Takzim, Malaysia
25 April 2017

Notice of Annual General Meeting (continued)

NOTES:

Entitlement to Attend and Proxy

A member entitled to attend and vote at the Meeting is entitled to appoint at least 1 proxy to attend and vote instead of him/her. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting.

For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 49(B) of the Company's Articles of Association (the Company's constitution) and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a Record of Depositors as at 12 May 2017. Only a depositor whose name appears on the Record of Depositors as at 12 May 2017 shall be entitled to attend the Meeting or appoint proxies to attend and vote on his/her behalf.

Audited Financial Statements (Agenda No. 1)

Item 1 of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 requires the Directors to only lay before the Company at its annual general meeting its annual financial statements and thus, does not require a formal approval of the Shareholders for the audited financial statements. Hence, this item of the Agenda is not put forward for voting.

Auditors (Agenda No. 6)

The Auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

Ordinary Resolution – Authority to the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (Agenda No. 8)

The proposed Ordinary Resolution on Authority to the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016, if passed, will give a renewed mandate to the Directors of the Company with full power to issue shares in the Company up to an amount not exceeding in total 10% of the issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would enable the Directors to take swift action in case of a need for any possible fund raising corporate exercise or in the event of business opportunities arise which involve the issuance of new shares, thus avoiding any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This renewed mandate, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares of the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 18 June 2016, which mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

No individual other than the retiring Directors is seeking election as a Director at the forthcoming Forty-Second Annual General Meeting of the Company. The details of the retiring Directors standing for re-election are set out in the Directors' Profile appearing on pages 6 to 7 of this Annual Report. An assessment on all the retiring Directors had been conducted by the Nomination Committee.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See
(Chairman)

Datuk Soo Chung Yee
(Group Chief Executive Director)

Col. (Rtd.) Dato' Ir. Cheng Wah

Soo Wei Chian

Kamal Bin Abd Karim

Aisyah Kamaliah Binti Abu Bakar

COMPANY SECRETARY

Jessica Chin Teng Li (MAICSA 7003181)

REGISTERED OFFICE & PRINCIPAL BUSINESS ADDRESS

No. 12, Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim
Malaysia
Tel. No.: 607-4151688
Fax No.: 607-4151135

CORPORATE OFFICE

No. L9, Jalan ML 16
ML-16 Industrial Park
43300 Seri Kembangan
Selangor Darul Eshan
Malaysia
Tel. No.: 603-89645600
Fax No.: 603-89645400

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel. No.: 603-2783 9299
Fax No.: 603-2783 9222

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
Bank Muamalat Malaysia Berhad
AmBank (M) Berhad
Bangkok Bank Berhad
Bank of China (Malaysia) Berhad

LISTING

Bursa Malaysia Securities Berhad,
Main Market – Listed since 1992

WEBSITE

www.hwatai.com

PROFILE OF THE BOARD OF DIRECTORS

MR. SOO THIEN MING @ SOO THIEN SEE
– Non-Independent Non-Executive Director

Mr. Soo Thien Ming, Malaysian, male, aged 69, is the Chairman on the Board of the Company. He was appointed to the Board on 26 April 1996. Mr. Soo is a Barrister-At-Law of Lincoln's Inn, London. He is an advocate and solicitor by profession and has been in practice for 42 years. He is also a Notary Public. He holds several directorships in private companies in Malaysia and abroad.

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

Mr. Soo has a direct shareholding of 30,949,567 ordinary shares in the Company as at 31 March 2017 representing 41.36% of the Company's total issued shares. He is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his interest in the Company.

He is the father of Datuk Soo Chung Yee, the Group Chief Executive Director of the Company.

Mr. Soo does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

YBHG. DATUK SOO CHUNG YEE
– Non-Independent Executive Director

YBhg. Datuk Soo Chung Yee, Malaysian, male, aged 38, is the Group Chief Executive Director. He was appointed to the Board on 16 August 2004. YBhg. Datuk Soo holds a Bachelor of Arts from the University of Derby, United Kingdom. He was awarded the Asia Pacific Entrepreneurship Award (Emerging Entrepreneur – Malaysia) in 2007 and the JCI Creative Young Entrepreneur Award (Junior Chamber International – Malaysia) in 2008. He also holds several directorships in private companies in Malaysia and abroad.

He is a member of the Remuneration Committee.

He is the son of Mr. Soo Thien Ming, the Chairman of the Company.

YBhg. Datuk Soo does not have any interest in the securities of the Company or its subsidiaries. He also does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies other than the compound of Ringgit Malaysia Five Thousand imposed by the Royal Malaysian Customs Department for non-compliance of clause 21A of the Customs Duties (Exemption) Order 1988 during the financial year.

YBHG. COL. (RTD.) DATO' IR. CHENG WAH
- Independent Non-Executive Director

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah, Malaysian, male, aged 78, was appointed to the Board on 1 August 2005. He holds a Bachelor of Engineering degree in Civil Engineering from the University of Malaya. He is a Professional Engineer with the Board of Engineers, Malaysia. He is also a graduate of the Royal Military Academy Sandhurst, United Kingdom and the Command and General Staff College, Fort Leavenworth, United States of America.

He served the Malaysian Armed Forces for 26 years. Amongst the appointments he held was Director of Armed Forces Works, Logistic Division, Ministry of Defence in 1978 and Director of Logistic, Ministry of Defence in 1980 before retiring in September 1983. On retirement he joined Genting Group, became Director of Development and later a Senior Vice President (Property Development) in Resorts World Berhad until his retirement in 2004. Currently, he is also a Director of Kien Huat Berhad. Earlier, he had served as a Director in Koperasi Angkatan Tentera Malaysia Bhd (1978-1983), Chocolate Products (Malaysia) Berhad (1986-1989), Pacific Bank Berhad (1983-2000), PacificMas Berhad (2001-2007) and Brahim's Holdings Berhad (1993 – 2016).

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah is the Chairman of the Audit Committee.

He has a direct shareholding of 50,000 ordinary shares in the Company as at 31 March 2017 representing 0.07% of the Company's total issued shares. He does not have any interest in the securities of its subsidiaries.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

Profile of The Board of Directors (continued)

MR. SOO WEI CHIAN
– Independent Non-Executive Director

Mr. Soo Wei Chian, Malaysian, male, aged 48, was appointed to the Board on 1 August 2005. He holds a Masters of Business Administration, University of Strathclyde, United Kingdom. He is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. He held financial positions in public listed companies for the period between 1991 and 1995. He joined NV Multi Corporation Berhad as the Finance Manager in 1995 and he now holds the position of Executive Director in Nirvana Asia Ltd.

Mr. Soo sits on the Audit Committee, Nomination Committee and Remuneration Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

ENCIK KAMAL BIN ABD KARIM
– Independent Non-Executive Director

Encik Kamal Bin Abd Karim, Malaysian, male, aged 38, was appointed to the Board on 27 June 2016. He holds a Bachelor of Laws LLB (Hons) from International Islamic University Malaysia. Encik Kamal, an advocate & solicitor, was admitted to the Malaysian Bar in year 2003 and has been practicing at Messrs. Soo Thien Ming & Nashrah ever since. He is also a partner of the said firm.

Encik Kamal sits on the Audit Committee and Nomination Committee.

He does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

CIK AISYAH KAMALIAH BINTI ABU BAKAR
– Independent Non-Executive Director

Cik Aisyah Kamaliah Binti Abu Bakar, female, aged 28, was appointed to the Board on 27 June 2016. She holds a Bachelor of Laws LLB (Hons) from International Islamic University Malaysia. Cik Aisyah Kamaliah is an advocate & solicitor practicing at Messrs. Soo Thien Ming & Nashrah.

Cik Aisyah Kamaliah sits on the Audit Committee and Nomination Committee.

She does not have any family relationship with any directors and/or major shareholders of the Company. She does not have any interest in the securities of the Company or its subsidiaries. She does not have any conflict of interest with the Company nor any conviction for any offence, public sanction or penalty imposed by any relevant regulatory bodies.

Profile of The Board of Directors (continued)

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

During the financial year ended 31 December 2016, a total of six (6) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	6 of 6
Datuk Soo Chung Yee	6 of 6
Col. (Rtd.) Dato' Ir. Cheng Wah	6 of 6
Soo Wei Chian	6 of 6
Kamal Bin Abd Karim (Appointed on 27 June 2016)	2 of 2
Aisyah Kamaliah Binti Abu Bakar (Appointed on 27 June 2016)	2 of 2

DETAILS OF DIRECTORS' REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

During the financial year ended 31 December 2016, the details of Directors Remuneration paid / payable are as follows:

Name of Director	Position	Directors' Fees	Salaries	Allowances	Other emoluments *
Soo Thien Ming @ Soo Thien See	Chairman	RM30,000	–	RM120,000	–
Datuk Soo Chung Yee	Group Chief Executive Director	RM10,000	RM864,000	RM24,000	RM107,188
Col. (Rtd.) Dato' Ir. Cheng Wah	Independent Director	RM20,000	–	–	–
Soo Wei Chian	Independent Director	RM20,000	–	–	–
Kamal Bin Abd Karim (Appointed on 27 June 2016)	Independent Director	RM5,000	–	–	–
Aisyah Kamaliah Binti Abu Bakar (Appointed on 27 June 2016)	Independent Director	RM5,000	–	–	–
Mohamed Razif Bin Tan Sri Abdul Aziz (Deceased - 28 March 2016)	Independent Director	RM5,000	–	–	–

* Note: Other emoluments refers to employer's contribution of Employee Provident Fund (EPF)

AUDIT COMMITTEE REPORT

1. COMPOSITION OF AUDIT COMMITTEE

Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	Independent Non-Executive Director
Soo Wei Chian *	Independent Non-Executive Director
Kamal Bin Abd Karim (Appointed on 27 June 2016)	Independent Non-Executive Director
Aisyah Kamaliah Binti Abu Bakar (Appointed on 27 June 2016)	Independent Non-Executive Director

** A member of the Malaysian Institute of Accountants*

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

1. An Audit Committee shall be appointed by the Directors from among their number (except Alternate Directors) pursuant to a resolution of the Board of Directors which fulfils the following requirements:

   (a) The Audit Committee must be composed of no fewer than 3 Members;
   (b) All Members of the Audit Committee must be Non-Executive Directors, with majority of them being Independent Directors; and
   (c) At least one Member of the Audit Committee:
      (i) Must be a member of the Malaysian Institute of Accountants; or
      (ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
         (1) He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
         (2) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
      (iii) Fulfils such other requirements as prescribed or approved by Bursa Malaysia.

2. The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

3. If a Member of the Audit Committee resigns, dies or for any other reason ceases to be a Member with the result that the number of Members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new Members as may be required to make up the minimum of 3 Members.

4. The terms of office and performance of the Audit Committee and each of its Members shall be reviewed by the Board of Directors no less than once every 3 years.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (CONTINUED)

MEETINGS

1. Meetings shall be held not less than 4 times a year.

2. Upon the request of the External Auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.

3. The Chairman shall convene a meeting whenever any Member of the Audit Committee requests for a meeting.

4. Written notice of the meeting together with the agenda shall be given to the Members of the Audit Committee and the External Auditor, where applicable.

5. The quorum for a meeting shall be 2 Provided Always that the majority of Members present must be Independent Directors and any decision shall be by a simple majority. The Chairman shall not have a casting vote.

6. The other Board Members, Accounts Manager, the Head of Internal Audit (if any), any employee of the Company and a representative of the External Auditors may be invited to attend meetings. If necessary, the Audit Committee shall meet with the External Auditors without any Executive Board Member present.

7. The Company Secretary shall be the secretary of the Audit Committee.

AUTHORITY

The Audit Committee is authorised by the Board of Directors to:

a) Investigate any activity within its terms of reference.
b) Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
c) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall have direct access to the External Auditor and person(s) carrying out the internal audit function or activity and be able to convene meetings with the External Auditor, Internal Auditor or both, excluding the attendance of other members of the Board and employees of the Company, whenever necessary.

The Audit Committee shall be empowered to appoint and remove the Internal Auditor. The internal audit function shall report directly to the Audit Committee.

Audit Committee Report (continued)

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (CONTINUED)

DUTIES

The duties of the Audit Committee shall be:

1. To recommend the nomination of a person or persons as External Auditors.

2. To review the following and report the same to the Board of Directors:-
   a. With the External Auditor, the audit plan;
   b. With the External Auditor, his evaluation of the system of internal controls;
   c. With the External Auditor, his audit report;
   d. The assistance given by the employees of the Company to the External Auditor;
   e. The adequacy of the scope, functions, competency and resources of the Internal Audit functions and that it has the necessary authority to carry out its work;
   f. The Internal Audit programme, processes, the results of the Internal Audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function;
   g. The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
      i) Changes in or implementation of major accounting policy changes;
      ii) Significant and unusual events; and
      iii) Compliance with accounting standards and other legal requirements;
   h. Any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
   i. Any letter of resignation from the External Auditors of the Company; and
   j. Whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment.

3. To discuss problems and reservations arising from the interim and final audits, and matters the External Auditor may wish to discuss (in the absence of management where necessary).

4. To keep under review the effectiveness of internal control systems, and in particular review the External Auditor's management letter and management's response.

