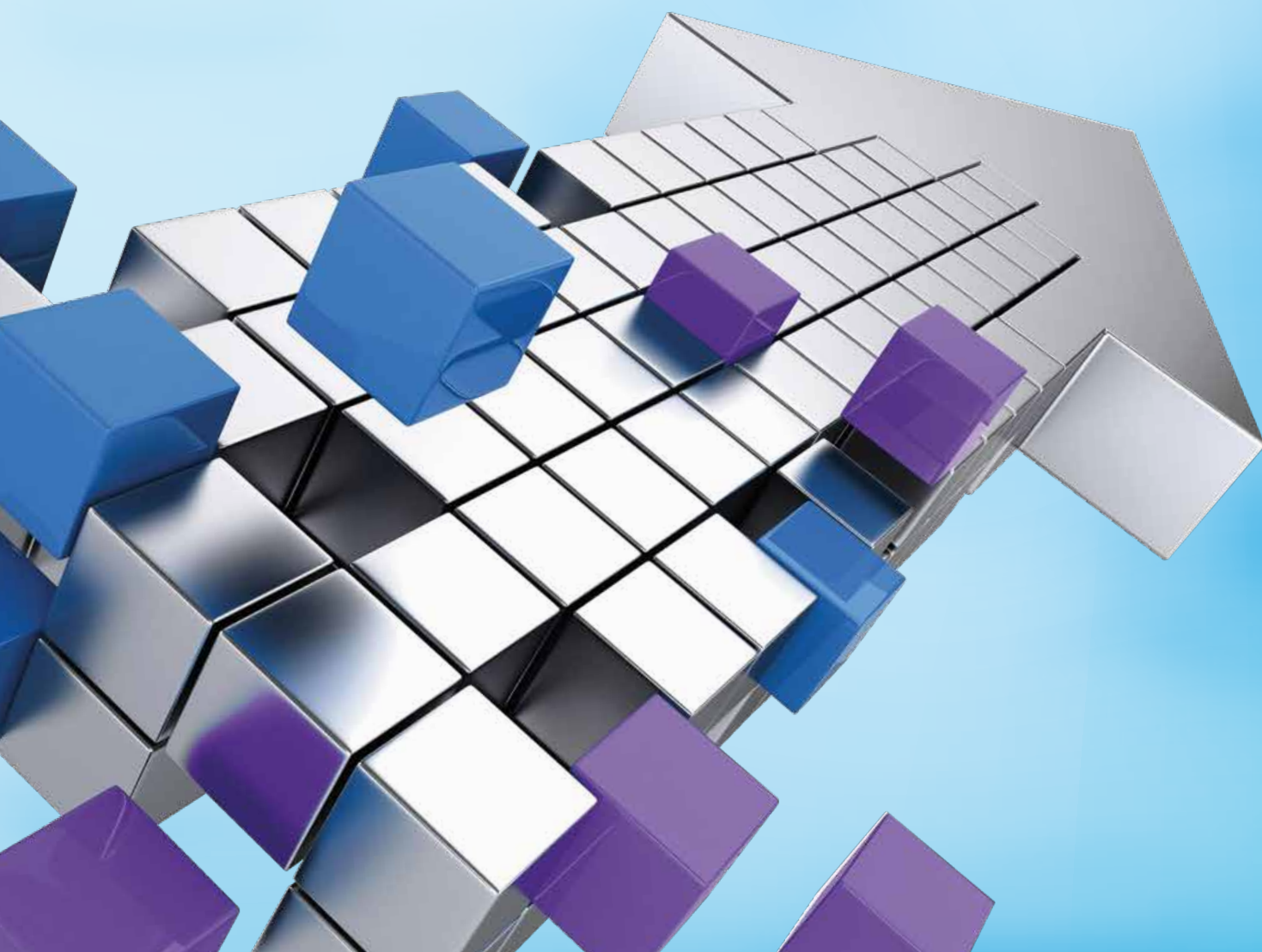




Annual Report 2016

MOVING FORWARD





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Notice Of Thirteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Kayangan Suite, Pulau Springs Resort, 20KM Jalan Pontian Lama, 81110 Johor Bahru, Johor on Thursday, 27 April 2017 at 1.00 p.m. for the purpose of considering the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon.
2. To approve a final dividend of 1.5 sen per share for the financial year ended 31 December 2016. Resolution 1
3. To re-elect the following Directors who are retiring pursuant to Article 101 of the Company's Articles of Association:
 - (i) Hew Lien Lee Resolution 2
 - (ii) Ching Heng Yang Resolution 3
4. To re-appoint Datuk Muhammad Feisol Bin Haji Hassan as Director of the Company. Resolution 4
5. To approve the meeting allowance of RM2,500 per meeting day for each Director from February 2017 until otherwise resolved. Resolution 5
6. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTION NO. 1

Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 Resolution 7

"THAT approval be and is hereby given to Datuk Muhammad Feisol Bin Haji Hassan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

ORDINARY RESOLUTION NO. 2

Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 Resolution 8

"THAT approval be and is hereby given to Mr Ong Seng Pheow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

ORDINARY RESOLUTION NO. 3

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature involving the Company's subsidiaries, Classic Advantage Sdn Bhd and Fu Hao Manufacturing (M) Sdn Bhd with the companies in the Fu Yu Corporation Ltd Group Resolution 9

"THAT approval be and is hereby given to the Company's subsidiaries, Classic Advantage Sdn Bhd and Fu Hao Manufacturing (M) Sdn Bhd, to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to give effect to the specified Recurrent Related Party Transactions with the companies in the Fu Yu Corporation Ltd Group as stated in Section 2.2.3(a) of the Circular to Shareholders dated 5 April 2017 which are necessary for the day to day operations of LCTH Group provided that:



Notice Of Thirteenth Annual General Meeting (cont'd)

- i) the transactions are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders; and
- ii) disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year;

AND THAT such approval shall continue to be in force until:

- a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed; or
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340 of the Malaysian Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340 of the Act); or
- c) revoked or varied by resolution passed by the Shareholders in general meeting;

whichever is earlier,

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

By Order of the Board

LEONG OI WAH (MAICSA 7023802)
Company Secretary

Petaling Jaya
5 April 2017

NOTES:

1. A member of the company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead.
2. A member may appoint more than 2 proxies to attend and the proxies shall not be valid unless the member specifies the proportion of his securities holdings to be represented by each proxy.
3. The instrument appointing proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation under its common seal or the hand of its attorney.
4. The instrument appointing a proxy shall be left at the Share Registrar of the Company at 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, Wilayah Persekutuan at least 48 hours before the time appointed for the holding of the meeting or adjourned meeting.
5. Depositors who appear in the Record of Depositors as at 18 April 2017 shall be regarded as Member of the Company entitled to attend the Thirteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.



Notice Of Thirteenth Annual General Meeting (cont'd)

NOTES ON SPECIAL BUSINESS

(i) Resolutions No. 7 & 8

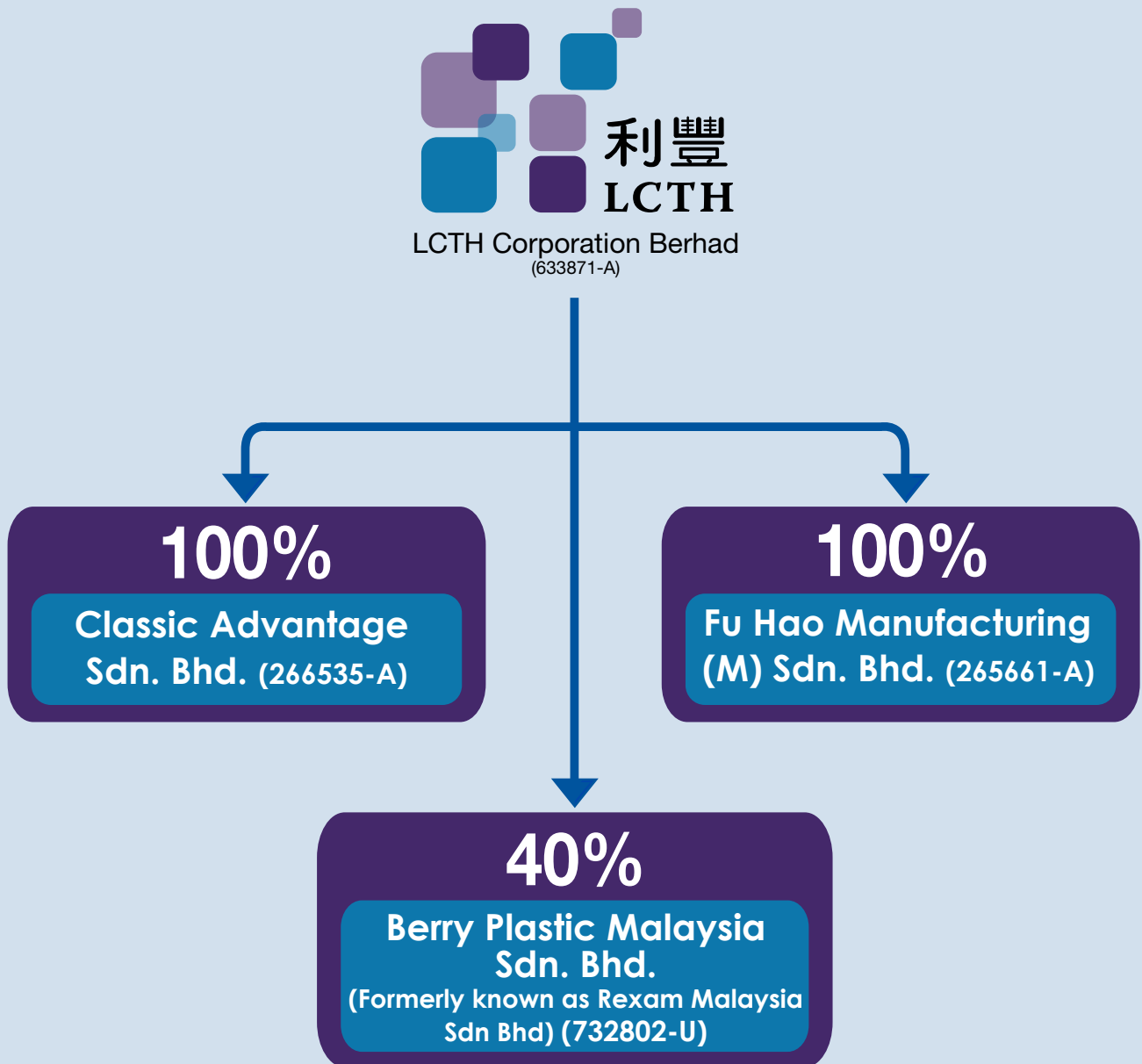
Datuk Muhammad Feisol Bin Haji Hassan and Mr Ong Seng Pheow have both served as Independent Non-Executive Directors of the Company since 3 June 2004. At the Twelfth Annual General Meeting held on 26 April 2016, the shareholders of the Company approved the resolutions for them to continue to act as Independent Non-Executive Directors of the Company.

The Nomination Committee and the Board have assessed the independence of Datuk Muhammad Feisol Bin Haji Hassan and Mr Ong Seng Pheow at its meetings held on 21 February 2017 and have recommended that they continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- a) They provide a check and balance and bring an element of objectivity to the Board of Directors.
- b) They continue to be scrupulously independent in their thinking and in their effectiveness as constructive challengers of the Managing Director and Executive Directors.
- c) They actively participated in board discussion and provided an independent voice on the Board.

(ii) Resolution No. 9

Please refer to the Circular to shareholders dated 5 April 2017 for further information.



BOARD OF DIRECTORS

DATUK MUHAMMAD FEISOL BIN HAJI HASSAN	Chairman/Independent Non-Executive Director
HO NEE KIT	Vice Chairman/Executive Director
HEW LIEN LEE	Managing Director
CHING HENG YANG	Executive Director
TAM WAI	Executive Director
ONG SENG PHEOW	Independent Non-Executive Director
TEH BEE TEIN	Independent Non-Executive Director

COMPANY SECRETARY

Leong Oi Wah
(MAICSA 7023802)

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square
17, Jalan SS 7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7803 1126
Fax : 603-7806 1387

HEAD/ MANAGEMENT OFFICE

21, Jalan Teknologi 4
Taman Teknologi Johor
81400 Senai
Johor Darul Takzim
Tel : 607-599 9980
Website : www.lcthcorp.com

AUDITORS

Ernst & Young (AF 0039)
Suite 11.2, Level 11
Menara Pelangi, 2, Jalan Kuning
80400 Johor Bahru
Johor Darul Takzim
Tel : 607-334 1740

PRINCIPLE BANKERS

RHB Bank Berhad
180-181, Jalan Belimbing
81400 Senai
Johor Darul Takzim
Tel : 607-599 6960

Malayan Banking Berhad (3813-K)
No. 2741, 2742, & 2743
Jalan Chain Ferry
Taman Inderawasih
13600 Prai
Penang
Tel : 604-399 2967

Ambank (M) Berhad
Regional Business Centre-CIB
Level 31, Selesa Tower
Jalan Dato' Abdullah Tahir
80300 Johor Bahru
Johor
Tel : 607-334 8766

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,
Wilayah Persekutuan.
Tel : 603 -2783 9299
Fax : 603 -2783 9222
Email : is.enquiry@my.tricorglobal.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Date of Listing : 8 November 2004

STOCK INFORMATION

Stock Name : LCTH
Stock Code : 5092

List Of Properties And Facilities

31 December 2016

LAND AND BUILDING

The following set out details of the land and building belonging to the LCTH Group.

No.	Registered Proprietor	Location	Existing Use / (Approximate) Age of Building)	Year of Acquisition	Land Area/ Built-Up Area	Net Book Value	Tenure
1.	Fu Hao Manufacturing (M) Sdn Bhd	Lot 5046 HSD 44038 PT3223 Mukim 01, Daerah Seberang Perai, Pulau Pinang. Address: Plot 562 Mukim 1, Jalan Perusahaan Baru 1, Perai III, Perai Industrial Estate, 13600 Perai, Penang	Warehouse, factory and office (More than 10 years)	1995	L : 1.435 acres B : 52,371sq. ft	RM4,845,834	Leasehold for 60 years expiring on 11 December 2050
2.	Classic Advantage Sdn Bhd	PN 39892/Lot 75078, Mukim of Kulai, District of Kulaijaya, Johor Darul Takzim Address : 21, Jalan Teknologi 4, Taman Teknologi Johor, 81400 Senai, Johor	Warehouse, factory and office (2 to 9 years)	2004	L : 13,357 acres Investment Properties : B : 169,000 sq. ft Leasehold Properties : B : 137,000 sq. ft	RM49,612,396	Leasehold for 60 years expiring on 31 March 2066

Profile Of The Board Of Directors



**DATUK MUHAMMAD FEISOL
BIN HAJI HASSAN**

Datuk Muhammad Feisol Bin Haji Hassan, aged 79, a Malaysian, was appointed as an Independent Non-Executive Director and Vice Chairman of the Company on 3 June 2004. He was then re-designated as Chairman of the Company on 12 February 2007. He is also the Chairman of the Nomination Committee and a member of the Remuneration and the Audit Committee. He graduated from University Malaya with a Bachelor of Arts degree in 1959. He started his career with the Government Service and served for 26 years before moving into the private sector. His public service career covered both State and Federal level including in district and land administration, personnel, financial planning and management and policy implementation. At Federal level, he had served the Ministries of Home Affairs, Information, Prime Minister's Department and National & Rural Development. After his public service career, he was the Chief Executive Officer of Rakyat First Merchant Bankers Berhad from 1985 to 1989. At present, he sits on the Board of a number of companies both local and multinational including Maersk Malaysia, one of the biggest shipping company in the world. He is also active in sports, social and community services having been the President of The Royal Commonwealth Society, Malaysia Branch for the past 12 years, founder and a Past President of The Malaysian German Chamber of Commerce & Industry and a Past President of Amateur Swimming Union of Malaysia (ASUM) and Asian Amateur Swimming Federation (AASF). At present he is the Chairman of German Alumni Association Malaysia, Chairman of Koperasi Shamelin Berhad, Council Member of the National Skills Development Council and Director of German Malaysian Institute. In January 2011, he was appointed the Chairperson of the Special Olympics Malaysia.