5. To consider other topics, as agreed to by the Audit Committee and the Board of Directors.

PROCEDURES

Each Audit Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

3. AUDIT COMMITTEE MEETING

During the financial year ended 31 December 2016, five (5) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	5 of 5
Soo Wei Chian	5 of 5
Kamal Bin Abd Karim (Appointed on 27 June 2016)	2 of 2
Aisyah Kamaliah Binti Abu Bakar (Appointed on 27 June 2016)	2 of 2

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016, the activities of the Audit Committee included the following:

a. Reviewed the quarterly unaudited financial results before recommending them for the Board's approval for public announcement. The reviews were conducted through discussions with the Financial Controller.

b. Reviewed and discussed with the External Auditors their audit planning memorandum before commencement of the financial year end audit. The matters reviewed and discussed in the audit planning memorandum included the statutory timeline and audit timeframe, focus areas of the audit, accounting developments, capital market developments, the new format of independent auditors' report, introduction of the External Auditors' engagement team and responsibilities of the management, Board and External Auditor.

c. Reviewed and discussed with the External Auditors their audit review memorandum and significant findings in respect of the financial year end audit and the management's responses. The matters reviewed and discussed in the audit review memorandum included terms of engagement, status of the audit and also focus areas of the audit such as risk management and internal controls, any fraud related matters, related party transactions and matters for control improvements. The significant audit findings reviewed and discussed included recoverability of long outstanding trade receivables, classification of non-current trade receivables, impairment review on investment in subsidiaries and a potential key audit matter comprising trade receivables.

d. Reviewed and discussed with the External Auditors the Group's audited financial year end statements together with the Directors' and Auditors' Reports before recommending them for the Board's approval for public announcement. The review and discussion also included the potential key audit matter and the management representation letter. The review and discussion were conducted to ensure that the audited financial year end statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Malaysian Companies Act, and give a true and fair view of the state of affairs of the Company and of the Group and of their financial performance and cash flows.

e. Reviewed the related party transactions that had arisen within the Company and Group. The Audit Committee is satisfied that the transactions with directors, substantial shareholders and persons connected are insignificant and duly disclosed.

f. Reviewed with the Internal Auditors the internal audit reports, findings and recommendations and management's responses, and discussed actions taken by the management to improve the internal control system in various divisions in the Group.

g. Convened meetings with the External Auditor without the attendance of the management. Two (2) of such meetings were held during the financial year.

h. Reviewed the suitability in terms of performance, competency and professionalism of the External Auditors to be recommended for re-appointment, and secured the assurance on independence from the External Auditors. The Audit Committee also mandated the management to negotiate the audit fees with the External Auditors.

Audit Committee Report (continued)

5. INTERNAL AUDIT

The Internal Audit function involves the implementation of independent and systematic reviews of the processes and guidelines of the Group and the reporting of their application and compliance to the Audit Committee and Board of Directors. The Internal Audit function also involves the reporting of the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and the suggestion of any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

During the financial year ended 31 December 2016, the following Internal Audit activities which were performed in-house, were carried out:-

a. Mapping of the current state of procedures and process.
b. Testing, evaluating and identifying potential areas that lack internal control.
c. Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.
d. Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.
e. The specific divisions in which Internal Audit was carried out during the financial year are as follows:-
    i. Warehouse (Johor) – Receipts for Raw Materials and Packing Materials procedure Audit. The Internal Audit conducted included examination of standard operating procedures, approval matrix, handling and storage of materials and also assessment of various controls implemented such as quantity of safety level, space utilisation, quality of safety level, store cleanliness and store security.
    ii. Finance (Sabah) – Accounts Payable and Accounts Receivable Audit. The Internal Audit conducted included examination of various standard operating procedures especially proper documentation, approval matrix, debtors ageing and creditors ageing.
    iii. Finance (Selangor) – Accounts Payable and Accounts Receivable Audit. The Internal Audit conducted included various standard operating procedures especially proper documentation, approval matrix, debtors ageing and creditors ageing.
    iv. Administration (Johor) – Administration Department Audit. The Internal Audit conducted included examination of standard operating procedures on cash sale, product sample requisition, insurance renewal, disposal of scrap and renewal of road tax, insurance and permit for motor vehicles.

The Group incurred approximately Ringgit Fifty Nine Thousand for the Internal Audit function during the financial year ended 31 December 2016.

STATEMENT OF CORPORATE GOVERNANCE

BOARD RESPONSIBILITY

The Board of Directors is committed and continues to ensure the compliance with the principles and best practices as set out in the Malaysian Code on Corporate Governance 2012 to ensure high standards of corporate governance are practiced in the Group. The Board is pleased to provide the following statement on how the Group has applied the principles and best practices as set out in the Malaysian Code on Corporate Governance.

BOARD OF DIRECTORS

A. The Board.

The Board leads and controls the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected. The duties and responsibilities of the Board which are separated from that of the management, are spelt out in the Board Charter.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

The Board meets on a regular and scheduled basis, at least 4 times a year.

B. Composition and Board Balance.

The Board comprises 6 members to reflect the interests of the major shareholder, management, and minority shareholders.

The Chairman, who is a Non Independent Non Executive Director, heads the Board with an Executive Director and 4 Independent Non Executive Directors.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance, utilization of resources and standards of conduct.

Generally, the Executive Director is responsible for carrying out the day to day operational functions while the Non Executive Directors will play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

C. Board Meetings and Supply of Information.

A Board report is prepared prior to the Board meeting and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers provide information on the operating results, financial, corporate development, minutes of Board Committees and acquisitions and disposals proposals, if any.

In furtherance of the Directors' duties, all members, either as full Board or in their individual capacities, will have access to all information of the Group.

Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the Company Secretary.

Statement of Corporate Governance (continued)

BOARD OF DIRECTORS (CONTINUED)

C. Board Meetings and Supply of Information. (Continued)

During the financial year ended 31 December 2016, the total number of Directors' Meetings convened was six (6). The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	6 of 6
Datuk Soo Chung Yee	6 of 6
Col. (Rtd.) Dato' Ir. Cheng Wah	6 of 6
Soo Wei Chian	6 of 6
Kamal Bin Abd Karim (Appointed on 27 June 2016)	2 of 2
Aisyah Kamaliah Binti Abu Bakar (Appointed on 27 June 2016)	2 of 2

D. Appointments to the Board.

In compliance with the Malaysian Code on Corporate Governance on the appointment of Directors, the Board had set up a Nomination Committee to advise the Board on the nomination of new Board members and assess Directors on an ongoing basis.

The Nomination Committee comprises Mr. Soo Thien Ming, Mr. Soo Wei Chian, En. Kamal Bin Abd Karim and Cik Aisyah Kamaliah Binti Abu Bakar, all of whom are non-executive directors and a majority of whom are independent. Mr. Soo Thien Ming, who is a non-independent director holds the Chair of the Nomination Committee as his extensive chairmanship experience will assist in leading the Nomination Committee professionally and effectively.

The Committee shall make recommendations to the Board on the appropriate appointments of new Directors and also to fill seats on committees of the Board. In making recommendation to the Board on the candidate for appointment, the Committee shall determine various criteria including qualities, experience, skills, level of commitment and time that the candidate can contribute and shall also take into consideration the composition and mix skills of the existing Board. Whilst the Committee respects the requirement for gender diversity, emphasis shall first be placed on the qualities, experience and skills of a candidate irrespective of gender, which would best correspond to the composition of the Board so as to function effectively and efficiently. Nevertheless, the appointment of Cik Aisyah Kamaliah Binti Abu Bakar during the year is a testament of the Company's support for gender diversity.

In addition, the Nomination Committee assesses the contribution of individual Board members, the effectiveness of the Board and the committees of the Board on an annual basis.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

During the financial year, the Committee had carried out an evaluation of each Director's ability to contribute to the effectiveness of the Board and its committees, including an assessment of the independent directors on their independence. It also evaluated the Directors who were due for retiring and proposed these retiring Directors to the Board to be put forward for re-election by the shareholders. In addition, the Committee also considered and evaluated and then proposed to the Board the appointment of the new members to the Board and committees during the financial year.

BOARD OF DIRECTORS (CONTINUED)

E. Re-election.

In accordance to the Company's Articles of Association (the Company's constitution), an election of Directors shall take place each year at an Annual General Meeting and all Directors shall retire from office at least once in every 3 years. Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Articles of Association (the Company's constitution). All retiring Directors are eligible for re-election.

The tenure of an independent director should not exceed a cumulative term of 9 years. Upon completion of the 9 years, the independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board must justify and seek shareholders' approval in the event it retains, as an independent director, a person who has served in that capacity for more than 9 years.

DIRECTORS' TRAINING

The Nomination Committee is tasked to facilitate Board induction and training programmes.

All the Directors including those appointed during the financial year had attended the Mandatory Accreditation Programme.

During the financial year, certain Directors have attended trainings in a various areas to enhance their skills so as to contribute more effectively to the Company. Directors who were unable to attend any formal training during the financial year, are well-informed of the latest developments on the various relevant rules and regulations as all Directors were updated by the Management, by providing them with reading materials on such new developments.

The conferences, seminars and training programmes attended by various Directors during the financial year were as follows:-

- The Interplay between Non-Financial Information and Investment Decision
- Anti-Corruption & Integrity – Foundation of Corporate Sustainability.
- Companies Act 2016 – Overview of the changes and how they affect you and business.

DIRECTORS' REMUNERATION

The Board set up the Remuneration Committee to review the policy and make recommendations to the Board on the remuneration package and benefits annually as accorded to the Executive Directors. The Executive Directors shall not participate in the decision makings relating to their own remunerations.

The members of the Remuneration Committee comprises Mr. Soo Thien Ming, Datuk Soo Chung Yee and Mr. Soo Wei Chian, a majority of whom are non-executive directors. Mr. Soo Thien Ming is the Chairman of the Committee.

Fees payable to the Directors are proposed by the Remuneration Committee to the Board who will then recommend for shareholders' approval at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereas the remuneration package for the Non Executive Directors will hinge on their contribution to the Group in terms of their knowledge and experience.

The breakdown of the Directors' remuneration including the estimated monetary value of benefit in kind for the financial year under review is disclosed in Note 19(a) to the financial statements.

Statement of Corporate Governance (continued)

SHAREHOLDERS

Dialogue between the Group and Investors

The Group recognizes the importance of accountability to the shareholders and as such conveys information on the Group's performance, directions, other matters of interest to the shareholders by way of annual reports, relevant circulars, public announcements, the Company's website and the issuance of press releases.

Annual General Meeting

Annual General Meeting is used as a primary mode of communication to report on the Group's performance. Notice of Annual General Meeting is issued at least 21 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors are available to answer any queries and discuss matters pertaining to the business activities of the Group.

The resolutions shall be put to vote by poll, and the results of such votes shall be announced to the public detailing the number of votes cast for and against.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly financial results, the Directors take steps to ensure a clear, balanced and understandable assessment of the Group's positions and prospects.

The Audit Committee is tasked to review and recommend for Board approval the Group's annual financial statements and quarterly financial results.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 98 of this Annual Report.

Risk Management and Internal Controls

The Board recognizes its responsibilities to maintain a sound system of risk management and internal controls to safeguard shareholders' investment and Group's assets.

The review of the system of risk management and internal controls is set out under the Statement on Risk Management and Internal Controls set out on pages 19 and 20 of this Annual Report. The Statement on Risk Management and Internal Controls had been reviewed by the external auditors.

Audit Committee / Relationship with Auditors.

The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 9 to 13 of this Annual Report.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Ethical Conduct and Sustainability

Employees are introduced to the ethical corporate culture of the Group during employee induction and thereafter, employees are constantly monitored to ensure the culture is upheld in their dealings within the Group and also in their association with our customers, distributors, suppliers, governmental and regulatory authorities and other business associates. Any employee may report directly to the Chairman of any ethical misconduct discovered within the Group.

The Group consistently conducts its business in a manner which underpins sustainability.

A written code of conduct on ethical standards and a formal policy on promoting sustainability will be established.

Corporate Social Responsibility

During the year, the Company invited orphans from Pertubuhan Kebajikan Anak Yatim Mary Kuala Lumpur and special needs children from Persatuan Insan Istimewa Cheras Selangor for an afternoon of food and fun including a spin in various super sports cars, besides contributing a cash donation to support these homes who rely on public donations to sustain their operations. In addition, the Company also donated cash and sponsored products to The Star Newspaper in Education in support of their activities involving the learning of the English language among school children. The Company also provided product sponsorships to various other sectors of societies such as schools and organisations.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROLS

INTRODUCTION

The Board of Directors of Hwa Tai Industries Berhad ("HTIB") is pleased to present its Statement of Risk Management and Internal Controls for the financial year ended 31 December 2016, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issues.

BOARD RESPONSIBILITY

The Board of Directors recognises its overall responsibility for maintaining the Group's system of Risk Management and Internal Controls to safeguard shareholders' investment and the Group's assets, as well as for regularly reviewing the adequacy and integrity of the internal control system. Due to limitations inherent in any system of internal control, it is important to note that the system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has received verbal assurance from the Group Chief Executive Director and Financial Controller that, to their best knowledge and belief, the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT

The Board also recognises that risk management should be an integral part of the Group culture and is a continuous on going process of identifying, evaluating, minimising and managing of significant risk faced by the Group. The management is responsible for creating risk awareness culture and to build the necessary environment for effective risk management. In addition, the Heads of Department are responsible for managing the risk of their department on a day to day basis. Significant issues related to risk management and internal controls are highlighted to the Board. If deemed necessary, assistance from external parties shall be consulted on issues in which the Board needs to seek an opinion.

KEY ELEMENTS OF INTERNAL CONTROLS

Key elements of the Group's internal controls that have been in place for the financial year which include the following:

1. The Group has a well defined organisation structure with clear lines of reporting, responsibilities and level of authority.

2. There are clear definition of authorisation procedures for major operating functions including purchases, capital expenditures, payments, credit control and stock control. Authority of the Directors is required for key treasury matters which include loan and trade financing, cheque signatories and opening of bank accounts.

3. There is a budgeting and business planning process in each financial year to establish plans and targets for each operating units. The performance of each operating unit is monitored through monthly reports.

4. The Group's management team meets at least once a month to review and monitor the business development, discuss and resolve key operational and management issues and review the performance against the business plan and budget for each operating units within the Group.

   The management also highlights any significant issues and changes in the business, major policy matters, external environment affecting the Group and financial performance of each operating unit to the Board of Directors and Audit Committee when the Board and Committee meet quarterly.

5. Adequate financial and operational information systems are in place to capture and present timely and pertinent business information.

KEY ELEMENTS OF INTERNAL CONTROLS (CONTINUED)

6. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.

7. The Audit Committee also reviews the internal auditor's reports and monitors the status of the implementation of corrective actions to address internal control weaknesses.

8. In addition to the internal controls, the Board of Directors and management have ensured that safety and health regulations have been considered and complied with.

9. The Company was accredited ISO 9002 since 1996 and upgraded to MS ISO 9001:2008 quality management systems since year 2010. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by the assessors of the ISO certification body to ensure that the system is adequately implemented.

10. Emphasis is given to food safety. The Company was accredited the Hazard Analysis Critical Control Point (HACCP) system certification since year 2000 and upgraded to Integrated Quality Management & HACCP System certificate since 2002. Good Manufacturing Practice is documented and practiced to ensure food safety.

11. Ecosystem and environmental health are also concerns of the Company. Necessary actions and plans have been put in place to ensure compliance of company products, activities and services with legal environmental laws and regulations.

12. In ensuring each operating unit is functioning efficiently, much emphasis is placed on personnel employed. The professionalism and competence of the staff are maintained through a structural recruitment process, performance appraisal system and wide variety of training and development programs.

As required by Paragraph 15.23 of Bursa Securities Listing Requirements, the External Auditors have conducted a limited assurance engagement on this Statement on Risk Management and Internal Controls. Their limited assurance engagement was performed in accordance with ISAE3000, *Assurance Engagement other than Audits or Review of Historical Financial Information* and Recommended Practice Guide ("RPG") 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control included in the Annual Report.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Controls: Guidance for Directors of Listed Issuers to be set out, nor is factually inaccurate. RPG 5 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

DIRECTORS' RESPONSIBILITY STATEMENT AND OTHER INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.26(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2016 as set out herein on pages 31 to 96 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards have been followed in respect of the preparation of the financial statements.

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

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

OTHER INFORMATION

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interests of the Directors and major shareholders, either still subsisting at the end of the financial year end or entered into since the end of the previous financial year end.

Audit Fees

The amount of audit fees incurred for services rendered to the Company and Group by the Auditors, Messrs. Baker Tilly Monteiro Heng, during the financial year totalled approximately RM82,000/- and RM104,400/- respectively.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and Group by the Auditors, Messrs. Baker Tilly Monteiro Heng, or a firm or corporation affiliated to them during the financial year totalled approximately RM18,940/- and RM27,200/- respectively. These services comprised the computation and submission of tax and also review of certain statements and information as required by Bursa Malaysia.

OTHER INFORMATION (CONTINUED)

Utilisation of Proceeds raised from Corporate Proposals

The Company raised a total of RM13,916,000/- from its Rights Issue during the previous financial year. The status of utilisation of the proceeds from the Rights Issue is as follows:

Details of Utilisation	Proceeds Raised RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Expected timeframe for utilisation of proceeds from the date of receipt
Repayment of bank borrowing	3,403	3,403	–	Within three months
Capital expenditure for business expansion	7,000	–	*7,000	Within thirty six months
Working capital	3,213	3,213	–	Within twenty four months
Expenses in relation to the Corporate Exercises	300	**300	–	Within three months
	13,916	6,916	7,000	

Notes:

* Due, inter alia, to the weak Ringgit Malaysia, the proposed acquisition of machinery would be delayed.

** The shortfall of funds for the payment of expenses for the Corporate Exercises had been adjusted from the working capital.

Recurrent Related Party Transaction of a Revenue Nature

There was no recurrent related party transaction of a revenue nature which requires Shareholders' mandate during the financial year.

STATEMENT OF MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

Hwa Tai Industries Berhad ("Hwa Tai" or "the Company") and its subsidiaries ("the Group") are mainly dealing in manufacturing of biscuits and other confectionery under brand names, among others, HWA TAI and PESTA.

In addition, the Group is involved in trading and distribution of its own products to various chain of outlets and also original equipment manufactures ("OEM") for third party's brand of biscuits.

OUR VISION & COMMITMENT

We aim to be a leading confectionery manufacturer in the region known for its product quality and variety.

Hwa Tai is committed to producing the best quality biscuit products for our customers all over the world and creating business opportunities for our partners. We have fifty five (55) years of manufacturing experience and the ability to manage our entire value chain from procurement of raw materials to distribution of finished products. From the Company's very first beginning, we have recognized that the skilled and dedicated people who work for us are critical to our success. We expect high standards from our staff - a team totally committed to the provision of the highest quality service in the business.

FINANCIAL AND OPERATIONS REVIEWS

The Group recorded revenue of RM63.17 million in the current financial year ended 31 December 2016 ("FYE2016"), a decrease of RM3.16 million or approximately 4.7% compared to RM66.33 million in the previous financial year ended 31 December 2015 ("FYE2015"). The decrease in overall revenue was caused by the loss of distribution of agency products totaling RM4.79 million in revenue even though a revenue increase of RM1.63 million was recorded for Hwa Tai products during current financial year.

The Group recorded a profit after taxation ("PAT") of RM0.38 million as compared to PAT of RM0.32 million in FYE2015 despite the share in loss of Hwa Tai's associated company in China. Higher PAT recorded in FYE2016 was mainly due to higher interest income earned on deposits placed with financial institutions and lower advertising and promotional expenses.

The table below highlights the Group's key performance in FYE2016 and FYE2015:

	FYE2016 RM'000	FYE2015 RM'000
Revenue	63,174	66,335
Cost of sales	(42,299)	(45,264)
Gross profit	20,875	21,071
Expenses	(20,213)	(21,070)
Other income	599	668
Share of loss/profit from associate company	(546)	17
Profit before taxation	715	686
Profit after taxation	377	324
Gross profit margin	33%	32%

FINANCIAL AND OPERATIONS REVIEWS (CONTINUED)

The breakdown of revenue of the Group as below in FYE2016 and FYE2015:

	FYE2016 RM'000	%	FYE2015 RM'000	%
Export sales	14,653	23	13,908	21
Local sales -Hwa Tai & OEM products -Agency products	 47,979 542	 76 1	 47,099 5,328	 71 8
Total	63,174		66,335	

The drop in overall sales was impacted by loss of sales from agency products in FYE 2016 despite an increase of sales in both of our overseas and local markets for Hwa Tai and OEM products in FYE2016 as compared with FYE 2015.

Our export market accounted to about 23% of the Group's revenue in FYE 2016 with the remaining came from domestic market. An increase in export was mainly attributed by the growing sales from China market by the appointment of a new distributor in FYE 2015. We also saw an increase in local market sales for Hwa Tai products due to continuous spending on advertising and promotional activities such as, among others, price rebates, engaging promoters, gondola end, block displays, mailer support, prize contest & etc were carried out for our products to be more attractive and persuasive to consumers. In addition the launch of certain range of new products also partly contributed to an increase of sales in both of our overseas and local markets in FYE 2016.

The Group managed to maintain its gross profit margin at approximately 33% in FYE 2016 as compared with 32% in FYE2015 despite the fluctuation on prices of sugar, flour and packaging materials, these being our major cost components for our products. The Group also benefited from foreign currency exchange on export sales due to weakening of Ringgit Malaysia against US Dollar.

The Group had incurred total expenses of RM20.21 million in FYE2016 as compared with RM21.07 million in FYE2015. Total expenses mainly comprised finance costs, selling and distribution expenses and also administration expenses such as advertising and promotional expenses and staff costs. Other income of RM599,000 in FYE2016 and RM668,000 in FYE2015 were primarily derived from interests earned on fixed deposits placed at financial institutions and gain realized on foreign exchange from export sales.

Our share of loss of RM0.55 million in our China associated company, Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd, was mainly caused by a significant drop of sales from RM8.70 million to RM4.50 million in FYE2016 which was insufficient to cover the fixed costs such as staff costs, depreciation and utilities expenses.

Statement of Management Discussion & Analysis (continued)

FINANCIAL POSITION

The table below highlights the Group's financial position in FYE2016 and FYE2015:

	FYE2016 RM'000	FYE2015 RM'000
Total assets	63,042	66,093
Total liabilities	34,887	38,260
Shareholders' equity	28,137	27,815
Total borrowings	14,412	17,561
Cash and Bank balances and Short term deposits	15,367	10,213
Net assets per share (sen)	37.60	37.17
Earnings per share (sen)	0.50	0.50

Part of our Right Issue proceeds raised from our corporate exercise which was completed on 14 April 2015 had been utilized to reduce the payables and borrowings, resulting in the lower amount of borrowings and total liabilities of RM14.41 million in FYE2016 as compared with balances of RM17.56 million in FYE2015.

The increase in cash and bank balances and short term deposits was mainly due to placement of funds in short term deposits derived from sales proceed on disposal of unquoted investment of RM8.40 million in short to medium-term fixed income in FYE2016. Included in short term deposits is an amount of RM7 million, part of Right Issue proceeds raised from our previous corporate exercise which had been earmarked for purchase of a new hybrid biscuit line as approved by our shareholders at our Extraordinary General Meeting held on 16 March 2016. Due to the weak Ringgit Malaysia, this proposed acquisition would be delayed.

Investment in capital expenditure of approximately RM1.78 million in FYE2016 was mainly on factory upgrading and machineries. The Group expects to invest broadly the same in the year ahead so as to keep up with technological changes where continuous capital expenditure investments are vital to improve efficiency and productivity of our factory.

BUSINESS STRATEGICS AND RISK FACTORS

In view of market competition and ever growing demands from consumers, our Research and Development division has continuously focused on market research in improving our current products to suit consumers preferences without compromising on quality and also be more innovative and creative in developing new products

We have been continuously expanding our customer network by penetration to new markets locally and internationally, develop and launch new products and also improve our product quality and variety.

Apart from the above, the Group has continuously invests in factory upgrading and machineries to improve the production efficiency for cost savings. Our factory has been renovated and designed according to food manufacturing standards in order to reduce the risk of contamination and facilitate the production of safe finished products. Ventilation of the factory was re-designated to have adequate incoming facilities to allow the efficient circulation of air in production area. LED lighting has also been used to reduce energy, maintenance and operation costs.

BUSINESS STRATEGICS AND RISK FACTORS (CONTINUED)

Our business risk is mainly from potential labour shortages, price fluctuations of raw materials and changes in consumer demand. These risks may lead to cost increase which will affect our profitability if such costs is not able to be passed on to our consumers. To mitigate these risks, our management has taken steps such as remaining flexible in sourcing raw materials and packing materials from different suppliers to ensure our Group is not overly dependent on a single supplier. Compliance with Food and Beverage Standard and licensing/approval from authorities are vital for us as a biscuit manufacturer. The management seeks to limit these risk by maintaining strict compliance with terms and conditions imposed by the respective authorities, procure raw materials from reputable suppliers which have long standing business relationship with our Group. In addition, the Group is also exposed to interest rate and liquidity risk as most of our borrowings are based on floating interest rates, where any fluctuation in interest rates could lead to higher borrowing costs which will again affect the profitability of the Group. We are not able to fully eliminate the risk of interest rate fluctuation faced and notwithstanding this, the Group will carry out periodic reviews of cash flow position and funding requirements to manage our exposure to adverse movements in interest rates.

DIVIDEND

The Board of Directors is not recommending any dividend in FYE2016.

OUTLOOK AND FUTURE PROSPECTS

Moving forward, we anticipate the year ahead to remain difficult and challenging with the local and world economy slowing down, impact on implementation of the Goods and Service Tax and with volatile raw materials and packaging materials costs plus weakening of Ringgit Malaysia; all these challenges not only increase our costs of production but affect all in the industry.

We will constantly focus in improving the Group's performance by innovating products portfolio, broadening our distributor network and enhancing the operational efficiency.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Hwa Tai Industries Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	376,568	1,158,908
Attributable to:-		
Owners of the Company	376,794	1,158,908
Non-controlling interests	(226)	–
	376,568	1,158,908

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

Directors' Report (continued)

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:-

Soo Thien Ming @ Soo Thien See	
Datuk Soo Chung Yee	
Col. (Rtd.) Dato' Ir. Cheng Wah	
Soo Wei Chian	
Kamal Bin Abd Karim	(Appointed on 27 June 2016)
Aisyah Kamaliah Binti Abu Bakar	(Appointed on 27 June 2016)
Mohamed Razif Bin Tan Sri Abdul Aziz	(Deceased on 28 March 2016)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:-

	Number of ordinary shares of RM0.40/- each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
The Company				
Direct interests				
Soo Thien Ming @ Soo Thien See	30,949,567	–	–	30,949,567
Col. (Rtd.) Dato' Ir. Cheng Wah	50,000	–	–	50,000

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 6A of the Companies Act, 1965 in Malaysia, Soo Thien Ming @ Soo Thien See is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

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 benefits included in the aggregate amount of emoluments received or due and receivable,by the directors as disclosed in Note 19(a) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the 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, other than those arising from the share options granted under the ESOS.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of the significant event subsequent to the end of the financial year are disclosed in Note 28 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