HO NEE KIT

Ho Nee Kit, aged 63, a Singaporean, was appointed as an Executive Director of LCTH on 3 June 2004 and as the Vice Chairman of the Company on 12 February 2007. His involvement in the plastic injection moulding and mould fabrication industries began in 1975 when he joined Ata Industries (Pte) Ltd, a company involved in fabrication of moulds. In 1978, he left to establish Fu Yu Manufacturing Pte Ltd (now known as Fu Yu Corporation Limited ("FYC")), a company currently involved in the manufacturing and sub-assembly of precision plastic parts and components and mould fabrication. FYC is listed on the Singapore Stock Exchange and is the ultimate holding company of LCTH. He also holds position as Executive Director in the FYC Group. As the co-founder of FYC, he has been instrumental in overseeing all aspects of the management of operations of FYC and its subsidiaries which includes the LCTH Group of companies.



HEW LIEN LEE

Hew Lien Lee, aged 60, a Malaysian, was appointed as the Managing Director of LCTH on 3 June 2004. He joined FYC in 1984 and held several positions in FYC. In 1993, he was appointed a director of Classic Advantage Sdn. Bhd. and Fu Hao Manufacturing (M) Sdn. Bhd that has since 2004 become subsidiaries of LCTH. He has more than 37 years of experience in the plastic injection moulding industry and has been instrumental in the success of the LCTH Group. Since 2001, he has been responsible for the overall strategic direction and management of the LCTH Group. He is also an Executive Director, Chief Executive Officer and Chief Operating Officer of FYC.

Profile Of The Board Of Directors (cont'd)



CHING HENG YANG

Ching Heng Yang, aged 66, a Singaporean, was appointed as an Executive Director of LCTH on 3 June 2004. His career started in 1970 when he joined Mandarin Pte Ltd, Singapore as mould fabricator. In 1974, he left to join Ata Industries (Pte) Ltd, a company involved in mould fabrication. In 1978, he left to establish FYC, a company currently involved in the manufacturing and sub-assembly of precision plastic parts and components and mould fabrication. He also holds position as Executive Director in the FYC Group. As the co-founder of FYC with more than 42 years of experience in the plastic moulding industry, he has been instrumental in overseeing all aspects of the management of operations of FYC and its subsidiaries which includes the LCTH Group of companies.



TAM WAI

Tam Wai, aged 66, a Singaporean, was appointed as an Executive Director of LCTH on 3 June 2004. His career started in 1968 when he joined Hui Yuan Plastic Pte Ltd in Singapore, a company involved in fabrication of moulds. In 1975, he left to join Seng Seng Pte Ltd as a mould fabricator before leaving in 1977 to join Ata Industries (Pte) Ltd as a tooling engineer. Subsequently in 1978, he left to establish FYC, a company currently involved in the manufacturing and sub-assembly of precision plastic parts and components and mould fabrication. He also holds position as Executive Director in the FYC Group. As the co-founder of FYC, he has been instrumental in overseeing all aspects of the management of operations of FYC and its subsidiaries which includes the LCTH Group of companies.



ONG SENG PHEOW

Ong Seng Pheow, aged 68, a Malaysian, was appointed as an Independent Non- Executive Director of LCTH on 3 June 2004. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He has over 34 years of experience in public practice with an international firm of accountants and was its National Director of Assurance and Advisory Business Services in Malaysia from 1994 till he retired in December 2003. His other directorships in public companies include RHB Insurance Berhad (Chairman) and HELP International Corporation Berhad. He is currently an Independent Director of RHB Bank Berhad, Daiman Development Berhad and George Kent (Malaysia) Berhad, which are listed on the main market of Bursa Malaysia.

Profile Of The Board Of Directors (cont'd)



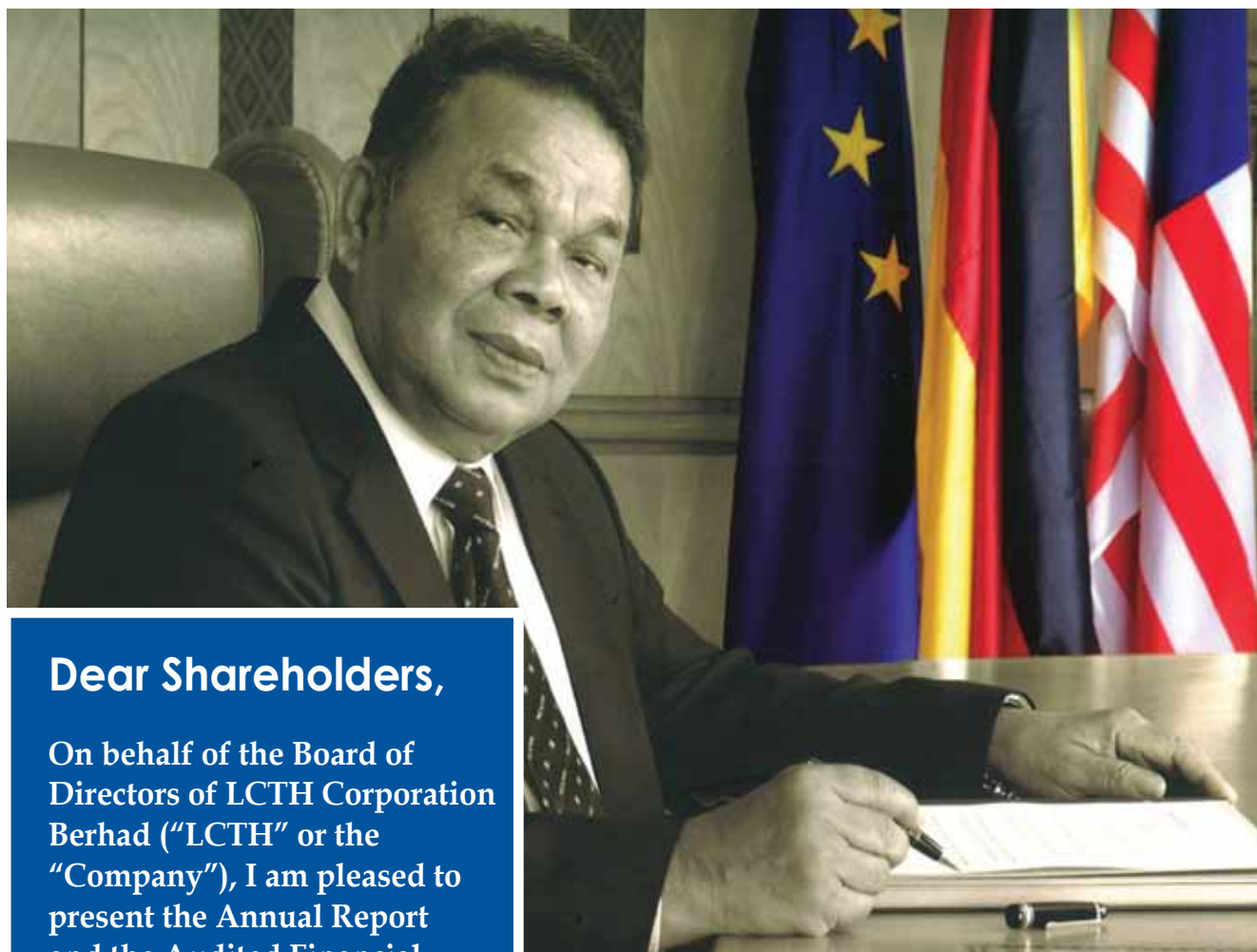
TEH BEE TEIN

Teh Bee Tein, aged 61, a Malaysian, was appointed as an Independent Non-Executive Director of LCTH on 31 January 2009 and is the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. She is a member of the MIA and also a Fellow of The Association of Chartered Certified Accountants, United Kingdom. She spent 16 years in public accounting firms broadening her accountancy, taxation and financial consultancy experience, both in Malaysia and the United Kingdom. She is currently the Managing Partner of B.T. Teh, Thiang & Co. – Chartered Accountants (Petaling Jaya), a partner of Thiang & Co. - Chartered Accountants (Klang) and the Managing Director of B.T. Teh Tax Services Sdn. Bhd, which is a registered Tax Agent. She is also an Independent Director of C.I. Holdings Berhad.

OTHER INFORMATION OF THE DIRECTORS

None of the Directors has:

- any family relationship with any Director and/or major shareholder of LCTH.
- any conflict of interest with LCTH.
- any conviction for offences within the past 10 years other than traffic offences.



Dear Shareholders,

On behalf of the Board of Directors of LCTH Corporation Berhad ("LCTH" or the "Company"), I am pleased to present the Annual Report and the Audited Financial Statements of the Group and Company for the financial year ended 31 December 2016 ("FY2016").

DATUK MUHAMMAD FEISOL BIN HAJI HASSAN,
Chairman

FY2016 proved to be a challenging year for LCTH as uncertainties in the global economic environment resulted in slower order momentum from our customers. The Group's revenue declined 5.4% to RM113.6 million for FY2016 compared to the previous year. The export market which relates to sales to Licensed Manufacturing Warehouses and overseas customers, constitutes 98.9% of the Group's revenue and has reported a 6.3% decrease in revenue.

Due to prevailing market conditions, the Group has intensified its effort to improve productivity, operational efficiency and cost-effectiveness through a right sizing exercise and implementing lean manufacturing practices at both its Johor and Penang plants. Upkeep and maintenance expenses and other factory operating expenses have since reduced accordingly in FY2016. However, these savings were offset by an increase in labour cost attributed to the hike in foreign workers' levy and imposition of minimum wage rates by the Malaysian government as well as higher packaging cost from product mix changes in FY2016. As a result, the gross profit margin has reduced 2.2 percentage points from 20.2% in FY2015 to 18.0% in FY2016.



Chairman's Statement (cont'd)

Excluding foreign exchange gain, the Group has managed to reduce its administrative, selling and other expenses by 2.3% to RM19.5 million in FY2016. However, the lower foreign exchange gain of RM1.2 million in FY2016 compared to RM4.1 million in the previous year coupled with lower deferred tax assets recognition and share of profit from its joint venture has led to a lower profit after tax of RM14.5 million, a reduction of 42.0% from FY2015.

Despite the challenging situation, the Group has maintained its strong financial position with cash and bank balances of RM109.1 million and zero borrowings as at 31 December 2016. Our shareholders' equity stands at RM208.6 million, equivalent to a net asset value of 57.9 sen per share with 30.3 sen per share in cash and cash equivalents.

The Board of Directors ("the Board") has recommended a final single tier dividend of 1.5 sen per share in respect of FY2016 for shareholders' approval at the forthcoming Annual General Meeting. The Company has previously paid a total of 1.0 sen per share as first and second interim single-tier dividends in September and December 2016 respectively. These interim dividends together with the proposed final dividend amount to 2.5 sen per share in total, representing a dividend payout ratio of 62.2% of the profit after tax for FY2016. The higher payout as compared to the 57.6% for FY2015 demonstrates the Board's commitment to reward shareholders for their continued loyalty and support.

The geopolitical consequences of Brexit in the United Kingdom and rising trend in trade protection from the United States continue to influence the buoyancy of the United States Dollar against emerging market currencies, in particular our Malaysia Ringgit. Favourable exchange rate fluctuations would benefit LCTH since the Group's business is predominantly export-driven and 72.0% of its revenue is transacted in foreign currencies. Furthermore, the Group is in a net foreign currency assets position and volatility of the United States Dollar is expected to influence future earnings of the Group.

Closer to home, December 2016 saw Bank Negara Malaysia ("BNM") introducing a foreign exchange administration measure requiring exporters to convert 75% of their export proceeds into Malaysia Ringgit. Since the Group also settles most of its raw material payments in foreign currency, compliance with this new policy will have limited impact on the Group's profitability as the 75% of export proceeds can be offset against foreign currency payments using the same exchange rates.

Despite the current lacklustre economic sentiments, LCTH is cautiously confident of riding through these uncertainties, backed by its strong cash and bank balances. Looking ahead, the Group strive to achieve revenue growth from existing and new customers through the identification of sectors which exhibit sustainable customer demand such as the medical, healthcare and green technology segments. We will also focus on operational efficiency through cost control measures for the production processes at our manufacturing plants.

I take this opportunity to thank my fellow Board members and our shareholders, customers, business partners, and government agencies for their continued support of our business. I also wish to convey my heartfelt appreciation to all LCTH employees for their commitment and dedication. Together, we can achieve more and bring the Group to greater heights of success.

DATUK MUHAMMAD FEISOL BIN HAJI HASSAN
CHAIRMAN

Management Discussion and Analysis

CORPORATE PROFILE

LCTH Corporation Berhad ("LCTH" or "the Group"), a company listed on Bursa Malaysia Securities Berhad on 8 November 2004, is a well-established one-stop-service provider of precision plastic injection moulds, precision plastic injection parts and components, secondary processes and sub-assembly in Senai, Johor and Perai, Penang. These manufactured products are sold to customers in the electrical and electronics, telecommunication, consumer, automotive and medical sectors.

LCTH aims to be a world-class preferred partner in precision plastic parts and components, providing an excellent standard of services and quality at competitive cost. We will achieve our vision by providing satisfaction to our customers and continuous learning to our people, creating a healthy working environment, and maximizing returns to our shareholders.

Through consistent delivery of high quality products to customers, the Group has built its reputation in the current competitive marketplace. To sustain its position in manufacturing excellence, LCTH invests regularly in key areas such as production systems, advanced machinery, and human capital in order to strengthen its core competencies in the precision plastic injection moulding arena.



FINANCIAL REVIEW

Revenue

The Group's revenue for the financial year ended 31 December 2016 ("FY2016") was RM113.6 million compared to RM120.1 million in FY2015. The decrease is attributed to lower customer orders.