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

SOO THIEN MING @ SOO THIEN SEE
Director

DATUK SOO CHUNG YEE
Director

Kuala Lumpur

10 April 2017

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	5	14,204,132	14,489,880	12,351,255	12,563,011
Prepaid land lease payments	6	1,026,809	1,070,245	599,369	626,167
Investment in subsidiaries	7	–	–	5,677,907	5,682,143
Investment in associate	8	1,986,175	2,586,352	1,791,457	1,791,457
Trade and other receivables	9	3,104,305	3,464,801	3,104,305	3,464,801
Total non-current assets		20,321,421	21,611,278	23,524,293	24,127,579
Current assets					
Inventories	10	6,922,470	6,676,751	6,087,450	5,862,556
Trade and other receivables	9	20,293,740	19,038,891	19,187,456	17,781,078
Prepayments		120,186	126,194	100,575	100,452
Tax recoverable		15,717	23,059	–	–
Other investments	11	1,296	8,404,062	1,296	8,404,062
Cash, bank balances and short-term deposits	12	15,367,421	10,212,807	14,677,728	9,408,232
Total current assets		42,720,830	44,481,764	40,054,505	41,556,380
TOTAL ASSETS		63,042,251	66,093,042	63,578,798	65,683,959
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	13	29,933,308	29,933,308	29,933,308	29,933,308
(Accumulated losses)/ retained earnings		(2,680,497)	(3,057,291)	3,105,154	1,946,246
Translation reserves	8	884,155	938,676	–	–
Shareholders' funds		28,136,966	27,814,693	33,038,462	31,879,554
Non-controlling interests		17,968	18,194	–	–
TOTAL EQUITY		28,154,934	27,832,887	33,038,462	31,879,554

Statements of Financial Position (continued)

As at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current liability					
Loans and borrowings	14	132,050	261,743	126,955	247,514
Total non-current liability		132,050	261,743	126,955	247,514
Current liabilities					
Trade and other payables	15	20,162,542	20,448,194	15,829,791	16,191,239
Loans and borrowings	14	14,279,725	17,299,047	14,270,590	17,270,545
Tax payable		313,000	251,171	313,000	95,107
Total current liabilities		34,755,267	37,998,412	30,413,381	33,556,891
TOTAL LIABILITIES		34,887,317	38,260,155	30,540,336	33,804,405
TOTAL EQUITY AND LIABILITIES		63,042,251	66,093,042	63,578,798	65,683,959

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	16	63,173,627	66,335,146	55,787,600	53,899,233
Cost of sales	17	(42,298,866)	(45,264,555)	(36,699,477)	(35,094,930)
Gross Profit		20,874,761	21,070,591	19,088,123	18,804,303
Other income		598,895	667,877	608,923	675,983
Selling and distribution expenses		(11,311,719)	(11,835,007)	(10,345,429)	(10,950,442)
Administrative expenses		(7,133,967)	(7,263,411)	(5,926,439)	(5,918,187)
Other expenses		(876,839)	(968,608)	(912,999)	(983,098)
Share of results of associate		(545,656)	17,332	–	–
Finance costs	18	(890,471)	(1,002,405)	(858,771)	(938,923)
Profit before taxation	19	715,004	686,369	1,653,408	689,636
Taxation	20	(338,436)	(362,273)	(494,500)	(362,273)
Profit for the financial year		376,568	324,096	1,158,908	327,363
Other comprehensive income, net of items that will be reclassified subsequently to profit or loss					
Translation reserves	8	(54,521)	407,531	–	–
Total comprehensive income for the financial year		322,047	731,627	1,158,908	327,363
Profit for the financial year attributable to:					
Owners of the Company		376,794	322,382	1,158,908	327,363
Non-controlling interests		(226)	1,714	–	–
		376,568	324,096	1,158,908	327,363
Total comprehensive income attributable to:					
Owners of the Company		322,273	729,913	1,158,908	327,363
Non-controlling interests		(226)	1,714	–	–
		322,047	731,627	1,158,908	327,363
Earnings per ordinary share (sen)	21				
- basic		0.50	0.50		
- diluted		0.50	0.50		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Share capital RM	Accumulated losses RM	Non-distributable Translation reserves RM	Shareholders' funds RM	Non-controlling interests RM	Total equity RM
	<------ Attributable to owners of the Company ----->					
At 1 January 2015	40,042,400	(27,405,113)	531,145	13,168,432	16,480	13,184,912
Total comprehensive income for the financial year	–	322,382	407,531	729,913	1,714	731,627
Share capital reduction	(24,025,440)	24,025,440	–	–	–	–
Right issues	13,916,348	–	–	13,916,348	–	13,916,348
At 31 December 2015	29,933,308	(3,057,291)	938,676	27,814,693	18,194	27,832,887
Total comprehensive income for the financial year	–	376,794	(54,521)	322,273	(226)	322,047
At 31 December 2016	29,933,308	(2,680,497)	884,155	28,136,966	17,968	28,154,934

Company	Attributable to owners of the Company Share capital RM	(Accumulated losses)/ Retained earnings RM	Total RM
At 1 January 2015	40,042,400	(22,406,557)	17,635,843
Share capital reduction	(24,025,440)	24,025,440	–
Total comprehensive income for the financial year	–	327,363	327,363
Right issues	13,916,348	–	13,916,348
At 31 December 2015	29,933,308	1,946,246	31,879,554
Total comprehensive income for the financial year	–	1,158,908	1,158,908
At 31 December 2016	29,933,308	3,105,154	33,038,462

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
OPERATING ACTIVITIES:-					
Profit before taxation		715,004	686,369	1,653,408	689,636
Adjustments for:-					
Impairment loss for trade receivables		892,463	623,103	851,229	621,788
Impairment loss for subsidiaries:-					
- trade		–	–	212,301	–
- non-trade		–	–	4,874	60,664
Impairment loss on investment in subsidiaries		–	–	4,236	8
Impairment loss on property, plant and equipment		16,832	107,162	16,832	62,695
Reversal of impairment loss for subsidiaries:-					
- trade		–	–	(140,679)	–
- non-trade		–	–	(3,340)	–
(Gain)/loss on financial assets measured at amortised costs		(32,455)	237,339	(32,455)	237,339
Amortisation of prepaid land lease payments		43,436	43,434	26,798	26,797
Bad debts written off		–	1,003	–	603
Depreciation of property, plant and equipment		2,008,653	1,979,583	1,717,412	1,677,889
Income from other investment		(78,888)	(96,199)	(78,888)	(96,199)
Interest income		(401,350)	(213,201)	(401,120)	(213,003)
Interest expenses		890,471	1,002,405	858,771	938,923
Property, plant and equipment written off		21,020	42,712	21,020	42,712
Loss on disposal of property, plant and equipment		9,058	12,293	9,058	12,293
Share of results of associate		545,656	(17,332)	–	–
Net loss on unrealised foreign exchange		3,222	23,978	3,222	23,978
Operating cash flows before changes in working capital		4,633,122	4,195,310	4,722,679	4,086,123
Changes in Working Capital:-					
Inventories		(245,719)	(1,776,939)	(224,894)	(1,658,380)
Receivables		(1,757,583)	1,202,296	(2,271,317)	164,603
Prepayments		6,008	162,422	(123)	287,728
Payables		(285,652)	1,373,684	(688,026)	1,088,877
Net cash flows generated from operations		2,350,176	5,394,112	1,538,319	3,968,951

Statements of Cash Flows (continued)
For the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Net cash flows generated from operations		2,350,176	5,394,112	1,538,319	3,968,951
Interest paid		(865,455)	(953,145)	(835,862)	(896,395)
Tax paid		(373,854)	(206,393)	(358,335)	(184,503)
Tax refunded		104,589	28,096	81,728	–
Net cash flows generated from operating activities		1,215,456	4,262,670	425,850	2,888,053
INVESTING ACTIVITIES:-					
Purchase of property, plant and equipment	**(a)**	(1,691,195)	(1,322,220)	(1,473,946)	(1,265,514)
Proceeds from disposal of property, plant and equipment		11,272	10,109	11,272	10,109
Interest received		401,350	213,201	401,120	213,003
Investment in subsidiaries		–	–	–	(2)
Repayment from subsidiaries		–	–	330,283	962,382
Investment in other investment		8,481,654	(8,307,863)	8,481,654	(8,307,863)
Net cash flows generated from/ (used in) investing activities		7,203,081	(9,406,773)	7,750,383	(8,387,885)
FINANCING ACTIVITIES:-					
Repayment of short term borrowings		(66,224,600)	(64,713,596)	(66,224,600)	(64,713,596)
Drawdown of short term borrowings		63,597,000	63,224,771	63,597,000	63,224,771
Advance received from subsidiaries		–	–	326,578	–
Repayment of term loans		(39,825)	(113,058)	(39,825)	(113,058)
Payment of finance lease liabilities		(227,199)	(295,155)	(198,698)	(208,944)
Proceeds from right issues		–	13,916,348	–	13,916,348
Interest paid		(25,016)	(49,260)	(22,909)	(42,528)
Net cash flows (used in)/generated from financing activities		(2,919,640)	11,970,050	(2,562,454)	12,062,993
NET CHANGE IN CASH AND CASH EQUIVALENTS		5,498,897	6,825,947	5,613,779	6,563,161
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		6,211,606	(614,346)	5,407,031	(1,156,135)
Effects of the exchange rate changes on cash and cash equivalents		–	5	–	5
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	12	11,710,503	6,211,606	11,020,810	5,407,031

Statements of Cash Flows (continued)

For the financial year ended 31 December 2016

(a) During the financial year, the Group and the Company made the following cash payments for the purchase of property, plant and equipment:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Purchase of property, plant and equipment	1,781,087	1,322,220	1,563,838	1,265,514
Financed by finance lease arrangement	(89,892)	–	(89,892)	–
Cash payments on purchase of property, plant and equipment	1,691,195	1,322,220	1,473,946	1,265,514

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

NOTES TO THE FINANCIAL STATEMENTS

1. 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 Company's registered office and the principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 April 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 3 to the financial statements.

2.3 Use of Estimates and Judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

2.4 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Adoption of amendments/improvements to MFRSs

The Group and the Company had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:-

Amendments/Improvements to MFRSs

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:-

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Adoption of amendments/improvements to MFRSs (Continued)

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:-

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

2.6 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:-

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

Notes to the Financial Statements (continued)

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

MFRS 9 Financial Instruments

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities.

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Continued)

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

Subsidiaries are entities (including structure entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:-

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings, on the same basis as could be required if the acquirer had disposed directly of the previously held equity interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interest

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investments in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(c) Associates (Continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investments in subsidiaries and associates are measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as could be required for impairment of non-financial assets as disclosed in Note 3.9.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are carried at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency transactions and operations (Continued)

(a) Translation of foreign currency transactions (Continued)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary item that is designated as a hedging instrument in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

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

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:-

(i) Financial Assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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 less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated 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 Group's and the Company's right to receive the payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows:- (Continued)

(i) Financial assets (Continued)

Unquoted equity instruments carried at cost

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 less accumulated impairment losses, if any. The policy for the recognition and measurement at impairment losses is in accordance with Note 3.9.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(c) Regular way purchase or sale of financial assets (Continued)

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:-

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(e) Offsetting of financial instruments

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

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured 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 3.9.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.14.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Leasehold land and buildings	1% -4%
Renovation	10%
Plant and machinery	5% - 10%
Office equipment, furniture and fittings and motor vehicles	10% - 20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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 disposals proceeds and the net carrying amount, if any, is recognised in the profit or loss.

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(a) Lessee accounting (Continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefits.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Inventories

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

Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:-

- raw materials, packing materials and consumables: purchase costs on a first-in first-out basis
- finished goods and work-in-progress: costs of direct materials, direct labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a standard costing basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries and associates) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (Continued)

(a) Impairment and uncollectibility of financial assets (Continued)

Available-for-sale financial assets (Continued)

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and non-current assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make and estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. 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 previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Share capital

Ordinary Shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.12 Provisions

Provisions 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.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date 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.

3.13 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the amount of revenue can be reliably measured and specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue (Continued)

(b) Rental income

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

(c) Interest income

Interest income is recognised using the effective interest rate method.

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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

3.15 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are 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.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (Continued)

(b) Deferred tax (Continued)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

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.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:-

- 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

- 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 statements of financial position.

Notes to the Financial Statements (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Chief Executive Director, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.17 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 a 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 and the Company use observable market data as far as possible. Fair value is 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 and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:-

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:-

(a) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5 the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5.

(b) Impairment and classification of trade receivables

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that trade receivables is impaired. Individually significant receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. The classification of trade receivable and impairment is assessed based on the Group's and the Company's past experience of loss statistics, ageing of past due amounts and repayment trends. The actual eventual losses and repayment may be different from the estimation and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's receivables are disclosed in Note 9.

(c) Income Taxes

The Group is subject to income taxes in numerous jurisdiction. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The income tax expense of the Group and of the Company are disclosed in Note 20.