The Group operates principally in Malaysia and divides its operations into local and export markets. The local market relates to sales to customers within Malaysia. The export market relates to sales to contract manufacturers with Licensed Manufacturing Warehouse ("LMW") in Malaysia where such goods are subsequently exported. LCTH also exports directly to overseas customers. The revenue breakdown is tabulated below:

	FY2016	FY2015	Change %
Malaysia - LMW	90,771,003	87,904,343	3.3
Singapore	8,284,491	11,944,955	(30.6)
United States	6,138,682	10,251,458	(40.1)
Others	7,167,400	9,871,613	(27.4)
Export sales	112,361,576	119,972,369	(6.3)
Malaysia - local	1,219,479	145,783	N.M
Total	113,581,055	120,118,152	(5.4)

N.M. denotes not meaningful

98.9% or RM112.4 million of the Group's revenue relates to export sales in FY2016 with the remaining 1.1% or RM1.2 million derived from the domestic market.

In FY2016, revenue from the export market decreased 6.3% to RM112.4 million from RM120.0 million in FY2015, mainly attributable to lower revenue from principal markets like Singapore and the United States. Nonetheless, LCTH has secured two new customers from the medical and consumer segments. The secondary export market which comprises Australia, Switzerland and China has also reported lower revenue in FY2016 due to slower market conditions.

On the other hand, revenue from the export market through LMW has grown 3.3% due to a large order received from a major customer in the consumer market in the first quarter of FY2016.

Gross Profit and Gross Profit Margin

Gross profit in FY2016 decreased 16.0% to RM20.4 million from RM24.3 million in FY2015. Despite the cost control measures which have reduced the upkeep and maintenance expenses and other factory operating expenses in FY2016, the decline in revenue coupled with an increase in labour cost attributed to the hike in foreign workers' levy and imposition of minimum wage rates by the Malaysian government as well as higher packaging cost from product mix changes, have resulted in a lower gross profit margin of 18.0% in FY2016 compared to 20.2% in FY2015.

Administrative, Selling and Other Expenses

As shown in the table below, the total administrative, selling and other expenses increased 15.3% in FY2016 to RM18.3 million from RM15.9 million in FY2015. The increase is due mainly to lower foreign exchange gain in FY2016. Excluding foreign exchange gain of RM1.2 million in FY2016 and RM 4.1 million in the previous year, the Group has managed to reduce its total net administrative, selling and other expenses by 2.3% to RM19.5 million.

	FY2016	FY2015	Change %
Administrative expenses	17,338,144	14,796,727	17.2
Selling expenses	339,979	438,716	(22.5)
Other expenses	666,450	679,298	(1.9)
Total	18,344,573	15,914,741	15.3
Add: Foreign exchange gain	1,195,929	4,089,779	(70.8)
Total Net	19,540,502	20,004,520	(2.3)

Share of Results of a Joint Venture

LCTH holds 40% of Berry Plastics Malaysia Sdn Bhd, a company which is engaged in the manufacturing and assembly of precision plastic moulded products. The share of profit from this joint venture was RM0.3 million in FY2016, 77% or RM0.9 million lower than that in FY2015, mainly due to softer customer demand and lower foreign exchange gain.

Taxes

The Group's income tax expense was RM2.6 million in FY2016, an increase of RM3.4 million over the tax benefit of RM0.8 million in FY2015. The increase was mainly due to lower deferred tax assets recognition as the Group has recognised most of the unused business tax losses and tax allowances in FY2015.

Profitability

The Group's profit after tax in FY2016 decreased 42.0% or RM10.5 million to RM14.5 million in FY2016 mainly attributed to lower revenue and foreign exchange gain as well as lower share of results of its joint venture and deferred tax assets recognition compared to FY2015.

Financial Position and Liquidity

Total assets of the Group stood at RM232.9 million as at 31 December 2016, a decrease of RM5.6 million from FY2015 mainly due to a reduction in property, plant and equipment attributed to depreciation and amortization charges, lower trade and other receivables as a result of lower revenue, offset by an increase in cash and bank balances. Total liabilities of the Group also declined comparably by RM5.7 million to RM24.3 million mainly due to lower trade and other payables arising from the settlement of assets that were acquired in 2015.

Equity attributable to equity holders of the Company was RM208.6 million as at 31 December 2016 with net assets per share at 57.9 sen.

The Group's cash and cash equivalents (excluding cash deposits pledged and deposits exceeding 3 months' maturity period with a licensed bank) amounted to RM37.1 million, an increase of RM9.6 million from FY2015 mainly attributed to net cash generated from operating and financing activities of RM17.2 million and RM6.8 million respectively, offset by a dividend payment of RM14.4 million to LCTH shareholders. Including cash deposits pledged and deposits exceeding 3 months' maturity period with a licensed bank, the cash and bank balances as at 31 December 2016 increased RM7.3 million to RM109.1 million.

Dividend Payment

The Board of Directors has recommended a final single tier dividend of 1.5 sen per share in respect of FY2016. Together with the first and second interim dividends paid during FY2016, the total dividend of 2.5 sen per share is equivalent to a payout of RM9.0 million or 62.2% of profit after tax for FY2016. This dividend payout is 4.6% higher than the 57.6% in FY2015.

BUSINESS REVIEW

The Group has three main divisions, namely: Precision Plastic Injection Moulding Division, Assembly Division for the secondary processes and sub-assembly of precision plastic components and parts, and the Precision Tooling Fabrication Division that designs and fabricates high precision moulds. The Group's non-core division undertakes ad hoc activities such as fabrication of jigs and fixtures for customers.

The Precision Plastic Injection Moulding Division was the top revenue contributor in FY2016 and accounted for 81.9% or RM93.0 million of Group total revenue. The Assembly division and Precision Tooling Fabrication Divisions contributed 9.3% and 7.5% respectively.

The Precision Plastic Injection Moulding Division experienced brisk orders from the consumer segment in the first quarter of FY2016, resulting in a RM3.9 million increase in revenue compared to FY2015. However, the other two divisions reported lower revenue. The Assembly Division encountered a change in product mix from customers, leading to a drop of 32.4% to RM5.1 million. Fewer new projects in the Precision Tooling Fabrication Division lowered its revenue by 35.7% or RM4.7 million. Finally, the non-core division's revenue decreased 31.2% or RM0.6 million from a lower volume of activity.

OPERATIONS REVIEW

As at 31 December 2016, the Group is equipped with 92 units of precision plastic injection moulding machines, ranging from 20 to 1,300 tons, and 36 units of precision tooling machines. The average machine capacity utilization in FY2016 for the Precision Plastic Injection Moulding and Precision Tooling Fabrication Division was approximately 60% and 50% respectively.

To sustain and improve its operational efficiency, the Group regularly invests and upgrades its plant and machinery, implements various systems and processes, as well as undertakes various programs and training to strengthen the Group's human capital.

Capacity Upgrades

To improve efficiency, the Group invested RM2.4 million in plant and machinery upgrades in FY2016. One example was the installation of 13 units of Japanese robotic arms with servo motor capability onto the plastic injection machines to boost production capacity through automation. To cater for higher precision parts, upgrades were carried out on 16 injection machines ranging from 40 to 160 tons and these newly-improved machines were moved into a control room.

Processes and Systems

Lean manufacturing systems implemented at the production areas include features such as Continuous Improvement Program, Lean Line Design, Quick Change Over ("QCO"), Kanban and Value Stream Mapping. Amongst others, machine performance is reviewed daily to measure overall equipment effectiveness, rejection rates and downtime.

LCTH practices Total Productive Maintenance ("TPM") in the Group. TPM is a system of maintaining and improving the integrity of production and quality systems through the machines, equipment, processes, and employees that add business value to an organization.

The Group conducts preventive maintenance schedules to maintain and upkeep its plant, machinery and equipment regularly in a proactive manner to minimize machine downtime and achieve efficiency in production.

The Group also uses the computerized Enterprise Resource Planning system to integrate the processes across different functions like financial accounting, costing, sales and distribution, material management, and production planning. This has helped to improve productivity and work efficiency within the Group.

Human Capital

LCTH conducts in-house and external training for employees to enhance their technical knowledge. For example, LCTH has collaborated with a major customer to engage an external professional body to train production workers on systems, processes and product technical knowledge in order to maintain high quality standards.

RISK EXPOSURES

The key financial risk for LCTH is fluctuation in foreign currency exchange rates due to its export-driven business. The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, primarily Singapore Dollars, Euro Dollars and United States Dollars ("USD").

In FY2016, approximately 72% of the Group's sales and almost 43% of costs are denominated in foreign currencies. Hence, foreign currency exchange risk is partially managed through a natural hedge between revenue and purchases in the same currencies. Management will consider hedging the remaining unhedged portion to mitigate currency risk on cash flow earnings. Furthermore, Management will manage the timing of foreign currency revenue receipts vis-à-vis payment to raw material suppliers and the conversion of export proceeds into Malaysia Ringgit ("RM") in compliance with Bank Negara Malaysia's ("BNM") foreign exchange policy for Malaysian exporters.

From an operational perspective, LCTH has customer concentration risk whereby 75.5% of the Group's revenue in FY2016 was derived from the top five customers compared to 71.1% in FY2015. Any reduction in these customers' orders will have an impact on the Group's financial performance. The sales team has identified strategies to increase the contribution from other existing customers and source new customers in order to reduce over-reliance on large-scale accounts.

Another risk exposure is labour dependency. As at 31 December 2016, 76.6% of the Group's production workforce comprised foreign workers, an increase of 5.1 percentage points from 71.5% a year ago. The increase in foreign workers was mainly due to difficulties in recruiting local operators and high staff turnover rate. Coupled with the imposition of the federal minimum wage policy and hike in foreign workers' levy in FY2016, total labour cost increased 5.5% in FY2016 compared to FY2015. Despite the Government's plan to defer the further increase in foreign workers' levy from FY2017 to FY2018, management has since stepped up pace with lean manufacturing and automation as a long-term measure to reduce labor dependency on foreign workers.

Another operational risk exposure is manufacturing downtime. This risk can occur in the unlikely event of a fire, workers on strike, and machinery breakdown, thus resulting in production and delivery delays as well as reputational damage to the Group.

Other than adequate fire insurance coverage over the Group's assets, preventive measures are also implemented to mitigate fire risk. Fire prevention procedures have been established to prevent fire occurrence. The Group aims to prevent any fire hazards that would impact business operations by issuing strict work instructions for hot works and conducting regular fire drills to train employees for emergency situations.

The Group also practices corporate social responsibility to harmonize the employer-employee relationship and mitigate the risk of workers on strike.

Safety stock is also kept as an inventory buffer for emergency purposes.

GROUP OUTLOOK

The industry in which LCTH operates has become increasingly competitive. With more than 23 years of operations history, LCTH has established its reputation as a quality, preferred supplier. The Group will strive to achieve revenue growth from existing and new customers through the identification of sectors which exhibit sustainable customer demand such as the medical, healthcare and green technology segments. Simultaneously, the Group will also focus on improving operational efficiency through cost control measures, upgrades in machinery, and automation of production processes at its manufacturing plants.

The volatility of the USD against the RM will influence the Group's future earnings. Favourable exchange rate fluctuations will benefit LCTH's export-driven business. The recent foreign exchange administration measure introduced by BNM will have limited impact on the Group's profitability as the 75% of export proceeds can be offset against foreign currency payments by using the same exchange rate as the Group settles most of its raw material payments in foreign currencies.

In order to cater to the new version of products and enhance operational efficiency, the Group intends to invest between RM5 million to RM10 million in FY2017 for new machinery and upgrades its facilities and equipment in FY2017. The Group also plans to expand and restructure the warehousing system through the construction of a new warehouse at the Johor plant. This estimated investment ranges between RM5.0 million to RM7.5 million. All capital expenditure of the Group will be financed from internal funds.

Moving forward, despite uncertain economic sentiments, LCTH is cautiously confident of riding through these uncertainties, backed by its strong cash and bank balances and implementation of the various strategies and measures explained above.

Corporate Social Responsibility Report

Numerous activities covering four principal areas under the corporate social responsibility framework were organized during the year.

Workplace

Employees represent the backbone of LCTH's operations so the Group devotes great care to their lifelong learning, skills upgrading, and talent growth. In-house training organized during the year focused on safety awareness, emergency response training, forklift safety training, and fire drill sessions. Staff also enhanced technical knowledge by attending a "Finance for Non-Finance Executives" course. In addition, a teambuilding session greatly improved rapport among staff from various departments and reinforced group team spirit.

Staff welfare is another priority for the Group. Employees receive personal accident and hospitalization insurance coverage, medical benefits, foreign worker medical and health compensation where applicable, overtime wages, annual leave, and work for a stipulated number of hours as prescribed under Malaysian statutory laws. Safety shoes are provided to the operations team for their protection at the production floor. An employee insurance briefing was held during the year for staff to learn about group insurance coverage and associated claims.

The LCTH recreation club regularly organizes sports and staff welfare activities such as weekly badminton sessions to promote interaction among staff and management. The "Oscar Night" Annual Dinner & Dance held in April 2016 witnessed employees enjoying a night of fun and entertainment. Several loyal staff received long service awards during the function. During the Chinese New Year, management treated all staff to a festive luncheon complete with lion dance as a gesture of appreciation for their dedication to the Group.

Community

LCTH has grown closer to the rakyat and state through a series of community-based events. Firstly, the Group's wholly-owned subsidiary, Fu Hao Manufacturing (M) Sdn Bhd, organized two blood donation campaigns in May and November which drew strong support from 50 staff and harvested 39 bags of precious resources. Secondly, cash donations were presented to the Medicare Charitable Foundation. Thirdly, employment opportunities were extended to Johoreans during an outreach programme at the Iskandar Development Carnival 2016 at the beginning of the year. There, 5 local citizens were hired for the Group's engineering department via open interview sessions.

The Group's industrial internship programme welcomed a new batch of 12 students during the year. Six interns from Universiti Teknologi Malaysia ("UTM") and six from Universiti Sains Malaysia underwent training attachment at the Group's wholly-owned subsidiaries, Classic Advantage Sdn Bhd ("CASB") and Fu Hao Manufacturing (M) Sdn Bhd respectively. CASB was rewarded with certificates of appreciation from UTM's Faculty of Mechanical Engineering and the Malaysian Ministry of Education's Community College Education Department for the company's role as an industrial strategic collaboration partner.

Environment

LCTH implements an environmental management system under its ISO 14001:2004 certification. Sound environmental practices at the Group's manufacturing plants and worker hostels involve safe disposal of waste discharge, monitoring of pollution levels, restricting the use of hazardous substances, and reducing overall wastage at the workplace, thus reducing carbon footprint and minimizing impact on the environment.

Marketplace

The ISO 9001:2008 quality management system is implemented throughout the Group to achieve operational efficiency and to continuously improve performance for ultimate customer satisfaction. LCTH also complies with ISO/TS 16949:2009 certification, satisfying specific requirements for the manufacturing of precision plastic parts and components used in the automotive industry.

Since LCTH is a component of the electrical and electronics industry supply chain, the Group is a proud participant of the Electronic Industry Citizenship Coalition ("EICC") Code of Conduct. The EICC Code establishes standards to ensure that "working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally-responsible and conducted ethically."



Annual Dinner



Blood Donation



Chinese New Year Lion Dance 2017



Internship Programme with University of Sains Malaysia



Internship Programme with University of Technology Malaysia



Safety Awareness Training



Teambuilding Session



Forklift Training



Weekly Sports Recreation Club Activity

Audit Committee Report

COMPOSITION

Ong Seng Pheow	-	Chairman, Independent Non-Executive Director
Datuk Muhammad Feisol bin Haji Hassan	-	Member, Independent Non-Executive Director
Teh Bee Tein	-	Member, Independent Non-Executive Director

FUNCTIONS

The key functions of the Audit Committee include the following:

- (1) review the following and report the same to the Board:
 - (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, 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;
- (2) recommend the nomination of a person or persons as external auditors; and
- (3) to consider the major findings of internal investigations and management's response.

AUDIT COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2016, four (4) Audit Committee Meetings were held and the details of attendance of each member are as follows:-

Audit Committee Members	Total meetings attended
Ong Seng Pheow	4/4
Datuk Muhammad Feisol bin Haji Hassan	4/4
Teh Bee Tein	4/4

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016, the Audit Committee, in discharging its functions and duties, carried out the following activities:-

- a. review of the audited financial statements and quarterly reports of the Group prior to submission to the Board of Directors for consideration and approval;
- b. review of the recurrent related party transactions entered into by the Group;
- c. review of the circular to shareholders on the renewal of shareholders' mandate for recurrent related party transactions;
- d. review of the audit planning memorandum and the scope of audit of external auditors;
- e. review of the fees of the external auditors and made recommendations for the re-appointment of the external auditors with the written assurance obtained from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all professional and regulatory requirements and the non-audit work carried out were in relation to tax matters, the Audit Committee agreed that the independence of the external auditors had not been impaired;
- f. review of the findings and recommendations in the internal audit reports which includes for subsidiary companies on the area of Sales & Business Development and Strategic Business Planning & Business Continuity, Raw Materials Inventory Control & Management and Consignment Stocks Control & Management, IT/IS General Controls, collection of amounts due from intercompany, Review of Transfer Pricing Documentation, Production (for Moulding, Assembly/Sub-Assembly & Finishing Process) and Quality Assurance & Quality Control, and Finished Goods Inventory Management and Logistics Management;
- g. assessment of the competency and performance of the internal audit function in which the Committee agreed that the internal auditors have carried out their duties professionally with well-presented audit reports and had also made follow-up on the implementation of management action plans. The overall audit planning was also found to be completed; and
- h. review of the Statement of Risk Management & Internal Control and Audit Committee's Report for inclusion in the Annual Report.

Both internal and external auditors provide integral support for the Audit Committee in carrying out its duties and meeting its responsibilities. During the financial year 2016, the Audit Committee had met with the External Auditors without the presence of any executives of the Company.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an external professional internal audit consulting firm, which reports to the Audit Committee and assists the Board of Directors in monitoring the internal controls.

The scope of internal audit covers the audits of all operations of the Company and its subsidiaries in the Group. The approach adopted by the Group is of a risk based approach to the implementation and monitoring of controls of the companies.

The internal auditors have been assigned to review and assess the adequacy of such controls prevailing in those key operational areas selected for review. During the financial year 2016, an amount of RM75,517 was incurred in respect of the Group's internal audit function.

Nomination Committee Report

COMPOSITION

The Company has established a Nomination Committee comprising exclusively of Independent Non-Executive Directors, as follows:-

Datuk Muhammad Feisol bin Haji Hassan	-	Chairman, Independent Non-Executive Director
Ong Seng Pheow	-	Member, Independent Non-Executive Director
Teh Bee Tein	-	Member, Independent Non-Executive Director

The Nomination Committee has a written terms of reference dealing with its authority and duties which includes the selection and assessment of directors.

FUNCTIONS

The key functions of the Nomination Committee include the following:

- (i) to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors;
- (ii) to assess the size of the Board and review the mix of skills and experience and other qualities of the Board members required for the Board to function completely and efficiently; and
- (iii) to assess and recommend new nominees for appointment to the Board for the Board's final decision-making.

The Nomination Committee met once during the financial year ended 31 December 2016.

ACTIVITIES OF THE NOMINATION COMMITTEE

During the financial year ended 31 December 2016, the Nomination Committee, in discharging its functions and duties, carried out the following activities:-

- a. reviewed the mix of skill and experience and other qualities of the Board;
- b. assessed the effectiveness of the Board as a whole, the Board committees and the Directors;
- c. discussed and recommended the re-election of retiring Directors; and
- d. assessed and confirmed the independence of the Independent Directors.

The Nomination Committee upon its annual assessment carried out for financial year 2016, was satisfied that:

- a. the size and composition of the Company's Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;
- b. the Board has been able to discharge its duties professionally and effectively;
- c. all the Directors continues to uphold the highest governance standards in their conduct and that of the Board;
- d. all the Members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective work experience, academic, and professional qualifications, and depth of knowledge, skills and experience and their personal qualities;
- e. the Independent Directors, Datuk Muhammad Feisol bin Haji Hassan and Mr Ong Seng Pheow, are demonstrably independent, and their length of service on the Board of above 9 years does not in any way interfere with their exercise of objectivity judgement or their ability to act in the best interests of the Company; and
- f. the Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company, as they hold either none or only few other directorships in the public listed companies in Malaysia as described below:
 - None other directorship : 5 directors
 - Holding only one other directorship : 1 director
 - Holding three other directorships : 1 director

Corporate Governance Statement

The Board of Directors ("the Board") of LCTH Corporation Berhad ("the Company") is committed to a corporate culture that emphasizes good corporate governance and practice throughout the Company and its subsidiary companies ("the Group").

The Group will continue to endeavour to comply with all the key Principles and Best Practices of the Malaysian Code on Corporate Governance 2012 ("the Code") in its effort to observe high standards of transparency, accountability and integrity. The Group believes that good governance will help to realize long-term shareholders value, whilst taking into account the interest of other stakeholders.

The following paragraphs describe how the Group has applied the Principles of the Code and how the Board has complied with the Recommendations set out in the Code for the financial year ended 31 December 2016.

BOARD OF DIRECTORS

The Company is led and managed by an experienced Board comprising members with a wide range of experience in relevant fields such as entrepreneurship, economics, manufacturing, marketing, finance, accounting and public service. The Directors bring a broad range of skills, experiences and knowledge required to successfully direct and supervise the Group's business activities. As part of the governance process, a Board Charter was adopted in 19 November 2012. The Board Charter is reviewed when required.

The objectives of the Board Charter is to provide strategic guidance to the Company and effective oversight of its Management, for the benefits of Shareholders and other stakeholders. The framework adopts principles of good corporate governance and is designed to maximize the Company's compliance with best practice requirements. It also outlines the manner in which the Board discharges its responsibilities in pursuit of the Company's goals and objectives.

The Board Charter governs areas as below:

- Role of the Board;
- Duties and Responsibilities of the Board;
- Conduct of the Board;
- Board Procedures;
- Chairman of the Board;
- Board Composition;
- Board Committees;
- Board Nomination and Election Process;
- Board and Member Evaluations;
- Independent Professional Advice;
- Provision of Business or Professional Services by Directors;
- Board Succession Planning;
- The Secretary;
- Stakeholders Management;
- Role of MD & CEO;
- Accountability of MD to Board; and
- Management Limitations.

Board Composition and Balance

The current Board comprises of seven (7) members where the details are given on pages 8 to 10 of the Annual Report as follows:

- One (1) Independent Non- Executive Chairman;
- One (1) Executive Vice Chairman;
- One (1) Managing Director;
- Two (2) Executive Directors; and
- Two (2) Independent Non-Executive Directors.

The roles of the Chairman of the Board and Managing Director are segregated. The Chairman is primarily responsible for the proper conduct and working of the Board whilst the Managing Director is responsible for the day-to-day running of the business and implementation of Board policies and decisions. The roles were segregated with clear division of responsibilities between them. It is also appropriate for a balance of role, responsibilities and accountability at the Board level, such that no one individual has unfettered powers of decision.

The Independent Non-Executive Directors of the Company are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement. They present a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity were maintained by the Group. The Board has deliberated and views that although the tenure of some of the Independent Directors have exceeded 9 years, they continue to provide independent judgement in carrying out their duties and thus the Board will seek shareholders' approval to allow the affected Directors to continue in office as Independent Directors of the Company.

The Board has also appointed the Independent Non-Executive Chairman, Datuk Muhammad Feisol bin Haji Hassan, as the Senior Independent Director whom all concerns of shareholders and other stakeholders may be conveyed.

The Company recognises and embraces the benefits of having a diverse Board. The increasing diversity at Board level is an essential element to maintain its competitive advantage. The established Board makes good use of the mix of skills, character, experience, integrity, and the time commitment of each Director to stir the Company forward.

The Company has yet to establish any policy in regards to diversity of gender, ethnicity and age. However, the appointment of Madam Teh Bee Tein on 31 January 2009 shows that the Board elects members based on their skills and experience. The decision was based on merit and contributions the candidate can bring to the Board. The age of the Directors range from 60 to 79 and the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximise the effectiveness of the Board.

Board Responsibilities

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the Executive Directors are aware and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes but not limited to:

- i. To oversee and monitor the overall Group strategy and direction;
- ii. To review and adopt investment policy;
- iii. To review and approve major capital expenditures;
- iv. To review the consideration of significant financial matters; and
- v. To monitor and review the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognizing that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

In discharging its fiduciary duties, the Board has delegated specific tasks to 3 Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as laid out in the terms of reference and to report to the Board with the necessary recommendation.

As certain Board functions are delegated to Management, the Board ensures Management is of the highest calibre and has in place programmes to train and develop Management and also provide for the orderly succession of Management.

The Company has in place a policy to enable the Group to communicate effectively with its shareholders, other stakeholders and the public generally. The policy ensures that it effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which should be factored into the Group's business decisions.

Supply of Information

Prior to Board meetings, an agenda together with the relevant papers covering quantitative and qualitative information ("Board Papers") are distributed to all Directors. This allows the Directors to have sufficient time to review the Board Papers and seek clarifications that were required either from the Management or the Company Secretary. Urgent matter that needs to be discussed by the Board are presented and tabled to the Board under supplemental agenda. The Managing Director and/or other relevant Board members will provide comprehensive explanation of pertinent issues and recommendations by the Management. The issues would then be deliberated and discussed thoroughly by the Board prior to decision-making.

Apart from the above, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have access to all information of the Company on a timely basis whether as a full board or in their individual capacity in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretary and to obtain independent professional advice, whenever necessary, at the expense of the Company. The Company Secretary also serves in that capacity in the various Board Committees. In accordance to Chapter 14 on Dealings in Listed Securities of the Listing Requirements, the Company Secretary serves notice to Directors and Principal Officers on the closed periods for trading in the Company's shares.

Board Meetings

There were four (4) Board of Directors' Meetings held during the financial year ended 31 December 2016. Details of the attendance of the Directors at the Board of Directors' Meetings are as follows:-

Directors	Total meetings attended	Percentage of Attendance (%)
Datuk Muhammad Feisol bin Haji Hassan	4/4	100
Hew Lien Lee	4/4	100
Ching Heng Yang	4/4	100
Tam Wai	4/4	100
Ho Nee Kit	4/4	100
Ong Seng Pheow	4/4	100
Teh Bee Tein	4/4	100

The Board meets at least four times a year and as and when it is necessary that requires immediate review or consideration of the Board. Due notice of matters to be discussed are provided to the Board seven days before the meeting was held. The proceedings, deliberations and conclusions made by the Board were properly recorded in the minutes of meetings kept by the Company Secretary and was confirmed by the Board and signed by the Chairman of the meeting.

Appointment to the Board

The Nomination Committee has been established by the Board comprising wholly of Independent Non-Executive Directors.

The principal function of making recommendations for new appointments or re-election of retiring directors is delegated to the Nomination Committee besides reviewing the size and composition of the Board, assessing the Board's effectiveness as a whole, assessing directors individually and assessing the independence of the independent directors.

During the year under review, the Board had conducted the assessments for self-evaluation as a Director and the performance of the various committees. The criteria of assessment made are set out as below:

- Directors Self Evaluation
 - Assessment on understandability of the role as a Director;
 - Assessment on the quality of input includes provides logical honest opinions on issues presented, unique insight to issues presented, priorities context of issues to be in line with objectives, provides realism and practical advice to board deliberations and communicate persuasively in a clear and non-confrontational manner; and
 - Assessment of contribution to interaction and participation in board activities.

- Evaluation of the Audit Committee
 - Review internal control policies, procedure and process;
 - Ensure sufficient internal control system in place;
 - Review of internal audit plan; and
 - Authority given to internal audit division having adequate to investigate on any matters.
- Evaluation of the Nomination Committee
 - Actively involved in recommending candidates to the Board;
 - Ensuring process to assess directors' performance is in place;
 - Appraise the performance of other committees; and
 - Seeking professional advice from time to time when necessary.
- Evaluation of the Remuneration Committee
 - Procedures to evaluate performance of director;
 - Ensure component parts of the remuneration package of executive directors are structured;
 - Review level of remuneration of directors is sufficient; and
 - Seeking professional advice from time to time when necessary.

The Committee has access to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information. All the assessments and evaluations carried out during the year are properly documented and minuted by the Company Secretary.

Full details on the duties and activities of the Nomination Committee is set out in the Nomination Committee Report.

Re-election

In accordance with the provisions of the Articles of Association of the Company, one-third (1/3) of the Board of Directors for the time being or if their number is not three (3) or multiples of three (3), then the number nearest to one-third (1/3) shall retire from office at each annual general meeting and shall be eligible for re-election.

Directors' Training

As part of the annual in-house Directors' Training, the Secretary conducted a training on the topic, "Bursa Securities Amendments" and views were exchanged amongst the Directors who attended this training. A number of Directors also attended external training courses and programmes. The Board has undertaken an assessment of the training needs of each director.

All the Directors who were appointed have attended the Mandatory Accreditation Programme as required under the Listing Requirements of Bursa Securities and were briefed by Management on the operations and policies of the Company to familiarize themselves with the Company's business.

In addition to the above, other Directors of the Board attended training programmes during the financial year as follows:-

Mr. Ong Seng Pheow:-

- 1) Briefing on TPPA on 29 March 2016 by PricewaterhouseCooper;
- 2) Business Sustainability on 24 May 2016 by Tricor Corporate Services Sdn Bhd;
- 3) Effective Audit Committee on 20 July 2016 by Malaysian Institute of Corporate Governance / Malaysian Institute of Accountants; and
- 4) MFRS 9 on 25 July 2016 by Ernst and Young.

Ms. Teh Bee Tein: -

- 1) Companies Bill 2015 : A Snapshot of Changes on 23 June 2016 by Malaysian Institute of Accountants;
- 2) National Tax Conference 2016 on 9 & 10 August 2016 by Chartered Tax Institute of Malaysia;
- 3) The 2017 Budget Seminar on 10 November 2016 by Malaysian Institute of Accountants & Persatuan Akauntan Percukaian Malaysia (M.A.T.A); and
- 4) MIA International Accountants Conference 2016 on 15 & 16 November 2016 by Malaysian Institute of Accountants.