Notes to the Financial Statements (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in-progress RM	Total RM
Cost							
At 1 January 2016	9,912,314	38,928,060	3,563,202	686,098	1,675,531	310,789	55,075,994
Additions	917,466	558,012	62,350	2,363	–	240,896	1,781,087
Disposals/write-offs	–	(161,532)	(8,990)	–	(161,973)	(4,675)	(337,170)
Reclassification	83,254	222,860	–	–	–	(306,114)	–
At 31 December 2016	10,913,034	39,547,400	3,616,562	688,461	1,513,558	240,896	56,519,911
Accumulated depreciation and impairment loss							
At 1 January 2016							
Accumulated depreciation	4,403,664	31,184,546	3,249,001	556,632	1,085,109	–	40,478,952
Accumulated impairment loss	62,695	44,467	–	–	–	–	107,162
	4,466,359	31,229,013	3,249,001	556,632	1,085,109	–	40,586,114
Depreciation for the financial year	374,838	1,438,409	75,155	19,301	100,950	–	2,008,653
Impairment loss	16,832	–	–	–	–	–	16,832
Disposals/write-offs	–	(124,857)	(8,990)	–	(161,973)	–	(295,820)
At 31 December 2016							
Accumulated depreciation	4,778,502	32,498,098	3,315,166	575,933	1,024,086	–	42,191,785
Accumulated impairment loss	79,527	44,467	–	–	–	–	123,994
At 31 December 2016	4,858,029	32,542,565	3,315,166	575,933	1,024,086	–	42,315,779
Carrying amount							
At 31 December 2016	6,055,005	7,004,835	301,396	112,528	489,472	240,896	14,204,132

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2015	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in-progress RM	Total RM
Cost							
At 1 January 2015	9,177,325	38,615,664	3,466,967	591,959	1,624,906	560,549	54,037,370
Additions	567,125	185,530	98,341	105,435	55,000	310,789	1,322,220
Disposals/write-offs	–	(199,034)	(23,431)	(16,056)	(4,375)	(40,700)	(283,596)
Reclassification	167,864	325,900	21,325	4,760	–	(519,849)	–
At 31 December 2015	9,912,314	38,928,060	3,563,202	686,098	1,675,531	310,789	55,075,994
Accumulated depreciation and impairment loss							
At 1 January 2015	4,031,718	29,943,425	3,206,812	556,371	979,525	–	38,717,851
Depreciation for the financial year	371,946	1,416,870	64,491	16,317	109,959	–	1,979,583
Impairment loss	62,695	44,467	–	–	–	–	107,162
Disposals/write-offs	–	(175,749)	(22,302)	(16,056)	(4,375)	–	(218,482)
At 31 December 2015							
Accumulated depreciation	4,403,664	31,184,546	3,249,001	556,632	1,085,109	–	40,478,952
Accumulated impairment loss	62,695	44,467	–	–	–	–	107,162
At 31 December 2015	4,466,359	31,229,013	3,249,001	556,632	1,085,109	–	40,586,114
Carrying amount							
At 31 December 2015	5,445,955	7,699,047	314,201	129,466	590,422	310,789	14,489,880

Notes to the Financial Statements (continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:-

Group 2016	Freehold Land and Buildings RM	Long Term Leasehold Land and Buildings RM	Renovation RM	Total RM
Cost				
At 1 January 2016	132,515	7,731,963	2,047,836	9,912,314
Additions	–	–	917,466	917,466
Reclassification	–	–	83,254	83,254
At 31 December 2016	132,515	7,731,963	3,048,556	10,913,034
Accumulated depreciation and impairment loss				
At 1 January 2016				
Accumulated depreciation	–	3,821,187	582,477	4,403,664
Accumulated impairment loss	–	62,695	–	62,695
	–	3,883,882	582,477	4,466,359
Depreciation for the financial year	–	163,321	211,517	374,838
Impairment loss	–	16,832	–	16,832
At 31 December 2016				
Accumulated depreciation	–	3,984,508	793,994	4,778,502
Accumulated impairment loss	–	79,527	–	79,527
At 31 December 2016	–	4,064,035	793,994	4,858,029
Carrying amount				
At 31 December 2016	132,515	3,667,928	2,254,562	6,055,005

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:-

Group 2015	Freehold Land and Buildings RM	Long Term Leasehold Land and Buildings RM	Renovation RM	Total RM
Cost				
At 1 January 2015	132,515	7,731,963	1,312,847	9,177,325
Additions	–	–	567,125	567,125
Reclassification	–	–	167,864	167,864
At 31 December 2015	132,515	7,731,963	2,047,836	9,912,314
Accumulated depreciation and impairment loss				
At 1 January 2015	–	3,602,041	429,677	4,031,718
Depreciation for the financial year	–	219,146	152,800	371,946
Impairment loss	–	62,695	–	62,695
At 31 December 2015				
Accumulated depreciation	–	3,821,187	582,477	4,403,664
Accumulated impairment loss	–	62,695	–	62,695
At 31 December 2015	–	3,883,882	582,477	4,466,359
Carrying amount				
At 31 December 2015	132,515	3,848,081	1,465,359	5,445,955

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2016	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in-progress RM	Total RM
Cost							
At 1 January 2016	8,518,174	36,056,030	3,059,331	633,904	1,376,353	310,789	49,954,581
Additions	917,466	533,549	32,701	–	–	80,122	1,563,838
Disposals/write-offs	–	(161,532)	(8,500)	–	(161,973)	(4,675)	(336,680)
Reclassification	83,254	222,860	–	–	–	(306,114)	–
At 31 December 2016	9,518,894	36,650,907	3,083,532	633,904	1,214,380	80,122	51,181,739
Accumulated depreciation and impairment loss							
At 1 January 2016							
Accumulated depreciation	3,720,349	29,476,732	2,835,702	510,157	785,935	–	37,328,875
Accumulated impairment loss	62,695	–	–	–	–	–	62,695
	3,783,044	29,476,732	2,835,702	510,157	785,935	–	37,391,570
Depreciation for the financial year	307,225	1,250,653	43,123	15,464	100,947	–	1,717,412
Impairment loss	16,832	–	–	–	–	–	16,832
Disposals/write-offs	–	(124,857)	(8,500)	–	(161,973)	–	(295,330)
At 31 December 2016							
Accumulated depreciation	4,027,574	30,602,528	2,870,325	525,621	724,909	–	38,750,957
Accumulated impairment loss	79,527	–	–	–	–	–	79,527
At 31 December 2016	4,107,101	30,602,528	2,870,325	525,621	724,909	–	38,830,484
Carrying amount							
At 31 December 2016	5,411,793	6,048,379	213,207	108,283	489,471	80,122	12,351,255

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2015	Properties # RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in-progress RM	Total RM
Cost							
At 1 January 2015	7,783,185	35,755,230	2,998,605	539,765	1,325,728	560,549	48,963,062
Additions	567,125	173,934	53,231	105,435	55,000	310,789	1,265,514
Disposals/written off	–	(199,034)	(13,830)	(16,056)	(4,375)	(40,700)	(273,995)
Reclassification	167,864	325,900	21,325	4,760	–	(519,849)	–
At 31 December 2015	8,518,174	36,056,030	3,059,331	633,904	1,376,353	310,789	49,954,581
Accumulated depreciation and impairment loss							
At 1 January 2015	3,416,020	28,439,823	2,810,002	513,671	680,351	–	35,859,867
Depreciation for the financial year	304,329	1,212,658	38,401	12,542	109,959	–	1,677,889
Impairment loss	62,695	–	–	–	–	–	62,695
Disposals/written off	–	(175,749)	(12,701)	(16,056)	(4,375)	–	(208,881)
At 31 December 2015							
Accumulated depreciation	3,720,349	29,476,732	2,835,702	510,157	785,935	–	37,328,875
Accumulated impairment loss	62,695	–	–	–	–	–	62,695
At 31 December 2015	3,783,044	29,476,732	2,835,702	510,157	785,935	–	37,391,570
Carrying amount							
At 31 December 2015	4,735,130	6,579,298	223,629	123,747	590,418	310,789	12,563,011

Notes to the Financial Statements (continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:-

Company 2016	**Freehold Land RM**	**Leasehold Buildings RM**	**Renovation RM**	**Total RM**
Cost				
At 1 January 2016	132,515	6,835,010	1,550,649	8,518,174
Addition	–	–	917,466	917,466
Reclassification	–	–	83,254	83,254
At 31 December 2016	132,515	6,835,010	2,551,369	9,518,894
Accumulated depreciation and impairment loss				
At 1 January 2016				
Accumulated Depreciation	–	3,340,936	379,413	3,720,349
Impairment loss	–	62,695	–	62,695
	–	3,403,631	379,413	3,783,044
Depreciation for the financial year	–	145,426	161,799	307,225
Impairment loss	–	16,832	–	16,832
At 31 December 2016				
Accumulated depreciation	–	3,486,362	541,212	4,027,574
Accumulated impairment loss	–	79,527	–	79,527
At 31 December 2016	–	3,565,889	541,212	4,107,101
Carrying amount				
At 31 December 2016	132,515	3,269,121	2,010,157	5,411,793

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Properties consist of:- (Continued)

Company 2015	**Freehold Land RM**	**Leasehold Buildings RM**	**Renovation RM**	**Total RM**
Cost				
At January 2015	132,515	6,835,010	815,660	7,783,185
Additions	–	–	567,125	567,125
Reclassification	–	–	167,864	167,864
At 31 December 2015	132,515	6,835,010	1,550,649	8,518,174
Accumulated depreciation and impairment loss				
At 1 January 2015	–	3,139,687	276,333	3,416,020
Depreciation for the financial year	–	201,249	103,080	304,329
Impairment loss	–	62,695	–	62,695
At 31 December 2015				
Accumulated depreciation	–	3,340,936	379,413	3,720,349
Accumulated impairment loss	–	62,695	–	62,695
At 31 December 2015	–	3,403,631	379,413	3,783,044
Carrying amount				
At 31 December 2015	132,515	3,431,379	1,171,236	4,735,130

(a) Included in property, plant and equipment of the Group and of the Company are assets acquired under finance lease instalment plans with carrying amount as follows:-

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Motor vehicles	169,060	324,540	169,060	324,540
Plant and machinery	527,592	604,112	427,290	486,324
	696,652	928,652	596,350	810,864

(b) During the financial year, the Group assessed the recoverable amount of its leasehold building which led to recognition of impairment loss of RM16,832/- (2015: RM62,695/-) in view of softness in property market. The estimated recoverable amount is determined using fair value less cost of disposal based on independent valuation carried out by a local council. The fair value is within Level 3 of the fair value hierarchy.

Notes to the Financial Statements (continued)

6. PREPAID LAND LEASE PAYMENTS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cost				
At 1 January/31 December	1,698,290	1,698,290	838,460	838,460
Accumulated amortisation				
At 1 January	(628,045)	(584,611)	(212,293)	(185,496)
Charge for the financial year	(43,436)	(43,434)	(26,798)	(26,797)
At 31 December	(671,481)	(628,045)	(239,091)	(212,293)
Carrying amount at 31 December	1,026,809	1,070,245	599,369	626,167

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Analysed as:-				
Short-term prepaid land lease payments	1,026,809	1,070,245	599,369	626,167

Short-term land leases have remaining lease period between 19 to 26 years.

In the previous financial year, included in prepaid land lease payments with net carrying amount of RM364,500/- have been pledged to the licensed bank as security for banking facility granted to the Group and the Company.

7. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	10,414,673	10,414,673
Less: Accumulated impairment losses	(5,686,766)	(5,682,530)
	4,727,907	4,732,143
Loans that are part of net investments	950,000	950,000
	5,677,907	5,682,143

Loans that are part of net investments represent amount owing by subsidiaries which is non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiaries. As this amount is, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment loss, if any.

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries which have principal place of business and are all incorporated in Malaysia are as follows:-

Name of Companies	Effective ownership interest/voting rights 2016 %	2015 %	Principal activities
Epro Industries Sdn. Bhd.	100	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd.	100	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd.	100	100	Biscuit manufacturer
Hwa Tai Wholesale Sdn. Bhd.	100	100	Trading
Hwa Tai Manufacturing Sdn. Bhd.	100	100	Dormant
Acetai Corporation Sdn. Bhd. *	90	90	Trading
Hwa Tai Import Sdn. Bhd. *	100	100	Dormant
Hwa Tai (Sarawak) Sdn. Bhd. *	100	100	Dormant
Hwa Tai Distribution Sdn. Bhd. *	100	100	Trading
Hwa Tai Services Sdn. Bhd. *	100	100	Dormant
Absolute Focus Sdn. Bhd. *	100	100	Dormant
Absolute Palmers Food Sdn. Bhd.*	100	100	Trading
Held through Acetai Corporation Sdn. Bhd.			
Anika Bebas Sdn. Bhd. *	100	100	Dormant
Esprit Classic Sdn. Bhd. *	100	100	Dormant

** Audited by auditors other than Messrs Baker Tilly Monteiro Heng.*

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

2015

On 9 November 2015, the Company acquired a 100% controlling interest in the equity shares of Absolute Palmers Food Sdn. Bhd. with a purchase consideration of RM2/-. The intended principal activity of Absolute Palmers Food Sdn. Bhd. is the trading of confectionery.

Fair value of the identifiable assets acquired and liabilities recognised:-

	RM
Asset	
Cash in hand	2
Total asset	2
Fair value of consideration transferred	(2)

The acquisition has resulted in net cash outflow of RM2/- to the Group.

Effects of acquisition on statements of profit or loss and other comprehensive income.

From the date of acquisition, the subsidiary's contributed revenue and loss net of tax are as follows:-

	RM
Revenue	137,700
Loss for the financial period	(9,269)

If the acquisition had occurred on 1 January 2015, the consolidated results for the financial year 31 December 2015 would have been as follows:

	RM
Revenue	137,700
Loss for the financial year	(9,269)

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares - at cost	1,791,457	1,791,457	1,791,457	1,791,457
Share of post acquisition losses	(689,437)	(143,781)	–	–
	1,102,020	1,647,676	1,791,457	1,791,457
Translation differences	884,155	938,676	–	–
	1,986,175	2,586,352	1,791,457	1,791,457

8. INVESTMENT IN ASSOCIATE (CONTINUED)

Details of the associate which has principal place of business and is incorporated in the People's Republic of China are as follows:-

Name of Company	Issued share capital Chinese Renminbi (RMB)	Effective ownership interest/voting rights 2016 %	2015 %	Nature of the relationship
Shan Dong Yingerle Hwa Tai Food Industry Co. Ltd.*	10,500,000	48	48	Dealers, importers and exporters of biscuit, cake and baby products. The activities contribute to the Group's manufacturing segment.

** Audited by auditor other than Messr Baker Tilly Monteiro Heng.*

The summarised financial information of the associate is as follows:-

	2016 RM	2015 RM
Assets and Liabilities		
Current assets	1,448,829	3,249,589
Non-current assets	4,565,476	4,354,456
Total assets	6,014,305	7,604,045
Current liabilities	1,876,440	2,215,812
Total liabilities	1,876,440	2,215,812
Net assets	4,137,865	5,388,233
Results		
Revenue	4,482,814	8,744,926
(Loss)/profit after taxation	(1,136,784)	36,108
Interest in the associate	48%	48%
Carrying value of the Group's interest in associate	1,986,175	2,586,352

The Group's share of loss for the financial year of the associate is RM545,656/- (2015: profit of RM17,332/-).

Foreign capital reserve are from translation of the financial statements of foreign associates and is not distributable by way of dividends.

Notes to the Financial Statements (continued)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non Current				
Trade receivables				
Trade receivables	3,104,305	3,464,801	3,104,305	3,464,801
Current				
Trade receivables				
Trade receivables	23,682,675	23,819,366	19,611,544	17,155,062
Amount owing by subsidiaries	–	–	16,283,052	16,121,264
	23,682,675	23,819,366	35,894,596	33,276,326
Less: Impairment loss				
- Trade receivables	(3,671,015)	(5,007,521)	(2,314,557)	(1,463,328)
- Amount owing by subsidiaries	–	–	(16,111,666)	(16,040,044)
	(3,671,015)	(5,007,521)	(18,426,223)	(17,503,372)
Trade receivables, net	20,011,660	18,811,845	17,468,373	15,772,954
Other receivables				
Other receivables	228,583	167,899	193,315	152,999
Amount owing by subsidiaries	–	–	1,580,117	1,910,400
Refundable deposits	65,343	70,993	61,243	58,783
	293,926	238,892	1,834,675	2,122,182
Less: Impairment loss				
- Other receivables	(11,846)	(11,846)	–	–
- Amount owing by subsidiaries	–	–	(115,592)	(114,058)
	(11,846)	(11,846)	(115,592)	(114,058)
Other receivables, net	282,080	227,046	1,719,083	2,008,124
Total trade and other receivable (current)	20,293,740	19,038,891	19,187,456	17,781,078
Total trade and other receivable (non-current and current)	23,398,045	22,503,692	22,291,761	21,245,879

Trade receivables are non-interest bearing and are generally on 14 to 90 days (2015: 14 to 90 days) terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

The non-current trade receivables of the Group is the amounts receivable for goods sold and is expected to be collected after discounting at 6.60% (2015: 6.85%).

The currencies exposure profile of trade and other receivables is as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
US Dollar	375,907	343,760	375,907	343,760
Singapore Dollar	1,767	63,127	1,767	63,127

Analysis on trade receivables

The Group and Company only maintain an ageing analysis in respect of trade receivables.

The ageing analysis of the Group's and the Company's trade receivables are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	11,879,150	13,481,557	10,673,142	11,189,102
Past due 1 - 30 days	3,223,817	985,183	2,539,988	832,372
Past due 31 - 120 days	3,170,840	2,268,873	2,532,456	1,925,780
Past due more than 120 days	4,842,158	5,541,033	4,827,092	5,290,501
	11,236,815	8,795,089	9,899,536	8,048,653
Impaired	3,671,015	5,007,521	18,426,223	17,503,372
	26,786,980	27,284,167	38,998,901	36,741,127

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group's trade receivables arise from long standing customer with the Group.

Receivables that are past due but not impaired

The Group has not made any allowance for impairment for receivables that are past due but not impaired as there has not been a significant change in the credit quality of these receivables and the amounts due are still recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Group will not able to collect the amounts due.

As at the reporting date, the Group assesses the repayment trend of the trade receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Notes to the Financial Statements (continued)

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	Individually Impaired			
	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivable - nominal amounts	12,001,535	12,004,581	26,746,262	24,232,008
Less: Impairment loss	(3,671,015)	(5,007,521)	(18,426,223)	(17,503,372)
	8,330,520	6,997,060	8,320,039	6,728,636

Movements in impairment:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables				
At 1 January	5,007,521	6,964,724	17,503,372	18,154,789
Charge for the financial year	892,463	623,103	1,063,530	621,788
Written off	(2,228,969)	(2,580,306)	–	(1,273,205)
Reversal of impairment loss	–	–	(140,679)	–
At 31 December	3,671,015	5,007,521	18,426,223	17,503,372
Other receivables				
At 1 January	11,846	11,846	114,058	53,394
Charge for the financial year	–	–	4,874	60,664
Reversal of impairment loss	–	–	(3,340)	–
At 31 December	11,846	11,846	115,592	114,058

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Amount owing by subsidiaries is unsecured, non-interest bearing, expected to be settled in cash and is repayable on demand.

Included in trade receivables of the Group and the Company are amounts totalling of RM13,187,526/- (2015: RM11,566,408/-) due from 3 (2015: 3) of its significant receivables.

10. INVENTORIES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
At lower of cost and net realisable value				
Raw materials	1,821,326	1,611,506	1,665,503	1,448,873
Packing materials	1,995,040	1,750,880	1,798,207	1,589,399
Work-in-progress	229,783	209,271	133,343	154,327
Finished goods	2,677,397	2,904,065	2,319,521	2,500,916
Consumable stores	198,924	201,029	170,876	169,041
	6,922,470	6,676,751	6,087,450	5,862,556

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was RM41,907,446/- (2015: RM40,323,279/-) and RM36,699,477/- (2015: RM35,094,930/-) respectively.

The cost of inventories of the Group and the Company recognised as expense in cost of sales during the financial year in respect of write down of inventories to net realisable value was RM58,142/- (2015: RM124,074/-).

11. OTHER INVESTMENTS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Financial asset at fair value through profit or loss				
- unquoted investment in Malaysia	1,296	8,404,062	1,296	8,404,062

The unquoted investment represents investment in short to medium-term fixed income instrument and managed by an investment management company.

12. CASH, BANK BALANCES AND SHORT TERM DEPOSITS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash on hand and at banks	3,101,410	3,153,000	2,411,717	2,348,425
Deposits with licensed banks	12,266,011	7,059,807	12,266,011	7,059,807
Cash, bank balances and short-term deposits	15,367,421	10,212,807	14,677,728	9,408,232
Less: Bank overdrafts	(3,656,918)	(4,001,201)	(3,656,918)	(4,001,201)
Cash and cash equivalents	11,710,503	6,211,606	11,020,810	5,407,031

Notes to the Financial Statements (continued)

12. CASH, BANK BALANCES AND SHORT TERM DEPOSITS (CONTINUED)

The foreign currency exposure profile of cash and bank balances are as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
United States Dollar	5,237	38	5,237	38
Singapore Dollar	5	–	5	–

The deposits of the Group and the Company earn interest at rates ranging from 2.60% to 4.05% (2015: 3.80% to 4.05%) per annum. Deposits of the Group and Company have maturity period ranging from 7 to 365 days (2015: 180 to 365 days).

13. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2016 Unit	**2015 Unit**	**2016 RM**	**2015 RM**
Authorised:				
At 1 January	2,500,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Par value reduction	–	–	–	(600,000,000)
	2,500,000,000	1,000,000,000	1,000,000,000	400,000,000
Created during the financial year	–	1,500,000,000	–	600,000,000
31 December	2,500,000,000	2,500,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:				
At 1 January	74,833,270	40,042,400	29,933,308	40,042,400
Par value reduction	–	–	–	(24,025,440)
	74,833,270	40,042,400	29,933,308	16,016,960
Issued during the financial year	–	34,790,870	–	13,916,348
31 December	74,833,270	74,833,270	29,933,308	29,933,308

During the financial year, no new issue of shares or debentures were made by the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

14. LOANS AND BORROWINGS

	Group		Company	
	2016 **RM**	**2015** **RM**	**2016** **RM**	**2015** **RM**
Current				
Finance lease liabilities (secured)	187,807	195,421	178,672	166,919
Floating rate bank loan (secured)	–	39,825	–	39,825
Bankers' acceptances (unsecured)	10,435,000	13,062,600	10,435,000	13,062,600
Bank overdrafts (unsecured)	3,656,918	4,001,201	3,656,918	4,001,201
	14,279,725	17,299,047	14,270,590	17,270,545
Non-current				
Finance lease liabilities (secured)	132,050	261,743	126,955	247,514
Total loans and borrowings	14,411,775	17,560,790	14,397,545	17,518,059

(a) Finance lease liabilities

	Group		Company	
	2016 **RM**	**2015** **RM**	**2016** **RM**	**2015** **RM**
Minimum lease payments				
- Within one year	202,710	218,763	192,968	188,154
- Later than one year but not later than two years	111,561	178,949	106,331	169,208
- Later than two years but not later than five years	25,992	97,953	25,992	92,723
	340,263	495,665	325,291	450,085
Future interest charges	(20,406)	(38,501)	(19,664)	(35,652)
Present value of minimum lease payments	319,857	457,164	305,627	414,433

Notes to the Financial Statements (continued)

14. LOANS AND BORROWINGS (CONTINUED)

(a) Finance lease liabilities (Continued)

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Represented by:-				
Current				
- On demand and within one year	187,807	195,421	178,672	166,919
Non-current				
- Later than one year but not later than two years	106,631	167,140	101,536	158,004
- Later than two years but not later than five years	25,419	94,603	25,419	89,510
	132,050	261,743	126,955	247,514
	319,857	457,164	305,627	414,433

The effective interest rate ranges from 3.00% to 3.35% (2015: 3.00% to 3.35%) per annum. Interest rates are fixed at the inception of the finance lease arrangements.

The finance lease liabilities are effectively secured on the rights of the assets under finance lease.

(b) Loans and borrowings

The remaining maturities of the loans and borrowings (excluding finance lease liabilities) as at 31 December 2016 are as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
On demand and within one year	14,091,918	17,103,626	14,091,918	17,103,626

Floating rate bank loan

The effective interest rate as at the reporting date in the previous year was 8.10% per annum.

14. LOANS AND BORROWINGS (CONTINUED)

(b) Loan and borrowings (Continued)

Bankers' acceptances

The bankers' acceptances of the Group and the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets, other than those assets under finance lease.

Effective interest rates as at reporting date is range from 4.91% to 6.74% (2015: 5.4% to 6.74%) per annum.

Bank overdrafts

The bank overdrafts of the Group and the Company are granted on the undertaking that the Group and the Company will not pledge or execute any charges on its assets, other than those assets under finance lease.

The effective interest rates as at the reporting date range from 8.05% to 9.15% (2015: 8.10% to 9.35%) per annum.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables				
Third parties	11,653,641	11,957,824	7,435,841	8,369,354
Other payables				
Accrued operating expenses	7,187,574	6,856,765	6,641,166	6,349,104
Other payables	901,481	1,441,296	826,583	1,100,695
Refundable deposits	419,846	192,309	419,846	192,309
Amount owing to subsidiaries	–	–	506,355	179,777
	8,508,901	8,490,370	8,393,950	7,821,885
Total trade and other payables	20,162,542	20,448,194	15,829,791	16,191,239

The trade and other payables are non-interest bearing and are normally granted on 30 to 120 days (2015: 30 to 120 days) terms.

The amount owing to subsidiaries is non-trade in nature, unsecured, non-interest bearing, expected to be settled in cash and is repayable on demand.

Notes to the Financial Statements (continued)

15. TRADE AND OTHER PAYABLES (CONTINUED)

The currencies exposure profile of trade and other payables is as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
US Dollar	51,178	47,880	51,178	47,880

16. REVENUE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Sales of trading goods	9,540,866	14,349,968	–	–
Sales of manufactured goods	53,632,761	51,985,178	55,787,600	53,899,233
	63,173,627	66,335,146	55,787,600	53,899,233

17. COST OF SALES

Cost of sales represents the production costs, direct material, labour costs and related overheads as well as the costs of inventories sold.

18. FINANCE COSTS

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Interest expenses				
- trade financing	751,248	825,650	721,655	768,900
- bank overdrafts	114,207	127,495	114,207	127,495
- finance lease	24,337	40,998	22,230	34,266
- term loans	679	8,262	679	8,262
	890,471	1,002,405	858,771	938,923

19. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
After charging:-				
Impairment loss for trade receivables	892,463	623,103	851,229	621,788
Impairment loss for subsidiaries:-				
- trade	–	–	212,301	–
- non-trade	–	–	4,874	60,664
Impairment loss on investment in subsidiaries	–	–	4,236	8
Impairment loss on property, plant and equipment	16,832	107,162	16,832	62,695
Amortisation of prepaid land lease payments	43,436	43,434	26,798	26,797
Audit fee:-				
- current year	121,224	117,820	80,000	80,000
- under/(over) accrual in prior year	5,809	(1,726)	2,000	(1,000)
Bad debts written off	–	1,003	–	603
Directors' remuneration:-				
- salaries, bonuses and allowances	1,008,000	1,008,000	1,008,000	1,008,000
- fees	95,000	100,000	95,000	100,000
- other emoluments	107,188	106,704	107,188	106,704
Allowance for a director of subsidiary	117,650	117,650	–	–
Depreciation of property, plant and equipment	2,008,653	1,979,583	1,717,412	1,677,889
Loss on foreign exchange:-				
- realised	21,689	–	21,689	–
- unrealised	3,222	23,983	3,222	23,983
Loss on financial assets measured at amortised cost	–	237,339	–	237,339
Loss on disposal of property, plant and equipment	9,058	12,293	9,058	12,293
Property, plant and equipment written off	21,020	42,712	21,020	42,712
Rental of premises	96,000	118,800	96,000	96,000
Staff costs:-				
- salaries, wages and allowances	8,850,487	8,118,817	7,472,019	6,795,961
- bonus	726,944	613,500	651,107	537,327
- Employees Provident Fund	876,066	783,713	718,519	642,830
- SOCSO	104,377	90,282	85,577	73,132
- other staff related expenses	567,639	575,842	510,312	494,386

Notes to the Financial Statements (continued)

19. PROFIT BEFORE TAXATION (CONTINUED)

Profit before taxation has been arrived at:- (Continued)