Corporate Governance Statement (cont'd)

Directors' Remuneration

For the financial year ended 31 December 2016, the Remuneration Committee established by the Board comprised wholly of Independent Non-Executive Directors, as follows:-

Teh Bee Tein	-	Chairman (Independent Non-Executive Director)
Datuk Muhammad Feisol bin Haji Hassan	-	Member (Independent Non-Executive Director)
Ong Seng Pheow	-	Member (Independent Non-Executive Director)

The Remuneration Committee shall ensure that the levels of remuneration are sufficient to attract and retain Directors of the quality required to manage the business of the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the executive directors, by linking their rewards to corporate and individual performance with the Director concerned abstaining from deliberations and voting on decisions in respect of his remuneration package. In the case of non-executive directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the non-executive directors concerned and is determined by the Board as a whole.

The Remuneration Committee met once during the financial year ended 31 December 2016 to review the bonuses and increments of the Executive Directors and Senior Management as well as the service agreements of Managing Director and Executive Directors.

Details of Directors' remuneration for the financial year ended 31 December 2016 are set out as below:

Group	Fees (RM'000)	Salaries and Emoluments (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors	215	1,769	606	198	2,788
Non-Executive Directors	271	-	-	35	306

The number of Directors whose total remuneration falls within the respective bands is as follows:

	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	-
RM50,001 – RM100,000	-	2
RM100,001 – RM150,000	-	1
RM150,001 – RM600,000	3	-
RM600,001 – RM900,000	1	-
	4	3

Directors do not participate in decisions regarding their own remuneration packages. Any increase in Directors' fees will be approved at the Annual General Meeting by the shareholders.

SHAREHOLDERS

Dialogue with Investors

Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensuring that the shareholders and other stakeholders are well informed of the Group's strategy performance and major developments of the Company and the information is communicated to them through the following:

- (i) the Annual Report;
- (ii) the various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly results and annual results;
- (iii) the website at www.lcthc.com which shareholders as well as members of the public are invited to access for the latest information on the Group; and
- (iv) the meetings with fund managers and analysts and interviews by the press.

General Meetings

The Company's Annual General Meeting ("AGM") serves as a principal forum for dialogue with shareholders. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Extraordinary General Meetings is held as and when required.

The Chairman has the responsibility to inform the shareholders of their right to demand a poll vote at the commencement of the general meeting. Where required by regulations, substantive resolutions would be put to vote by poll.

ACCOUNTABILITY AND AUDIT

The oversight function of the Board is served by the Audit Committee that has been established comprising wholly of Independent Non-Executive Directors as follows:-

Ong Seng Pheow	-	Chairman (Independent Non-Executive Director)
Datuk Muhammad Feisol bin Haji Hassan	-	Member (Independent Non-Executive Director)
Teh Bee Tein	-	Member (Independent Non-Executive Director)

Further details on the duties and activities of the Audit Committee is set out in the Audit Committee Report.

Financial Reporting

The Directors are responsible to present a true and fair assessment of the Group's position and prospects in the annual reports and quarterly reports. The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors prior to submission to Bursa Malaysia Securities Berhad.

A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing section.

Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flows of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2016, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 2016.

Internal Control

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines. Details of the Company's internal control system and the framework are set out in the Statement on Risk Management and Internal Control.

Relationship with the Auditors

The appointment of the auditors are based on the discussion and review of the Audit Committee before tabling for approval in the Board Meeting and table at the AGM for shareholders' approval.

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the external auditors in seeking professional advice and ensuring the compliance with the appropriate accounting standards. The Audit Committee met with the external auditors to discuss their audit plan, audit findings and the financial statements.



Statement On Risk Management And Internal Control

Introduction

This Statement on Risk Management and Internal Control is made pursuant to paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). This statement has been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers". It outlines the key elements of the risk management and internal control systems within the Company and its subsidiaries ("the Group") for the current financial year.

Board of Directors' Responsibility

The Board is committed to ensuring the existence of an appropriate risk management framework and sound, efficient and effective system of internal control that cover the financial report, compliance and operations of the Group to safeguard shareholders' investment and the Group's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and the system by its nature can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

However, the material joint venture has not been dealt with as part of the Group for purposes of applying the above guidance as it has its own system of internal controls in place. Nevertheless, the Board has obtained operational and financial updates from Group management to monitor the investment.

Risk Management

The Board maintained the risk management policy and framework to continually update and identify the various risk factors that could have a potentially significant impact on the Group's mid to long term business objectives. Arising from this, a risk-based audit plan was developed and approved by the Audit Committee.

The Risk Management Committee ("RMC") assisted the Board in ensuring an ongoing and systematic risk management process was undertaken to identify, assess and evaluate principal risks.

The RMC comprised the Managing Director as the Chairman, the Assistant Group Financial Controller as the Secretary, General Managers as well as other Managers and Departmental Heads of the subsidiaries as members. The RMC had identified and evaluated the significant risks faced by the Group against a defined risk appetite and ensured that appropriate risk treatments were in place to mitigate those risks affecting the achievement of the Group's business objectives.

Internal Audit Function

The Group has outsourced its internal audit function to CGRM Infocomm Sdn Bhd ("CGRM"). CGRM is an independent professional firm and it supports the Audit Committee, and by extension, the Board, by providing an independent assurance on the effectiveness of the Group's systems of internal control.

During the year under review, CGRM assessed the adequacy and effectiveness of the Group's key business areas in terms of governance, risk assessment and system of internal control. CGRM reports to the Audit Committee, who in turn reports to the Board, on a quarterly basis of its activities, significant audit results or findings and the necessary recommendations or actions needed to be taken by the management to rectify highlighted issues. Several internal control improvements and risk areas were identified by internal auditors during the financial year ended 31 December 2016. These were reviewed by the Audit Committee and Board and closely monitored by Management to ensure the continuous implementation and integrity of internal controls to minimise risks. Management will continue to take adequate measures to strengthen the control environment of the Group.

The internal audit work plan, which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee. The scope of CGRM's function covered the audit and review of governance, risk assessment, compliance, operational and financial control across all business units.

In the planning and throughout the course of their audit work, CGRM made reference to the guidelines of The International Professional Practices Framework; International Standards for the Professional Practice of Internal Auditing and Code of Ethics as well as the Group's policies.

Statement On Risk Management And Internal Control (cont'd)

Key Elements of Internal Control

In order to achieve a sound control environment, the key elements in the framework of the Group's internal control systems are identified and categorised based on the framework of internal controls recommended by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") as follows:-

1. Control Environment

- Clear organisation structure and reporting responsibilities of all job roles were established and formalised to enable timely response to changes affecting the Group's operations.
- Job responsibilities and duties were clearly stipulated in respective job descriptions.
- Annual budgets were prepared and deliberated by Management and presented to the Board of Directors for approval. Thereafter, forecasts were prepared and revised quarterly.

2. Risk Assessment

- Logical access controls and segregation of duties and functions were practised to minimise risks of unauthorised access and tampering.
- Critical information and data were duly backed up to ensure possible retrieval during data loss.
- Potential risks and crises were identified and preventive controls identified and documented.

3. Control Activities

- Internal policies, procedures and manuals, including non-ISO related processes, were maintained.
- An enterprise resource planning system was used to enhance efficiency of processes and for monitoring purposes.
- Disposition of materials and variances arising from stocktakes were approved by Management prior to effecting the necessary actions.
- Quality of first-run products was ascertained and approved by the Quality Control personnel in-charge prior to mass production.

4. Information and Communication

- Escalation plan was established to facilitate speedy communication of operation issues / matters from frontline (lower) to management (higher working levels) for timely resolution.
- Management and the Board were provided with timely, relevant and reliable management and financial and operational reports.
- Status of yearly KPI established was periodically reviewed and communicated to concerned parties.
- Communications with internal and external parties were maintained allowing timely transmission of necessary information.

5. Monitoring

- Analysis data comparison and reporting of variances against targets were presented during Management meetings at Group and subsidiary level, which provide the framework for monitoring and controlling mechanism.
- Monthly meetings were held by Management with operating units to discuss result and any arising matters / issues on the Group's performance and follow-up in the subsequent meeting(s).
- Financial results are reviewed quarterly by the Audit Committee and the Board.



Statement On Risk Management And Internal Control (cont'd)

Assurance from Management

In addition to the above, the Board had received letters of assurance dated 14th February 2017 from the Managing Director and Assistant Group Financial Controller with regards to the adequacy and effectiveness of the Group risk management and system of internal control in place for the financial year.

Review of this Statement by the External Auditors

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this annual report for the year ended 31 December 2016.

Conclusion

The Board is committed to an effective internal control system and is of the view that there is a continuous process in evaluating and managing significant risks faced by the Group and the underlying controls to mitigate these risks.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 21st February 2017.

Utilisation of Proceeds

There were no proceeds raised from corporate proposal.

Non-Audit Fees

The non-audit fees paid to the external auditors during the financial year ended 31 December 2016 was RM 65,800.

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving the directors' and/or major shareholders' interest for the financial year ended 31 December 2016 other than the recurrent related party transactions as disclosed in note 31 in the financial statements.

Directors' Report

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are the manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies.

Other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

RESULTS

	Group RM	Company RM
Net profit for the year	14,480,345	12,001,858

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2015 were as follows:

	RM
In respect of the financial year ended 31 December 2015:	
Single tier final dividend of 3 sen on 360,000,000 ordinary shares approved on 26 April 2016 and paid on 18 May 2016	10,800,000
In respect of the financial year ended 31 December 2016:	
Single tier first interim dividend of 0.5 sen on 360,000,000 ordinary shares declared on 12 August 2016 and paid on 20 September 2016	1,800,000
Single tier second interim dividend of 0.5 sen on 360,000,000 ordinary shares declared on 11 November 2016 and paid on 13 December 2016	1,800,000
	<u>14,400,000</u>

At the forthcoming Annual General Meeting, a single tier final dividend of 1.5 sen per share in respect of the financial year ended 31 December 2016 on 360,000,000 ordinary shares amounting to a total dividend payable of RM5,400,000 will be proposed for shareholders' approval and accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

Directors' Report (cont'd)

DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are :

Datuk Muhammad Feisol bin Haji Hassan	(Chairman)
Ho Nee Kit	(Vice Chairman)
Hew Lien Lee	(Managing Director)
Ching Heng Yang	
Tam Wai	
Ong Seng Pheow	
Teh Bee Tein	

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows :

The Company

	Number of Ordinary Shares of RM0.20 Each			
	1 January 2016	Bought	Sold	31 December 2016
Direct Interest				
Datuk Muhammad Feisol bin Haji Hassan	186,180	-	-	186,180
Ho Nee Kit	369,120	-	-	369,120
Hew Lien Lee	3,031,524	-	-	3,031,524
Ching Heng Yang	300,000	-	-	300,000
Tam Wai	366,000	-	-	366,000
Ong Seng Pheow	114,000	-	-	114,000
Deemed Interest				
Ho Nee Kit	254,295,643	-	-	254,295,643
Ching Heng Yang	254,295,643	-	-	254,295,643
Tam Wai	254,295,643	-	-	254,295,643

Directors' Report (cont'd)

DIRECTORS' INTERESTS (CONT'D)

Ultimate Holding Company - Fu Yu Corporation Limited

	1 January 2016	Number of Ordinary Shares		31 December 2016
		Bought	Sold/ Transferred	
Direct Interest				
Ho Nee Kit	96,999,225	-	-	96,999,225
Hew Lien Lee	8,100,000	-	-	8,100,000
Ching Heng Yang	88,965,475	-	-	88,965,475
Tam Wai	96,715,475	-	-	96,715,475
Deemed Interest				
Tam Wai	300,000	-	-	300,000

By virtue of their interests in the ultimate holding company, Ching Heng Yang, Tam Wai and Ho Nee Kit are also deemed interested in shares in all the subsidiaries of the ultimate holding company to the extent the ultimate holding company has an interest.

The other director in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

The Company did not issue any new ordinary shares during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps :
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render :
 - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As 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 liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors :
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; 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 or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2017.

HO NEE KIT

HEW LIEN LEE

Statement By Directors

Pursuant To Section 251(2) Of The Companies Act, 2016

We, **HO NEE KIT** and **HEW LIEN LEE**, being two of the directors of **LC TH CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 45 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 to the financial statements on page 107 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 March 2017.

HO NEE KIT

HEW LIEN LEE

Statutory Declaration

Pursuant To Section 251(1)(b) Of The Companies Act, 2016

I, **HEW LIEN LEE**, being the Director primarily responsible for the financial management of **LC TH CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 107 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed HEW LIEN LEE at)
Johor Bahru in the State of Johor on)
27 March 2017)

HEW LIEN LEE

Before me,



Independent Auditors' Report

To The Members Of LCTH Corporation Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LCTH Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 106.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

Independent Auditors' Report (cont'd)

To The Members Of LCTH Corporation Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements (Cont'd)

Key Audit Matters (Cont'd)

Areas of focus	How our audit addressed the risk factors
<p>Reversal of impairment for property, plant and equipment</p> <p>Refer to summary of significant accounting policies in Note 2.23(b), significant accounting judgement, estimates and assumption in Note 2.25(a) and disclosure of property, plant and equipment in Note 14 to the financial statements.</p> <p>The Group is required to assess, at the end of each reporting period, whether there are any indicators of reversal of impairment. The Group estimated the recoverable amount of the property, plant and equipment that was impaired in prior years as it was determined that there was an indicator of reversal. However, the Group did not recognise any reversal arising from this assessment.</p> <p>Management's process to estimate the recoverable amount of the property, plant and equipment was significant to our audit because the process involved valuation experts and the use of assumptions that are highly judgemental.</p>	<p>To address this area of audit focus, we performed, amongst others, the following procedures:</p> <ul style="list-style-type: none"> - evaluated indicators for reversal of impairment; - assessed management's estimate of the recoverable amount, including checking inputs to the internal and external data; - considered the objectivity, independence and expertise of the firm of external valuers on property, plant and equipment, and investment properties; - assessed the valuation methods and evaluated the underlying assumptions by making enquiries with the external valuers in understanding the methods used and we considered their valuation reports and findings.
<p>Reversal of impairment for investment in subsidiaries</p> <p>Refer to summary of significant accounting policies in Note 2.23(b), significant accounting judgement, estimates and assumption in Note 2.25(b) and disclosure of investment in subsidiaries in Note 16 to the financial statements.</p> <p>As at 31 December 2016, the separate financial statements of the Company discloses investment in subsidiaries amounting to RM105,776,001. Included in this amount is the investment in Classic Advantage Sdn. Bhd. ("CASB") which has a carrying amount of RM103,276,000, which is net of accumulated impairment amounting to RM22,275,000.</p> <p>Due to the significance of the carrying amount of investment in CASB to the separate financial statements and the existence of indicators of reversal of impairment during the year, the management has estimated the recoverable amount of CASB that was previously impaired.</p> <p>Management's process to estimate the recoverable amount of the investment in CASB was significant to our audit because the process involved valuation experts and the use of assumptions that are highly judgemental.</p>	<p>To address this area of audit focus, we performed, amongst others, the following procedures:</p> <ul style="list-style-type: none"> - evaluated indicators for reversal of impairment; - assessed management's estimate of the recoverable amount, including checking inputs to the internal and external data; - considered the objectivity, independence and expertise of the firm of external valuers on property, plant and equipment, and investment properties; - assessed the valuation methods and evaluated the underlying assumptions by making enquiries with the external valuers in understanding the methods used and we considered their valuation reports and findings.