	Group		Company	
	2016 **RM**	**2015** **RM**	**2016** **RM**	**2015** **RM**
And crediting:-				
Income from other investment	78,888	96,199	78,888	96,199
Interest income	401,350	213,201	401,120	213,003
Reversal of impairment loss for subsidiaries:-				
- trade	–	–	140,679	–
- non-trade	–	–	3,340	–
Rental income	6,018	3,600	25,218	–
Gain on financial assets measured at amortised cost	32,455	–	32,455	–
Gain on foreign exchange:-				
- realised	–	275,486	–	275,486
- unrealised	–	5	–	5

(a) Directors' remuneration

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:-

	Group and Company	
	2016 **RM**	**2015** **RM**
Executive Director		
Director's fees	10,000	10,000
Salaries	864,000	864,000
Allowances	24,000	24,000
Other emoluments	107,188	106,704
	1,005,188	1,004,704
Non-Executive Directors		
Directors' fees	85,000	90,000
Allowances	120,000	120,000
	205,000	210,000
Grand Total		
Directors' fees	95,000	100,000
Salaries	864,000	864,000
Allowances	144,000	144,000
Other emoluments	107,188	106,704
	1,210,188	1,214,704

19. PROFIT BEFORE TAXATION (CONTINUED)

(a) Directors' remuneration (Continued)

The number of directors of the Company whose total remuneration fall within the respective ranges are as follows:-

	Number of Directors			
	2016		2015	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration				
RM0 - RM50,000	–	5	–	3
RM100,001 - RM150,000	–	1	–	1
RM1,000,001 - RM1,050,000	1	–	1	–

(b) Key Management Personnel

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors' remuneration (Note 19(a))	1,210,188	1,214,704	1,210,188	1,214,704
Other key management personnel				
- salaries, bonus and other emoluments	2,289,791	2,043,803	1,789,883	1,578,627
- Defined contribution plans (Employees Provident Fund)	258,749	230,057	210,784	186,505
	3,758,728	3,488,564	3,210,855	2,979,836

20. TAXATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income tax				
- current year	(622,000)	(348,000)	(622,000)	(348,000)
- over/(under) provision in prior years	283,564	(14,273)	127,500	(14,273)
	(338,436)	(362,273)	(494,500)	(362,273)

Notes to the Financial Statements (continued)

20. TAXATION (CONTINUED)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before taxation	715,004	686,369	1,653,408	689,636
Tax at applicable tax rate of 24% (2015: 25%)	(171,601)	(171,592)	(396,818)	(172,409)
Tax effects arising from				
- non-taxable income	19,239	129,941	18,933	125,608
- non-deductible expenses	(697,486)	(1,030,299)	(400,422)	(1,012,294)
- share of results of associate	130,957	(4,333)	–	–
- utilisation of deferred tax assets not recognised in prior years	96,891	699,417	156,307	682,650
- effect of changes in tax rate	–	28,866	–	28,445
- over/(under) provision in prior year	283,564	(14,273)	127,500	(14,273)
Tax expense for the financial year	(338,436)	(362,273)	(494,500)	(362,273)

Deferred tax assets have not been recognised for the following items:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deductible temporary differences	(17,564,043)	(17,501,530)	(17,269,628)	(17,114,399)
Unabsorbed capital allowances	(1,326,174)	(1,114,438)	–	–
Unabsorbed reinvestment allowances	(793,957)	(1,600,468)	–	(806,511)
Unutilised tax losses	(2,360,305)	(2,231,756)	–	–
	(22,044,479)	(22,448,192)	(17,269,628)	(17,920,910)
Potential deferred tax assets not recognised at 24%	(5,290,675)	(5,387,566)	(4,144,711)	(4,301,018)

21. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the financial year has been calculated based on the Group's profit after taxation and non-controlling interests divided by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	**2015**
Profit attributable to owners of the Company (RM)	376,794	322,382
Weighted average number of ordinary shares in issue (units)	74,833,270	64,920,255
Basic earnings per ordinary share (sen)	0.50	0.50

(b) Diluted earnings per share

The Group has no potential dilutive of ordinary shares. As such, there is no dilution effect on the earnings per share of the Group.

Notes to the Financial Statements (continued)

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Transactions with subsidiaries				
Sales to subsidiaries				
- Hwa Tai Distribution Sdn. Bhd.	–	–	7,318,768	7,563,804
- Hwa Tai Wholesale Sdn. Bhd.	–	–	271,567	292,765
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	–	–	156,550	63,336
- Acetai Corporation Sdn. Bhd.	–	–	51,859	62,874
- Absolute Palmers Food Sdn. Bhd.	–	–	394,410	116,708
Management fees, administration fees, commission and rental received/receivable from subsidiaries				
- Hwa Tai Distribution Sdn. Bhd.	–	–	22,800	26,400
- Hwa Tai Wholesale Sdn. Bhd.	–	–	–	1,200
- Epro Industries Sdn. Bhd.	–	–	–	13,200
- Hwa Tai Food Industries (Sabah) Sdn. Bhd.	–	–	43,132	1,200
- Suria Merah Manufactory (Segamat) Sdn. Bhd.	–	–	–	13,200
Transactions with directors, substantial shareholders and persons connected				
Rental of premises paid to a company in which certain directors are the directors and substantial shareholders	96,000	96,000	96,000	96,000
Rental of premises paid to a director and substantial shareholder	15,000	15,000	15,000	15,000

23. CAPITAL COMMITMENT

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Capital expenditure approved and contracted for - purchase of property, plant and equipment	768,895	123,691	768,895	123,691

24. SEGMENTAL INFORMATION

For management purposes, the Group is organised into operating units based on the nature of the business and has two reportable operating segments as follow:-

(i) Manufacturing
(ii) Trading

Management monitors the operating results of its operating units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluate based on profit or loss before taxation of each unit. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segmental revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represents profit or loss before taxation of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment assets and liabilities

The total of segment asset and liabilities is measured based on all assets and liabilities of a segment.

Notes to the Financial Statements (continued)

24. SEGMENTAL INFORMATION (CONTINUED)

2016		Manufacturing RM	Trading RM	Others RM	Total RM	Adjustment and elimination RM	Total RM
Revenue							
External sales		53,632,761	9,540,866	–	63,173,627	–	63,173,627
Inter - segment sales	A	8,193,154	–	–	8,193,154	8,193,154	–
		61,825,915	9,540,866	–	71,366,781	8,193,154	63,173,627
Results :							
Included in the measure of segment profit/(loss) are:-							
Income from other investments		78,888	–	–	78,888	–	78,888
Interest income		401,120	230	–	401,350	–	401,350
Reversal of impairment loss for subsidiaries:-							
- trade		140,679	–	–	140,679	140,679	–
- non-trade		3,340	–	–	3,340	3,340	–
Interest expenses		(860,878)	(29,593)	–	(890,471)	–	(890,471)
Depreciation of property, plant and equipment		(1,961,358)	(29,400)	(17,895)	(2,008,653)	–	(2,008,653)
Amortisation of prepaid land lease payments		(36,698)	–	(6,738)	(43,436)	–	(43,436)
Rental of premises		(96,000)	(22,800)	–	(118,800)	22,800	(96,000)
Impairment loss for:-							
- trade receivables		(851,229)	(41,234)	–	(892,463)	–	(892,463)
Impairment loss for subsidiaries:-							
- trade		(212,301)	–	–	(212,301)	(212,301)	–
- non-trade		(4,874)	–	–	(4,874)	(4,874)	–
Gain on financial asset measured at amortised cost		32,455	–	–	32,455	–	32,455
Share of results of associate		(545,656)	–	–	(545,656)	–	(545,656)
Segment profit/(loss)	B	872,860	(142,168)	(93,082)	637,610	77,394	715,004
Income tax expense		(494,500)	–	156,064	(338,436)	–	(338,436)
Profit/(loss) for the financial year	B	378,360	(142,168)	62,982	299,174	77,394	376,568
Other information							
Segment assets	C	66,751,909	4,291,373	701,761	71,745,043	(8,702,792)	63,042,251
Investment in associate		1,791,457	–	–	1,791,457	194,718	1,986,175
Segment liabilities	D	33,087,921	22,399,832	271,343	55,759,096	(20,871,779)	34,887,317
Capital expenditure		1,753,591	27,496	–	1,781,087	–	1,781,087

24. SEGMENTAL INFORMATION (CONTINUED)

2015		Manufacturing RM	Trading RM	Others RM	Total RM	Adjustment and elimination RM	Total RM
Revenue							
External sales		51,985,178	14,349,968	–	66,335,146	–	66,335,146
Inter - segment sales	A	8,099,487	–	–	8,099,487	8,099,487	–
		60,084,665	14,349,968	–	74,434,633	8,099,487	66,335,146
Results :							
Included in the measure of segment profit/(loss) are:-							
Income from other investments		96,199	–	–	96,199	–	96,199
Interest income		213,003	198	–	213,201	–	213,201
Interest expenses		(945,655)	(56,750)	–	(1,002,405)	–	(1,002,405)
Depreciation of property, plant and equipment		(1,937,944)	(23,742)	(17,897)	(1,979,583)	–	(1,979,583)
Amortisation of prepaid land lease payments		(36,697)	–	(6,737)	(43,434)	–	(43,434)
Rental of premises		(96,000)	(22,800)	–	(118,800)	–	(118,800)
Impairment loss for:-							
- trade receivables		(621,788)	(1,315)	–	(623,103)	–	(623,103)
Impairment loss for subsidiaries:-							
- non-trade		(60,664)	–	–	(60,664)	(60,664)	–
Loss on financial asset measured at amortised cost		(237,399)	–	–	(237,399)	–	(237,399)
Share of results of associate		17,322	–	–	17,322	–	17,322
Segment profit/(loss)	B	720,744	22,205	(117,252)	625,697	60,672	686,369
Income tax expense		(362,273)	–	–	(362,273)	–	(362,273)
Profit/(loss) for the financial year	B	358,471	22,205	(117,252)	263,424	60,672	324,096
Other information							
Segment assets	C	69,438,614	4,329,573	758,866	74,527,053	(8,434,011)	66,093,042
Investment in associate		1,791,457	–	–	1,791,457	794,895	2,586,352
Segment liabilities	D	36,152,986	22,295,864	391,430	58,840,280	(20,580,125)	38,260,155
Capital expenditure		1,279,460	42,760	–	1,322,220	–	1,322,220

Notes to the Financial Statements (continued)

24. SEGMENTAL INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities are as follows:-

A Inter-segment revenue

Inter-segment revenues are eliminated on consolidation.

B Reconciliation of profit or loss

	2016 RM	2015 RM
Elimination of inter-segment transactions	77,394	60,672

C Reconciliation of assets

	2016 RM	2015 RM
Investment in subsidiaries	5,677,907	5,682,143
Investment in associate	(884,155)	(938,676)
Inter-segment assets	3,909,040	3,690,544
	8,702,792	8,434,011

D Reconciliation of liabilities

	2016 RM	2015 RM
Inter-segment liabilities	(20,871,779)	(20,580,125)

Geographical information

Revenue from local and international sales amount to RM48,520,564/- (2015: RM52,427,517/-) and RM14,653,063/- (2015: RM13,907,629/-) respectively.

Information about major customer

Revenue from 1 (2015: 1) major customer amount to RM19,259,170/- (2015: RM18,573,147/-), arising from sales of manufactured biscuits.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:-

(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")
(iii) Fair value through profit or loss ("FVTPL")
- Held for trading ("HFT")

	Carrying Amount RM	L&R/ FL RM	FVTPL - HFT RM
Group			
31 December 2016			
Financial assets			
Trade and other receivables	23,398,045	23,398,045	–
Other investments	1,296	–	1,296
Cash, bank balances and short-term deposits	15,367,421	15,367,421	–
	38,766,762	38,765,466	1,296
Financial liabilities			
Trade and other payables	20,162,542	20,162,542	–
Loans and borrowings	14,411,775	14,411,775	–
	34,574,317	34,574,317	–
31 December 2015			
Financial assets			
Trade and other receivables	22,503,692	22,503,692	–
Other investments	8,404,062	–	8,404,062
Cash, bank balances and short-term deposits	10,212,807	10,212,807	–
	41,120,561	32,716,499	8,404,062
Financial liabilities			
Trade and other payables	20,448,194	20,448,194	–
Loans and borrowings	17,560,790	17,560,790	–
	38,008,984	38,008,984	–

Notes to the Financial Statements (continued)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying Amount RM	L&R/ FL RM	FVTPL - HFT RM
Company			
31 December 2016			
Financial assets			
Trade and other receivables	22,291,761	22,291,761	–
Other investments	1,296	–	1,296
Cash, bank balances and short-term deposits	14,677,728	14,677,728	–
	36,970,785	36,969,489	1,296
Financial liabilities			
Trade and other payables	15,829,791	15,829,791	–
Loans and borrowings	14,397,545	14,397,545	–
	30,227,336	30,227,336	–
31 December 2015			
Financial assets			
Trade and other receivables	21,245,879	21,245,879	–
Other investments	8,404,062	–	8,404,062
Cash, bank balances and short-term deposits	9,408,232	9,408,232	–
	39,058,173	30,654,111	8,404,062
Financial liabilities			
Trade and other payables	16,191,239	16,191,239	–
Loans and borrowings	17,518,059	17,518,059	–
	33,709,298	33,709,298	–

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings are reasonable approximation of fair values due to the relatively short term nature of these financial instruments.

As at 31 December 2016, the fair value of the investments as disclosed in Note 11 to the financial statements is measured under level 1, which is determined directly by reference to prices provided by investment management company.

There has been no transfer between Level 1 and Level 2 during the financial year (2015: no transfer in either direction).

Other than those carrying amounts with reasonable approximation of fair value, the fair value of other financial assets and liabilities together with the carrying amount shown in the statements of financial position are as follows:-

	2016		2015	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Group				
Finance lease liabilities	319,857	300,166	261,743	239,799
Company				
Finance lease liabilities	305,627	286,631	247,514	227,401

The fair values of finance lease liabilities are 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.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:-

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

The fair value of finance lease liabilities of the Group and of the Company are categorised as Level 2.