Independent Auditors' Report (cont'd)

To The Members Of LCTH Corporation Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements (Cont'd)

Independence and other ethical responsibilities

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



Independent Auditors' Report (cont'd)

To The Members Of LCTH Corporation Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements (Cont'd)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



Independent Auditors' Report (cont'd)

To The Members Of LCTH Corporation Berhad (Incorporated in Malaysia)

Other reporting responsibilities

The supplementary information set out in Note 37 on page 107 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF 0039
Chartered Accountants

Lee Ming Li
2983/03/18(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 27 March 2017

Statements Of Comprehensive Income

For The Year Ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	3	113,581,055	120,118,152	7,699,000	5,457,027
Cost of sales	4	(93,175,179)	(95,826,997)	-	-
Gross profit		20,405,876	24,291,155	7,699,000	5,457,027
Other operating income	5	14,717,914	14,549,975	2,496,788	2,579,356
Administrative expenses		(17,338,144)	(14,796,727)	(1,484,230)	(1,228,264)
Reversal of impairment loss on investment in subsidiaries	16	-	-	3,743,000	21,211,000
Selling expenses		(339,979)	(438,716)	-	-
Other expenses	6	(666,450)	(679,298)	-	-
Operating profit		16,779,217	22,926,389	12,454,558	28,019,119
Finance costs	7	-	(884)	-	-
Share of results of a joint venture		280,142	1,229,430	-	-
Profit before tax	8	17,059,359	24,154,935	12,454,558	28,019,119
Income tax (expense)/benefit	11	(2,579,014)	823,091	(452,700)	(490,514)
Profit after tax		14,480,345	24,978,026	12,001,858	27,528,605
Total comprehensive income for the year		14,480,345	24,978,026	12,001,858	27,528,605
Total comprehensive income attributable to : Equity holders of the Company		14,480,345	24,978,026	12,001,858	27,528,605
Earnings per share attributable to equity holders of the Company (sen) :					
Basic/Diluted	13	4.02 sen	6.94 sen		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement Of Financial Position

As At 31 December 2016

	Note	Group 2016 RM	2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	14	45,276,802	47,135,372
Investment properties	15	25,480,272	26,077,305
Investment in a joint venture	17	6,706,640	7,546,498
Deferred tax assets	27	5,369,000	5,863,000
		<hr/>	<hr/>
		82,832,714	86,622,175
Current assets			
Inventories	18	9,407,801	8,073,722
Trade and other receivables	19	22,624,331	29,170,062
Other current assets	20	455,619	1,655,342
Tax recoverable		253,411	213,269
Short-term investments	22	8,305,200	11,049,448
Cash and bank balances	23	109,070,390	101,794,579
		<hr/>	<hr/>
		150,116,752	151,956,422
TOTAL ASSETS			
		<hr/>	<hr/>
		232,949,466	238,578,597
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	28	22,764,315	27,496,070
Other current liabilities	29	109,348	600,184
Current tax payable		432,149	924,545
		<hr/>	<hr/>
		23,305,812	29,020,799
Non-current liabilities			
Deferred tax liabilities	27	1,043,225	1,037,714
		<hr/>	<hr/>
Total liabilities		24,349,037	30,058,513

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement Of Financial Position (cont'd)

As At 31 December 2016

	Note	Group 2016 RM	2015 RM
Equity attributable to equity holders of the Company			
Share capital	24	72,000,000	72,000,000
Share premium	24	97,911,236	97,911,236
Retained earnings		38,689,193	38,608,848
Total equity		<u>208,600,429</u>	<u>208,520,084</u>
TOTAL EQUITY AND LIABILITIES		<u>232,949,466</u>	<u>238,578,597</u>
Net current assets		<u>126,810,940</u>	<u>122,935,623</u>
Net assets		<u>208,600,429</u>	<u>208,520,084</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement Of Financial Position (cont'd)

As At 31 December 2016

	Note	Company 2016 RM	2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	14	7	7
Investment in subsidiaries	16	105,776,001	102,033,001
Investment in a joint venture	17	6,400,000	6,400,000
		<hr/>	<hr/>
		112,176,008	108,433,008
Current assets			
Trade and other receivables	19	1,231,967	1,441,049
Short-term investments	22	2,684,171	5,605,870
Cash and bank balances	23	60,288,391	63,272,413
		<hr/>	<hr/>
		64,204,529	70,319,332
TOTAL ASSETS			
		<hr/>	<hr/>
		176,380,537	178,752,340
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	28	257,413	238,801
Current tax payable		32,083	24,356
		<hr/>	<hr/>
		289,496	263,157
Total liabilities			
		<hr/>	<hr/>
		289,496	263,157
Equity attributable to equity holders of the Company			
Share capital	24	72,000,000	72,000,000
Share premium	24	97,911,236	97,911,236
Retained earnings	25	6,179,805	8,577,947
		<hr/>	<hr/>
Total equity		176,091,041	178,489,183
TOTAL EQUITY AND LIABILITIES			
		<hr/>	<hr/>
		176,380,537	178,752,340
Net current assets			
		<hr/>	<hr/>
		63,915,033	70,056,175
Net assets			
		<hr/>	<hr/>
		176,091,041	178,489,183

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2016

Group	Note	Share Capital RM	Non Distributable Share Premium RM	ESOS Reserve (Note 26) RM	Distributable Retained Earnings RM	Total Equity RM
At 1 January 2015		72,000,000	97,911,236	249,757	16,981,065	187,142,058
Total comprehensive income for the year		-	-	-	24,978,026	24,978,026
Dividends	12	-	-	-	(3,600,000)	(3,600,000)
Transfer of ESOS reserve		-	-	(249,757)	249,757	-
At 31 December 2015		72,000,000	97,911,236	-	38,608,848	208,520,084
At 1 January 2016		72,000,000	97,911,236	-	38,608,848	208,520,084
Total comprehensive income for the year		-	-	-	14,480,345	14,480,345
Dividends	12	-	-	-	(14,400,000)	(14,400,000)
At 31 December 2016		72,000,000	97,911,236	-	38,689,193	208,600,429

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement Of Changes In Equity

For The Year Ended 31 December 2016

		Share Capital	Non Distributable Share Premium	ESOS Reserve (Note 26)	Distributable Retained Earnings/ (Accumulated Losses)	Total Equity
	Note	RM	RM	RM	RM	RM
Company						
At 1 January 2015		72,000,000	97,911,236	6,856	(15,357,514)	154,560,578
Total comprehensive income for the year		-	-	-	27,528,605	27,528,605
Dividends	12	-	-	-	(3,600,000)	(3,600,000)
Transfer of ESOS reserve		-	-	(6,856)	6,856	-
At 31 December 2015		72,000,000	97,911,236	-	8,577,947	178,489,183
At 1 January 2016		72,000,000	97,911,236	-	8,577,947	178,489,183
Total comprehensive income for the year		-	-	-	12,001,858	12,001,858
Dividends	12	-	-	-	(14,400,000)	(14,400,000)
At 31 December 2016		72,000,000	97,911,236	-	6,179,805	176,091,041

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements Of Cash Flows

For The Year Ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	17,059,359	24,154,935	12,454,558	28,019,119
Adjustments for :				
Depreciation of :				
- investment properties	597,033	597,033	-	-
- property, plant and equipment	4,619,173	4,669,298	-	-
Dividend income	-	-	(7,120,000)	(4,898,000)
Gain on disposal of property, plant and equipment	(330)	(53,427)	-	-
Interest expense	-	884	-	-
Interest income	(3,207,084)	(2,957,421)	(2,356,070)	(2,432,466)
Investment income	(231,230)	(257,498)	(140,718)	(146,890)
Reversal of impairment loss on investment in a subsidiary	-	-	(3,743,000)	(21,211,000)
Net unrealised foreign exchange (gain)/loss	(576,720)	(1,367,158)	-	26
Property, plant and equipment written off	76,374	292,995	-	-
Provision for obsolete inventories	520,408	20,787	-	-
Bad debts written off	-	243,374	-	-
Share of results of a joint venture	(280,142)	(1,229,430)	-	-
Operating profit/(loss) before working capital changes	18,576,841	24,114,372	(905,230)	(669,211)
Inventories	(1,854,487)	3,849,132	-	-
Receivables	7,393,918	(859,103)	209,082	1,112,065
Other current assets	1,199,723	1,504,874	-	-
Payables	(5,003,222)	(3,054,869)	18,612	(23,546)
Other current liabilities	(490,836)	506,523	-	-
Cash generated from/(used in) operations	19,821,937	26,060,929	(677,536)	419,308
Interest paid	-	(884)	-	-
Taxes paid	(2,612,041)	(2,705,100)	(444,973)	(452,284)
Net cash generated from/(used in) operating activities	17,209,896	23,354,945	(1,122,509)	(32,976)

Statements Of Cash Flows (cont'd)

For The Year Ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposits pledged	(285,425)	(325,662)	-	-
Withdrawal/(Placement) of deposits for more than 3-months maturity with licensed bank	2,603,512	(22,899,807)	1,452,983	(20,979,122)
Dividends received from joint venture	1,120,000	1,898,000	1,120,000	1,898,000
Dividends received from subsidiary	-	-	6,000,000	3,000,000
Interest received	3,207,084	2,957,421	2,356,070	2,432,466
Investment income	231,230	257,498	140,718	146,890
Withdrawal of short-term investments	2,744,248	4,955,407	2,921,699	4,117,236
Purchase of property, plant and equipment	(2,836,977)	(10,667,158)	-	-
Proceeds from disposal of property, plant and equipment	330	109,017	-	-
Net cash generated from/(used in) investing activities	6,784,002	(23,715,284)	13,991,470	(9,384,530)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend payment	(14,400,000)	(3,600,000)	(14,400,000)	(3,600,000)
Payment of hire purchase payables	-	(41,575)	-	-
Net cash used in financing activities	(14,400,000)	(3,641,575)	(14,400,000)	(3,600,000)
CASH AND CASH EQUIVALENTS :				
NET INCREASE/(DECREASE)	9,593,898	(4,001,914)	(1,531,039)	(13,017,506)
AT BEGINNING OF YEAR	27,495,967	31,497,881	1,593,291	14,310,797
AT END OF YEAR (NOTE 23)	37,089,865	27,495,967	62,252	1,293,291

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2016

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 principal place of business of the Company is located at 21, Jalan Teknologi 4, Taman Teknologi Johor, 81400 Senai, Johor Darul Ta'zim.

The Company's immediate holding company is Fu Yu Investment Pte. Ltd. The ultimate holding company is Fu Yu Corporation Limited ("Fu Yu"), a public company listed on the Main Board of the Singapore Stock Exchange, which produces financial statements available for public use.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are described in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements for the year ended 31 December 2016 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on the historical cost basis, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following new and amended MFRS and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2016.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments of MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

The nature and impact of the new and amended MFRSs and IC Interpretation are described below:

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

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

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS.

These amendments do not have any impact on the Group's and the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

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. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard does not apply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

(b) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

(c) MFRS 119 Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

(d) MFRS 134 Interim Financial Reporting

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

Notes To The Financial Statements (cont'd)

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112: Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors are of opinion that the standards and interpretations above would not have any material impact on the financial statements in the year of initial adoption, except as discussed below:

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments to MFRS 2 address three main areas:

- (a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- (b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- (c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments are not expected to have any impact on the Group and the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the potential effect of MFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Current versus non-current classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measured is directly or indirectly observable

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Fair value measurement (cont'd)

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

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

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

2.6 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

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

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Basis of consolidation (cont'd)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

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

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

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

2.7 Subsidiaries

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss for the period in which the investment is acquired.

A joint venture is equity accounted for from the date on which the investee becomes a joint venture.

Under the equity method, on initial recognition the investment in a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equal or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Property, Plant and Equipment

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Long term leasehold land	1.67%
Leasehold buildings	1.67%
Factory equipment, plant and machinery	10% - 20%
Motor vehicles	20%
Office equipment, computers, electrical installation and furniture and fittings	10% - 33.3%
Renovation	20%
Erectable stores	10%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2.10 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Tooling Contracts

Where outcome of a tooling contract can be estimated reliably, tooling revenue and costs are recognised as revenue and expenses respectively, by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is measured by reference to the stages and progress of work performed records maintained by the division.

Where the outcome of a tooling contract cannot be reliably estimated, tooling revenue is recognised to the extent of contract cost incurred that it is probable will be recoverable. Tooling costs are recognised as expenses in the period in which they are incurred.

An expected loss on the tooling contract is recognised as an expense immediately when it is probable that total tooling costs will exceed total tooling revenue.

When the total costs incurred on tooling contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.12 Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows :

Raw materials	- cost of purchase on weighted average basis;
Finished goods and work-in-progress	- cost of raw materials, direct labour and a proportion of manufacturing overheads based on normal operating capacity but exclude borrowing costs.

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.

2.13 Financial Assets

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial Assets (cont'd)

(b) Loans and receivables

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

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

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

2.14 Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash in hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2.15 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2.9.

However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Rental income from operating leases is recognised on straight-line basis over the term of the relevant lease as stated in Note 2.24(f).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial Liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group's financial liabilities include trade payables, other payables and finance lease liabilities. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. A financial liability is derecognised when the obligation under the liability is extinguished.

2.17 Share Capital and Share Issuance Expenses

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

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

2.18 Borrowing Costs

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

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

Notes To The Financial Statements (cont'd)

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxes

(a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 all or part of the 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 assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxes (cont'd)

(c) Goods and Services Tax ("GST")

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

- Where the amount of 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.

2.20 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.21 Employee Benefits

(a) Short Term Benefits

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

(b) Defined Contribution Plans

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.22 Foreign Currencies

(a) 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 the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Foreign Currencies (cont'd)

(b) Foreign Currency Transactions

Transactions in foreign currencies are measured in the functional currency of the Group and Company are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

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

2.23 Impairment

(a) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Impairment (cont'd)

(b) Impairment of Non-Financial Assets

The carrying amounts of assets, other than tooling contract, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

2.24 Revenue Recognition

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

(a) Sale of Goods

Revenue is recognised net of discounts upon the transfer of significant risks and rewards to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Tooling Contracts

Accounting policy for revenue recognition of tooling contracts is stated in Note 2.11.

(c) Interest and Investment Income

These are recognised on an accrual basis using the effective interest method.

(d) Management Fees

These are recognised when services are rendered.

(e) Dividend Income

This is recognised when the right to receive payment is established.

(f) Rental Income

Rental income from investment properties is recognised on a straight-line basis over the term of a lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Significant Accounting Judgments and Estimates

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

(a) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group has recognised impairment losses in respect of property, plant and equipment and the accumulated impairment loss amounted to RM6,493,467 (2015 : RM6,563,379). During the current financial year, the Group carried out the impairment test based on the cash generating unit's ("CGU") fair value less cost to sell. The calculation was based on replacement cost less incremental cost for disposing the CGU. The carrying amount of property, plant and equipment of the Group as at 31 December 2016 was RM45,276,802 (2015 : RM47,135,372). Further details of the impairment test for property, plant and equipment are disclosed in Note 14.