Notes to the Financial Statements (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position. It will affect the Group's income or the value of its holdings of financial instruments.

The Group's exposures to interest rate risk for changes in interest rates mainly arise from its short term borrowings and term loans with floating interest rate. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Sensitivity analysis for interest rate risk

At the end of the financial year, if interest rates had been 100 basis points lower/ higher, with all other variables held constant, the Group's profit after taxation would have been RM140,919 (2015: RM171,036) higher/ lower, arising mainly as a result of lower/ higher interest expense on floating rate loans and borrowings.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk rates relates primarily to the Group's operating activities (when sales and purchases that are denominated in foreign currency).

Based on carrying amounts as at the end of the financial year, the material foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below:-

31 December 2016	**United States Dollar RM**	**Singapore Dollar RM**	**Total RM**
Trade receivables	375,907	1,767	377,674
Cash and bank balances	5,237	5	5,242
Trade payables	51,178	–	51,178
Net exposure	432,322	1,772	434,094
31 December 2015			
Trade receivables	343,760	63,127	406,887
Cash and bank balances	38	–	38
Trade payables	47,880	–	47,880
Net exposure	391,678	63,127	454,805

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following demonstrates the sensitivity of the Group's profit after taxation to a reasonably possible change in the United States Dollar and Singapore Dollar against the Ringgit Malaysia, with all other variables held constant.

		2016 RM	2015 RM
United States Dollar/RM	- strengthened 5%	21,616	19,584
	- weakened 5%	(21,616)	(19,584)
Singapore Dollar/RM	- strengthened 5%	89	3,156
	- weakened 5%	(89)	(3,156)

(iii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligation as follows:-

Group	Carrying amount RM	Contractual cash flows RM	On demand or less than 1 year RM	More than 1 year but not later than 5 years RM
31 December 2016				
Trade and other payables	20,162,542	20,162,542	20,162,542	–
Finance lease liabilities	319,857	340,263	202,710	137,553
Short term borrowings	14,091,918	14,091,918	14,091,918	–
	34,574,317	34,594,723	34,457,170	137,553
31 December 2015				
Trade and other payables	20,448,194	20,448,194	20,448,194	–
Finance lease liabilities	457,164	495,665	218,763	276,902
Floating rate bank loan	39,825	43,051	43,051	–
Short term borrowings	17,063,801	17,063,801	17,063,801	–
	38,008,984	38,050,711	37,773,809	276,902

Notes to the Financial Statements (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Liquidity risk (Continued)

Maturity analysis (Continued)

Company	Carrying amount RM	Contractual cash flows RM	On demand or less than 1 year RM	More than 1 year but not later than 5 years RM
31 December 2016				
Trade and other payables	15,829,791	15,829,791	15,829,791	–
Finance lease liabilities	305,627	325,291	192,968	132,323
Short term borrowings	14,091,918	14,091,918	14,091,918	–
	30,227,336	30,247,000	30,114,677	132,323
31 December 2015				
Trade and other payables	16,191,239	16,191,239	16,191,239	–
Finance lease liabilities	414,433	450,085	188,154	261,931
Floating rate bank loan	39,825	43,051	43,051	–
Short term borrowings	17,063,801	17,063,801	17,063,801	–
	33,709,298	33,748,176	33,486,245	261,931

(iv) 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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company does not hold any collateral as security and other credit enhancements for the above financial assets.

The management has a credit policy in place to monitor and minimise the exposure of default. The Group trades only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis.

At the reporting date, approximately 57% (2015: 52%) of the Group's trade receivables are due from 3 major customers. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiary. The Company monitors the results of the subsidiary and their repayment on an ongoing basis. The maximum exposure to credit risks amounts to RM1,862/- (2015: RM23,534/-) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 26(iii) to the financial statements. As at the reporting date, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the financial year, the Group's strategy, which was unchanged from year 2015, was to maintain the debt-to-equity ratio at an appropriate level. The debt-to-equity ratio is calculated as net debts divided by total capital of the Group. The debt-to-equity ratios at 31 December 2016 and 31 December 2015 were as follows:-

	Group	
	2016 RM	**2015 RM**
Total liabilities	34,887,317	38,260,155
Equity attributable to owners of the Company	28,136,966	27,814,693
Debt-to-equity ratio	1.24	1.38

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

28. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Company are, where applicable:

- the removal of the authorised share capital; and
- shares issued will have no par or nominal value.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act, 1965. Consequently, items to be disclosed in the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the (accumulated losses)/ retained earnings of the Group and the Company as at 31 December 2016 and 31 December 2015 are as follows:-

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
(Accumulated losses)/ retained earnings of the Company and its subsidiaries:-				
- realised	(1,987,838)	(2,889,532)	3,108,376	1,970,224
- unrealised	(3,222)	(23,978)	(3,222)	(23,978)
As at 31 December	(1,991,060)	(2,913,510)	3,105,154	1,946,246
Associate company				
- realised	(689,437)	(143,781)	–	–
Total Group (accumulated losses)/ retained earnings as per statements of financial position	(2,680,497)	(3,057,291)	3,105,154	1,946,246

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

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

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **SOO THIEN MING @ SOO THIEN SEE** and **DATUK SOO CHUNG YEE**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 31 to 96 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 97 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 presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

SOO THIEN MING @ SOO THIEN SEE
Director

DATUK SOO CHUNG YEE
Director

Kuala Lumpur

10 April 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **LEE KIM HONG**, being the officer primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 31 to 96, and the supplementary information set out on page 97 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, l960.

LEE KIM HONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 10 April 2017.

Before me,

TAN KIM CHOOI (W661)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDITED OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Hwa Tai Industries Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 96.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the financial year then ended in accordance with the 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Trade receivables (Note 9 to the financial statements)

We focused on this area because the directors made subjective judgements over the timing of collection from trade receivables and the estimation of the size of impairment of trade receivables. The trade receivables are monitored individually by the directors. The timing of collection from trade receivables is based on historical trend of collection and impairment is assessed based on knowledge of each individual receivable.

Our audit response:

Our audit procedures included, among others:-

- evaluating the design and implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue as at *31 December 2016*;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports prepared by directors;
- reviewing subsequent receipts, customer correspondence, and considering level of activity with the customer and directors explanation on the recoverability of significantly past due balances; and
- assessing expected timing of collection.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Independent Auditors' Report (Continued)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

Independent Auditors' Report (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia 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 Companies Act, 1965 in Malaysia.

(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 7 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 auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ong Teng Yan
No. 3076/07/17(J)
Chartered Accountant

Kuala Lumpur

10 April 2017

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

Class of securities	:	Ordinary shares
Total amount of shares issued as fully paid	:	74,833,270
Voting rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings.

SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	129	4.72	2,676	0.01
100 - 1,000	645	23.58	550,685	0.73
1,001 - 10,000	1,491	54.52	6,713,240	8.97
10,001 - 100,000	432	15.79	12,623,502	16.87
100,001 - less than 5% of issued shares	35	1.28	19,793,600	26.45
5% and above of issued shares	3	0.11	35,149,567	46.97
Total	2,735	100.00	74,833,270	100.00

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1.	Soo Thien Ming @ Soo Thien See (A/C 1)	19,962,092	26.68
2.	Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien Ming @ Soo Thien See)	9,635,975	12.88
3.	Rex Industry Berhad	4,200,000	5.61
4.	Teh Leong Kok	3,149,600	4.21
5.	RHB Nominees (Tempatan) Sdn Bhd (A/C Kamlesh Kumar)	2,328,900	3.11
6.	Lanjut Bestari Sdn Bhd	1,434,750	1.92
7.	HLB Nominees (Tempatan) Sdn Bhd (A/C Heng Yong Kang @ Wang Yong Kang)	1.413,000	1.89
8.	Soo Thien Ming @ Soo Thien See (A/C 2)	1,284,000	1.72
9.	Yam Lai Mun	1,218,000	1.63
10.	RHB Nominees (Tempatan) Sdn Bhd (A/C Mystical Wonder Sdn Bhd)	1,083,900	1.45
11.	RHB Nominees (Tempatan) Sdn Bhd (A/C Tev Vest Sdn Bhd)	977,900	1.31
12.	RHB Nominees (Tempatan) Sdn Bhd (A/C Melody Station Sdn Bhd)	952,600	1.27
13.	Rosnan Bin Mahat	850,050	1.14
14.	Toh Chia Ming	690,700	0.92
15.	Ooi Eng See @ Eng Ang Siee	670,000	0.90
16.	RHB Nominees (Tempatan) Sdn Bhd (A/C Virtual Sphere Sdn Bhd)	371,400	0.50
17.	Lim Keat Pheng	370,000	0.49
18.	Lim Keng Chuan	344,500	0.46
19.	Ng Ah Poh	334,100	0.45
20.	Perabut Kupang Sdn. Bhd.	300,000	0.40
21.	Maybank Nominees (Tempatan) Sdn Bhd (A/C Wong Teng Teng)	252,700	0.34

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
22. Alliancegroup Nominees (Tempatan) Sdn Bhd (A/C Tan Pow Choo @ Wong Seng Eng)	250,000	0.33
23. Lee Sau Kwang	250,000	0.33
24. Tan Leok Kwee	244,000	0.33
25. Booi Pang Hin	228,900	0.31
26. Thong Foo Ching @ Thong Chuan Ching	220,800	0.30
27. Tan Tiong Cheng	179,000	0.24
28. Karam Singh A/L Kartah Singh	157,300	0.21
29. Kenanga Nominees (Tempatan) Sdn Bhd (A/C Chua Eng Ho Wa'a @ Chua Eng Wah)	150,000	0.20
30. Tui Ma Koon	150,000	0.20
Total	53,654,167	71.73

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	30,949,567	41.36	–	–	30,949,567	41.36
Rex Industry Berhad	4,200,000	5.61	–	–	4,200,000	5.61

DIRECTORS' SHAREHOLDINGS

According to the registers required to be kept under Section 59 of the Companies Act 2016, the directors' interest in the ordinary shares of the Company are as follows:-

Name of Director	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	30,949,567	41.36	–	–	30,949,567	41.36
Col. (Rtd.) Dato' Ir. Cheng Wah	50,000	0.07	–	–	50,000	0.07

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his interest in the ordinary shares of the Company.

Other than as disclosed above, none of the other directors hold any share in the Company or its related companies.

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2016

	Location	Land Area (Sq.ft.)	Build up Area (Sq.ft.)	Tenure	Description	Date of Acquisition (A)/ Revaluation (R) (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
1	Lot No. PTD 1098 & & PTD 1099 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	87,120	56,150	Leasehold	Factory land & Industrial buildings (Own Occupation)	1983 (R)	2037	39	2,713
2	Lot No. PTD 1731 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	23,745	Leasehold	Factory land & Industrial buildings (Own Occupation)	1985 (R)	2039	34	183
3	Lot No. PTD 1171 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	19,670	Leasehold	Factory land & Industrial buildings (Own Occupation)	1978 (A)	2038	37	365
4	Lot No. PTD 881 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,780	6,600	Leasehold	Factory land & Industrial buildings (Own Occupation)	1991 (A)	2035	37	222
5	Lot No. PTD 1007 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,775	15,923	Leasehold	Factory land & Industrial buildings (Own Occupation)	2011 (A)	2036	Not available	868
6	Lot No. PTD 7028 & 7029 at Mukim Linau, District of Batu Pahat, Johor Darul Takzim	1,540 (per unit)	1,540 (per unit)	Freehold	2 units single storey terrace houses (Own Occupation)	1991 (A)	–	24	133
7	Lot No. PTD 80369 1 Jalan Impian Ria 6, Taman Impian Ria, Skudai, Johor Darul Takzim	7,476	1,592	Leasehold	1 unit 2 storey corner house (Vacant)	2006 (A)	2097	19	338
8	Lot No. PTD 40 & 41 Lok Kawi Light Industrial Estate, District of Kota Kinabalu, Sabah	121,908	49,237	Leasehold	Factory land & Industrial buildings (Own Occupation)	1989 (A)	2042	25	1,946

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Hwa Tai Industries Berhad
华大工业有限公司
(Company No. 19688-V)

FORM OF PROXY

I / We, ...

of..

being a member of **HWA TAI INDUSTRIES BERHAD**, hereby appoint ....

of..

or failing him / her ....

of...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 Forty-Second Annual General Meeting of the Company to be held on 18 May 2017 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:-

Resolution No.	Resolutions relating to:	For	Against
1	The payment of Directors' fees		
2	The payment of allowance to Non-Executive Chairman		
3	The re-election of Director, YBhg. Datuk Soo Chung Yee		
4	The re-election of Director, En. Kamal Bin Abd Karim		
5	The re-election of Director, Cik Aisyah Kamaliah Binti Abu Bakar		
6	The re-election of Independent Director, YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah		
7	The re-election of Independent Director, Mr. Soo Wei Chian		
8	Appointment of Baker Tilly Monteiro & Heng as Auditors and their remuneration		
9	Ordinary Resolution – Authority to allot and issue shares in general pursuant to Sections 75 & 76 of the Companies Act, 2016		

Please indicate with (X) how you wish your vote to be cast.

No. of Shares Held	

Date: ....   Signature:..

NOTES:

(1) *A member of the Company entitled to attend and vote at the meeting is entitled to appoint at least 1 proxy to attend and vote in his stead. A proxy need not be a member of the Company.*

(2) *Where a member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

(3) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of such securities account.*

(4) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.*

(5) *The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

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Postage

THE SECRETARY
HWA TAI INDUSTRIES BERHAD
NO. 12 JALAN JORAK
KAWASAN PERINDUSTRIAN TONGKANG PECAH
83010 BATU PAHAT
JOHOR DARUL TAKZIM
MALAYSIA

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