(b) Impairment on investment in subsidiary

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

During the current financial year, the Company has recognised reversal of impairment loss of RM3,743,000 (2015 : RM21,211,000) in respect of the investment in a subsidiary, Classic Advantage Sdn. Bhd. ("CASB"). The recoverable value of the investment is determined based on its fair value less cost to sell. The calculation is based on the net assets of CASB adjusted for the fair value of its property, plant and equipment and investment properties. Further details of the impairment assessment on the investment in subsidiary are disclosed in Note 16. The fair value hierarchy information for the fair value of its property, plant and equipment and investment properties are disclosed in Note 33.

(c) Deferred tax assets

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

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

The carrying value of deferred tax assets of RM5,369,000 (2015: RM5,863,000) of the Group as at 31 December 2016 was recognised for tax losses and tax allowances of RM22,370,833 (2015: RM23,452,000).

Notes To The Financial Statements (cont'd)

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Significant Accounting Judgments and Estimates (cont'd)

(d) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(e) Income tax provision

Judgment is involved in determining the Group's and the Company's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

3. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	105,038,708	106,842,217	-	-
Tooling contracts	8,542,347	13,275,935	-	-
Management fees	-	-	579,000	559,027
Dividend income	-	-	7,120,000	4,898,000
	<u>113,581,055</u>	<u>120,118,152</u>	<u>7,699,000</u>	<u>5,457,027</u>

4. COST OF SALES

Cost of sales represent cost of inventories sold and tooling contracts costs incurred.

Notes To The Financial Statements (cont'd)

31 December 2016

5. OTHER OPERATING INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income	3,207,084	2,957,421	2,356,070	2,432,466
Investment income	231,230	257,498	140,718	146,890
Gain on disposal of property, plant and equipment	330	53,427	-	-
Rental income	11,075,484	10,819,934	-	-
Miscellaneous	203,786	461,695	-	-
	<u>14,717,914</u>	<u>14,549,975</u>	<u>2,496,788</u>	<u>2,579,356</u>

6. OTHER EXPENSES

Direct operating expenses arising on rental earning investment properties :

	Group	
	2016 RM	2015 RM
Depreciation of investment properties (Note 15)	597,033	597,033
Quit rent and assessment	69,417	82,265
	<u>666,450</u>	<u>679,298</u>

7. FINANCE COSTS

	Group	
	2016 RM	2015 RM
Finance lease interest	-	884

Notes To The Financial Statements (cont'd)

31 December 2016

8. PROFIT BEFORE TAX

Amount charged/(credited) in arriving at profit before tax :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration :				
Statutory audit				
- Current year	115,000	116,000	20,000	20,000
- Underprovision in prior year	(1,000)	8,000	-	-
Other Services				
- Current year	49,300	44,050	20,500	13,750
- Underprovision in prior year	16,500	3,000	10,500	-
Depreciation of property, plant and equipment (Note 14)	4,619,173	4,669,298	-	-
Depreciation of investment properties (Note 15)	597,033	597,033	-	-
Directors' fees (Note 10)	486,000	451,000	461,000	461,000
Employee benefits expense (Note 9)	20,445,943	18,792,698	580,157	526,576
Reversal of impairment loss on investment in a subsidiary (Note 16)	-	-	(3,743,000)	(21,211,000)
Net foreign exchange (gain)/loss:				
Realised	(619,209)	(2,722,621)	1,462	(119)
Unrealised	(576,720)	(1,367,158)	-	26
Operating lease expense :				
Premises	8,580,595	8,272,374	-	-
Property, plant and equipment written off	76,374	292,995	-	-
Bad debts written off	-	243,374	-	-
Provision for obsolete inventories	520,408	20,787	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries	17,588,960	15,314,636	489,941	447,245
Social security contributions	116,575	103,921	1,483	1,033
Contribution to defined contribution plan	1,278,022	1,071,740	25,393	14,958
Other benefits	1,462,386	2,302,401	63,340	63,340
	20,445,943	18,792,698	580,157	526,576

Included in employee benefits expense of the Group and of the Company are executive directors' other emoluments amounting to RM2,480,060 (2015 : RM2,112,204) and RM392,009 (2015 : RM432,559) respectively, as further disclosed in Note 10.

Notes To The Financial Statements (cont'd)

31 December 2016

10. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors :				
Fees	215,000	215,000	215,000	215,000
Other emoluments (Note 9)	2,480,060	2,112,204	392,009	432,559
	2,695,060	2,327,204	607,009	647,559
Non-executive directors :				
Fees	271,000	236,000	246,000	246,000
Other emoluments	35,000	39,908	35,000	39,908
	306,000	275,908	281,000	285,908
Total directors' remuneration	3,001,060	2,603,112	888,009	933,467
Estimated money value of benefits-in-kind	93,340	93,340	13,340	13,340
Total directors' remuneration including benefits-in-kind	3,094,400	2,696,452	901,349	946,807
Directors of the Company:				
Executive :				
Salaries	1,769,400	1,769,400	265,410	265,410
Fees	215,000	215,000	215,000	215,000
Allowance	50,000	50,000	50,000	50,000
Bonus	606,012	238,156	68,402	108,952
Defined contribution plan	54,648	54,648	8,197	8,197
Estimated money value of benefits-in-kind	93,340	93,340	13,340	13,340
	2,788,400	2,420,544	620,349	660,899
Non-Executive :				
Fees	246,000	246,000	246,000	246,000
Allowances	35,000	39,908	35,000	39,908
	281,000	285,908	281,000	285,908
	3,069,400	2,706,452	901,349	946,807

Notes To The Financial Statements (cont'd)

31 December 2016

10. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Director of subsidiaries:				
Non-executive:				
Fees				
- Current year's provision	10,000	5,000	-	-
- Under/(Over)provision in prior year	15,000	(15,000)	-	-
	25,000	(10,000)	-	-
Total directors' remuneration including benefits-in-kind	3,094,400	2,696,452	901,349	946,807
Analysis excluding benefits-in-kind :				
Total executive directors' remuneration	2,695,060	2,327,204	607,009	647,559
Total non-executive and other directors' remuneration	306,000	275,908	281,000	285,908
Total directors' remuneration excluding benefits-in-kind	3,001,060	2,603,112	888,009	933,467

Benefits-in-kind of the Group and the Company includes indemnity insurance from directors amounting to RM13,340 (2015 RM13,340).

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

	Number of Directors	
	2016	2015
Executive directors :		
RM550,001 - RM600,000	-	3
RM600,001 - RM650,000	3	-
RM700,001 - RM750,000	-	1
RM850,001 - RM900,000	1	-
Non-executive directors :		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	1	1

Notes To The Financial Statements (cont'd)

31 December 2016

11. INCOME TAX EXPENSES/(BENEFIT)

	Group	
	2016 RM	2015 RM
Current income tax :		
Malaysian income tax	2,186,666	2,662,067
(Over)/Underprovision in prior years	(107,163)	111,795
	<hr/> 2,079,503	<hr/> 2,773,862
Deferred tax (Note 27) :		
Relating to origination and reversal of temporary differences	499,421	(3,673,186)
Relating to reduction in Malaysian income tax rate	-	46,282
Underprovision in prior years	90	29,951
	<hr/> 499,511	<hr/> (3,596,953)
Income tax recognised in profit or loss	<hr/> 2,579,014	<hr/> (823,091)

	Company	
	2016 RM	2015 RM
Current income tax :		
Malaysian income tax	454,269	490,514
Overprovision in prior years	(1,569)	-
Income tax recognised in profit or loss	<hr/> 452,700	<hr/> 490,514

Income tax is calculated at the Malaysian statutory rate of 24% (2015 : 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense/(benefit) applicable to profit before tax at the statutory income tax rate to the income tax expense/(benefit) at the effective tax rate of the Group and of the Company is as follows :

Notes To The Financial Statements (cont'd)

31 December 2016

11. INCOME TAX EXPENSES/(BENEFIT) (CONT'D)

	Group	
	2016 RM	2015 RM
Profit before tax	17,059,359	24,154,935
Taxation of Malaysian statutory tax rate of 24% (2015 : 25%)	4,094,246	6,038,734
Effect on different tax rate	-	46,282
Income not subject to tax	(104,143)	(509,812)
Expenses not deductible for tax purposes	354,559	837,993
Deferred tax asset recognised on unutilised tax losses not previously recognised	(1,658,575)	(4,292,460)
Utilisation of previously unrecognised unutilised reinvestment allowance	-	(312,555)
Utilisation of previously unrecognised unutilised tax losses	-	(2,773,019)
Underprovision of deferred tax in prior years	90	29,951
(Over)/Underprovision of tax expense in prior years	(107,163)	111,795
Income tax recognised in profit or loss	2,579,014	(823,091)

	Company	
	2016 RM	2015 RM
Profit before tax	12,454,558	28,019,119
Taxation of Malaysian statutory tax rate of 24% (2015 : 25%)	2,989,094	7,004,780
Income not subject to tax	(2,598,668)	(6,536,344)
Expenses not deductible for tax purposes	63,843	58,376
Utilisation of previously unrecognised unutilised tax losses	-	(36,298)
Overprovision of tax expense in prior years	(1,569)	-
Income tax recognised in profit or loss	452,700	490,514

Group tax savings during the financial year arising from:

	Group	
	2016 RM	2015 RM
Utilisation of previously unrecognised reinvestment allowance	-	312,555
Utilisation of previously unrecognised tax losses	-	2,773,019

Notes To The Financial Statements (cont'd)

31 December 2016

12. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2016 RM	2015 RM	2016 RM	2015 RM
Single tier final dividend of 3 sen on 360,000,000 ordinary shares	-	10,800,000	10,800,000	-
Single tier first interim dividend of 0.5 sen on 360,000,000 ordinary shares	1,800,000	1,800,000	1,800,000	1,800,000
Single tier second interim dividend of 0.5 sen on 360,000,000 ordinary shares	1,800,000	1,800,000	1,800,000	1,800,000
	3,600,000	14,400,000	14,400,000	3,600,000

At the forthcoming Annual General Meeting, a single tier final dividend of 1.5 sen per share in respect of the financial year ended 31 December 2016 on 360,000,000 ordinary shares amounting to a total dividend payable of RM5,400,000 will be proposed for shareholders' approval and accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. The following reflects the income and share data used in the basic earnings per share computation :

	Group	
	2016	2015
Profit for the year attributable to ordinary equity holders of the Company (RM)	14,480,345	24,978,026
Weighted average number of ordinary shares in issue	360,000,000	360,000,000
Basic earnings per share (sen)	4.02	6.94

The Company has no dilutive potential ordinary shares as at the reporting date.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes To The Financial Statements (cont'd)

31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT

Group	Long term Leasehold Land RM	Buildings ⁽¹⁾ RM	Plant and Machinery RM	Motor Vehicles RM	Others ⁽²⁾ RM	Total RM
Cost						
At 1 January 2015	4,211,500	25,822,761	56,345,878	1,894,049	13,797,057	102,071,245
Additions	-	1,519,065	6,487,811	78,060	2,582,222	10,667,158
Reclassification	-	(243,374)	-	-	-	(243,374)
Disposals	-	-	(1,276,913)	(73,700)	-	(1,350,613)
Written off	-	(214,436)	(99,123)	-	(1,398,560)	(1,712,119)
At 31 December 2015 and 1 January 2016	4,211,500	26,884,016	61,457,653	1,898,409	14,980,719	109,432,297
Additions	-	-	2,389,142	-	447,835	2,836,977
Disposals	-	-	-	-	(6,500)	(6,500)
Written off	-	-	(2,049,293)	-	(637,374)	(2,686,667)
At 31 December 2016	4,211,500	26,884,016	61,797,502	1,898,409	14,784,680	109,576,107
Accumulated depreciation and impairment losses						
At 1 January 2015	359,268	495,240	46,144,783	1,630,234	11,712,249	60,341,774
Charge for the year (Note 8)	44,817	571,375	2,978,479	78,952	995,675	4,669,298
Disposals	-	-	(1,221,323)	(73,700)	-	(1,295,023)
Written off	-	-	(80,645)	-	(1,338,479)	(1,419,124)
At 31 December 2015 and 1 January 2016	404,085	1,066,615	47,821,294	1,635,486	11,369,445	62,296,925
Charge for the year (Note 8)	89,818	557,041	2,821,516	86,758	1,064,040	4,619,173
Disposals	-	-	-	-	(6,500)	(6,500)
Written off	-	-	(1,990,142)	-	(620,151)	(2,610,293)
At 31 December 2016	493,903	1,623,656	48,652,668	1,722,244	11,806,834	64,299,305
Net carrying amount						
At 31 December 2015	3,807,415	25,817,401	13,636,359	262,923	3,611,274	47,135,372
At 31 December 2016	3,717,597	25,260,360	13,144,834	176,165	2,977,846	45,276,802

Notes To The Financial Statements (cont'd)

31 December 2016

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

(1) Buildings of the Group comprised the following :

Cost	Buildings RM	Buildings in-progress RM	Total RM
At 1 January 2015	25,211,300	611,461	25,822,761
Addition	1,519,065	-	1,519,065
Reclassification	368,087	(611,461)	(243,374)
Written off	(214,436)	-	(214,436)
At 31 December 2015/31 December 2016	26,884,016	-	26,884,016
Accumulated depreciation			
At 1 January 2015	495,240	-	495,240
Charge for the year	571,375	-	571,375
At 31 December 2015	1,066,615	-	1,066,615
Charge for the year	557,041	-	557,041
At 31 December 2016	1,623,656	-	1,623,656
Net carrying amount			
At 31 December 2016	25,260,360	-	25,260,360
At 31 December 2015	25,817,401	-	25,817,401

- (2) Included in other assets of the Group are factory equipment, renovation, heavy equipment, electrical installation, office equipment, erectable stores, furniture and fittings and computers.
- (3) The Group acquired property, plant and equipment with an aggregate costs RM2,836,977 (2015: RM10,667,158). All acquisitions during the year and previous year were paid or payable by way of cash.
- (4) Impairment losses

As Classic Advantage Sdn Bhd ("CASB") continues to record profits, it indicates that impairment losses which were recognised in prior periods may no longer exist or may have decreased. This resulted in CASB reassessing the recoverable amount of property, plant and equipment. Which were estimated based on the fair value less cost to sell. However, no reserval was recognised arising from this reassessment.

Notes To The Financial Statements (cont'd)

31 December 2016

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

(4) Impairment losses (cont'd)

Description of valuation techniques used and key inputs to valuation on CASB's property, plant and equipment are as follows:

	Valuation technique	Significant unobservable inputs
Plant and machinery	Replacement Cost Method	Aggregated amount of gross replacement cost of the plant and machinery, from which appropriate deductions may then be made for the age, condition, functional and technological obsolescence factor.
Long term leasehold land	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restrictions if any, occupancy status, built-up area building construction, finishes and services, age and condition of building and other relevant characteristics.
Buildings	Depreciated Replacement Cost Method	Aggregated amount of gross replacement cost of the buildings and other site works, from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.

In prior year, the recoverable amount of CASB's property, plant and equipment was determined based on the calculation of their value-in-use derived from management's cash flow projection.

Key assumptions used in the calculation of the value-in-use were as follows:

	2015
<u>Value-in-use assumptions:</u>	
Average growth rate in revenue	0% to 2 %
Number of years projected in the discounted cash flow	5 years
Gross profit margin	17%
Terminal value of leasehold property and plant and machinery (RM'000)	26,527
Pre-tax discount rate	13%

Notes To The Financial Statements (cont'd)

31 December 2016

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

	Computers RM	Office Equipment RM	Total RM
Company			
Cost			
At 31 December 2015/31 December 2016	9,181	510	9,691
Accumulated depreciation			
At 31 December 2015/31 December 2016	9,175	509	9,684
Net carrying amount			
At 31 December 2015/31 December 2016	6	1	7

15. INVESTMENT PROPERTIES

	Building RM	Group Long term leasehold land RM	Total RM
Cost			
At 1 January 2015/31 December 2015	26,828,863	4,088,500	30,917,363
Accumulated depreciation			
At 1 January 2015	3,939,089	303,936	4,243,025
Charge for the year (Note 6)	521,049	75,984	597,033
At 31 December 2015	4,460,138	379,920	4,840,058
Cost			
At 1 January 2016/31 December 2016	26,828,863	4,088,500	30,917,363
Accumulated depreciation			
At 1 January 2016	4,460,138	379,920	4,840,058
Charge for the year (Note 6)	521,049	75,984	597,033
At 31 December 2016	4,981,187	455,904	5,437,091

Notes To The Financial Statements (cont'd)

31 December 2016

15. INVESTMENT PROPERTIES (CONT'D)

	Building RM	Group Long term leasehold land RM	Total RM
Net carrying amount:			
At 31 December 2015	22,368,725	3,708,580	26,077,305
At 31 December 2016	21,847,676	3,632,596	25,480,272
Fair value of investment properties:			
At 31 December 2015	18,429,000	9,120,500	27,549,500
At 31 December 2016	17,577,907	9,411,469	26,989,376

The investment properties are leased to Berry Plastic Malaysia Sdn. Bhd., a joint venture between the Company and a third party.

The fair value is determined based on valuation conducted by independent professional valuers using the comparison method of valuation and the depreciated replacement cost method that makes reference to the cost of replacing the buildings as new and allowing for depreciation for physical, functional and economic obsolescence. The comparison method involves comparing and adopting recent transactions as a yardstick and sale evidences involving other similar properties in the vicinity. The Group has assessed that the highest and best use of its properties do not differ from their current use.

16. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	2015 RM
Unquoted shares, at cost		
At beginning and at the end of the year	128,051,001	128,051,001
Accumulated impairment losses		
At beginning of the year	26,018,000	47,229,000
Reversal of impairment losses (Note 8)	(3,743,000)	(21,211,000)
At end of the year	22,275,000	26,018,000
Net carrying amount	105,776,001	102,033,001

Notes To The Financial Statements (cont'd)

31 December 2016

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, which are wholly owned and incorporated in Malaysia, are as follows :

<u>Name of company</u>	<u>Principal activities</u>
Classic Advantage Sdn. Bhd.	Manufacture and sub-assembly of precision plastic parts and components, and fabrication of precision moulds and dies
Fu Hao Manufacturing (M) Sdn. Bhd.	Manufacture and sub-assembly of precision plastic parts and components

The management of LCTH Corporation Berhad carried out a review of the recoverable amount of investment in Classic Advantage Sdn. Bhd. ("CASB") during the current financial year because CASB recorded profits for the current year which is an indication that the previously recognised impairment loss may no longer be required. The review resulted in a reversal of impairment loss previously recognised amounted to RM3,743,000.

The recoverable amount of RM103,276,000 for investment in CASB, as at 31 December 2016, has been determined based fair value less cost to sell. The fair value hierarchy information for the said property, plant and equipment and investment properties are disclosed in Note 33.

17. INVESTMENT IN A JOINT VENTURE

	2016 RM	2015 RM
Group		
Unquoted shares, at cost	6,400,000	6,400,000
Share of post-acquisition reserves	306,640	1,146,498
	<hr/> 6,706,640	<hr/> 7,546,498
Company		
Unquoted shares, at cost	<hr/> 6,400,000	<hr/> 6,400,000

The joint venture company, which is 40% (2015: 40%) owned and incorporated in Malaysia, is Berry Plastics Malaysia Sdn. Bhd.. Its principal activities are those of manufacturing and assembly of precision plastic moulded products for electrical, electronics, healthcare, food and petroleum industries. The accounting model applied is equity model.

Notes To The Financial Statements (cont'd)

31 December 2016

17. INVESTMENT IN A JOINT VENTURE (CONT'D)

The summarised financial information of the joint venture is as follows :

(i) Summarised statements of financial position

	2016 RM	2015 RM
Non-current assets	1,191,644	2,592,317
Cash and cash equivalents	13,119,352	14,394,959
Other current assets	3,750,244	5,070,108
Total current assets	16,869,596	19,465,067
Total assets	18,061,240	22,057,384
Current liabilities	1,294,640	3,191,139
Total liabilities	1,294,640	3,191,139
Net assets	16,766,600	18,866,245

(ii) Summarised statements of comprehensive income

	2016 RM	2015 RM
Revenue	11,403,032	18,842,862
Depreciation and amortisation	(1,507,972)	(2,645,527)
Provision of impairment loss on property, plant and equipment	-	(2,612,362)
Interest income	155,003	95,749
Profit before tax	835,570	3,155,913
Income tax expense	(135,215)	(82,337)
Net profit and total comprehensive income	700,355	3,073,576
Dividend paid by joint venture	2,800,000	4,745,000

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint venture

	2016 RM	2015 RM
Opening net assets	18,866,245	20,537,669
Net profit for the year	700,355	3,073,576
Dividend paid	(2,800,000)	(4,745,000)
Closing net assets	16,766,600	18,866,245
Interest in joint venture	40%	40%
Carrying value of Group's interest in joint venture	6,706,640	7,546,498

Notes To The Financial Statements (cont'd)

31 December 2016

18. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost :		
Raw materials	5,998,769	3,971,245
Goods in transit - raw materials	32,902	169,708
Work-in-progress	1,385,380	1,423,337
Finished goods	1,990,750	2,509,432
	<u>9,407,801</u>	<u>8,073,722</u>
 Cost of inventories recognised as an expense during the year	 <u>76,553,974</u>	 <u>78,396,114</u>

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables				
Third parties	20,645,755	24,944,878	-	-
Ultimate holding company	188,801	1,819,479	-	-
	<u>20,834,556</u>	<u>26,764,357</u>	<u>-</u>	<u>-</u>
 Less :				
Allowance for impairment				
Third parties	(521,967)	(521,967)	-	-
	<u>20,312,589</u>	<u>26,242,390</u>	<u>-</u>	<u>-</u>
 Other receivables				
Due from subsidiaries	-	-	545,040	724,588
Sundry receivables	2,155,942	2,007,011	681,927	711,461
Deposits	155,800	920,661	5,000	5,000
	<u>2,311,742</u>	<u>2,927,672</u>	<u>1,231,967</u>	<u>1,441,049</u>
 Total trade and other receivables	<u>22,624,331</u>	<u>29,170,062</u>	<u>1,231,967</u>	<u>1,441,049</u>
Add: Cash and bank balances (Note 23)	109,070,390	101,794,579	60,288,391	63,272,413
 Total loans and receivables	<u>131,694,721</u>	<u>130,964,641</u>	<u>61,520,358</u>	<u>64,713,462</u>

Notes To The Financial Statements (cont'd)

31 December 2016

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2015 : 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Due from ultimate holding company

The amount due from ultimate holding company is non-interest bearing and is repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 31.

(c) Ageing analysis of trade receivables

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

	2016 RM	2015 RM
Neither past due nor impaired	18,611,448	22,563,750
1 to 30 days past due not impaired	1,462,415	2,286,870
31 to 90 days past due not impaired	128,936	703,796
91 to 180 days past due but not impaired	3,442	187,052
More than 180 days past due not impaired	106,348	500,922
Past due but not impaired	1,701,141	3,678,640
Impaired	521,967	521,967
	<u>20,834,556</u>	<u>26,764,357</u>

(i) Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

(ii) Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,701,141 (2015 : RM3,678,640) that are past due at the reporting date but not impaired. Although these balances are unsecured in nature, they are mostly due from creditworthy customers.

Notes To The Financial Statements (cont'd)

31 December 2016

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Receivables that are impaired

The movement of the allowance accounts used to record the impairment is as follows:

	Group	
	2016 RM	2015 RM
At 1 January/31 December	521,967	521,967

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

20. OTHER CURRENT ASSETS

	Group	
	2016 RM	2015 RM
Due from customers on contracts (Note 21)	176,237	1,342,928
Prepayments	279,382	312,414
	455,619	1,655,342

21. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2016 RM	2015 RM
Tooling contract costs incurred to date	1,676,055	5,249,338
Attributable profits	1,096,726	3,879,976
	2,772,781	9,129,314
Less : Progress billings	(2,705,892)	(8,386,570)
	66,889	742,744
Due from customers on contracts (Note 20)	176,237	1,342,928
Due to customers on contracts (Note 29)	(109,348)	(600,184)
	66,889	742,744

Notes To The Financial Statements (cont'd)

31 December 2016

22. SHORT-TERM INVESTMENTS

	2016 Carrying amount RM	2016 Market value of quoted investments RM	2015 Carrying amount RM	2015 Market value of quoted investments RM
Group				
Current				
Fair value through profit and loss				
- Short-term money market fund	8,305,200	8,305,200	11,049,448	11,049,448
Company				
Current				
Fair value through profit and loss				
- Short-term money market fund	2,684,171	2,684,171	5,605,870	5,605,870

The short term investments refer to funds deposited with trust funds and money market funds.

23. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash in hand and at banks	28,541,139	16,780,780	60,252	1,593,291
Repurchase agreements	800,000	5,500,000	-	-
Deposits with licensed banks	79,729,251	79,513,799	60,228,139	61,679,122
Cash and bank balances	109,070,390	101,794,579	60,288,391	63,272,413

Deposits with licensed banks of the Group amounting to RM9,399,463 (2015 : RM9,114,038) are pledged as security deposit for the lease of land and factory buildings by a subsidiary, Classic Advantage Sdn. Bhd.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of one to six months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The effective interest rates as at 31 December 2016 for the Group range from 2.10% to 4.18% (2015 : 2.35% to 4.16%) per annum.

For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total cash and bank balances	109,070,390	101,794,579	60,288,391	63,272,413
Less: Deposits pledged	(9,399,463)	(9,114,038)	-	-
Deposits more than 3 months maturity period with a licensed bank	(62,581,062)	(65,184,574)	(60,226,139)	(61,679,122)
Cash and cash equivalents	37,089,865	27,495,967	62,252	1,593,291

Notes To The Financial Statements (cont'd)

31 December 2016

24. SHARE CAPITAL AND SHARE PREMIUM

	Group/Company		Amount	
	Number of Ordinary Shares of RM0.20 each		RM	RM
	2016	2015	2016	2015
Share capital				
Authorised				
At 1 January/31 December	2,500,000,000	2,500,000,000	500,000,000	500,000,000
Issued and fully paid				
At 1 January/31 December	360,000,000	360,000,000	72,000,000	72,000,000
			Group/Company	2015
			2016	RM
			RM	RM
Share premium				
At 1 January/31 December			97,911,236	97,911,236

Share capital

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Share premium

The share premium represents excess of consideration received over the par value of shares issued. The share premium is a statutory restricted reserve but available for purposes as specified under the Companies Act, 1965.

25. RETAINED EARNINGS

Under the single tier system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax. At the reporting date, the entire retained earnings of the Company are distributable as single tier dividends.

26. ESOS RESERVE

This represents the equity-settled share options implemented by the ultimate holding company, Fu Yu Corporation Limited ("Fu Yu"), that are granted to the employees of the Group. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

The ESOS was approved by Fu Yu's Shareholders at an Extraordinary General Meeting held on 29 April 2008 and has expired on 31 December 2015 and was transferred to retained earnings in previous financial year.

Notes To The Financial Statements (cont'd)

31 December 2016

27. DEFERRED TAX ASSETS AND LIABILITIES

	Group	
	2016 RM	2015 RM
Deferred tax assets/(liabilities) :		
At 1 January	4,825,286	1,228,333
Recognised in profit or loss (Note 11)	(499,511)	3,596,953
At 31 December	4,325,775	4,825,286
Deferred tax assets/(liabilities) are presented after appropriate offsetting as follows :		
Deferred tax assets	7,421,452	8,870,820
Deferred tax liabilities	(3,095,677)	(4,045,534)
	4,325,775	4,825,286

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

Deferred Tax Liabilities of the Group :

	Property, Plant and Equipment RM
At 1 January 2015	(4,156,430)
Recognised in profit or loss	110,896
At 31 December 2015	(4,045,534)
Recognised in profit or loss	949,857
At 31 December 2016	(3,095,677)

Deferred Tax Assets of the Group :

	Unused business losses RM	Unabsorbed capital allowances RM	Others RM	Total RM
At 1 January 2015	4,768,105	292,600	324,058	5,384,763
Recognised in profit or loss	3,899,593	19,955	(433,491)	3,486,057
At 31 December 2015	8,667,698	312,555	(109,433)	8,870,820
Recognised in profit or loss	(1,636,031)	(312,555)	499,218	(1,449,368)
At 31 December 2016	7,031,667	-	389,785	7,421,452

At the reporting date, the Group has unused tax losses and unabsorbed tax allowances of approximately RM29,299,000 (2015 : RM36,115,000) and RM Nil (2015: RM1,302,000) respectively that are available for offset against future taxable profits of the Company. In prior year, the unrecognized tax losses and tax allowances amounted to RM6,910,000.

Notes To The Financial Statements (cont'd)

31 December 2016

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables				
Third parties	11,238,284	12,572,335	-	-
Ultimate holding company	70,109	68,031	-	-
	11,308,393	12,640,366	-	-
Other payables				
Due to ultimate holding company	622,141	571,676	-	-
Accruals	5,444,860	6,644,700	237,098	236,610
Sundry payables	5,388,921	7,639,328	20,315	2,191
	11,455,922	14,855,704	257,413	238,801
Total trade and other payables, representing total financial liabilities carried at amortised cost	22,764,315	27,496,070	257,413	238,801

(a) Trade payables

Trade payables are non-interest bearing and the normal credit term granted to the Group ranges from cash term to 90 days (2015: cash term to 90 days).

(b) Due to ultimate holding company

The amounts due to ultimate holding company are unsecured, non-interest bearing and are repayable on demand.

Further details on related party transactions are disclosed in Note 31.

29. OTHER CURRENT LIABILITIES

	Group	
	2016 RM	2015 RM
Due to customers on contracts (Note 21)	109,348	600,184

Notes To The Financial Statements (cont'd)

31 December 2016

30. COMMITMENTS

(a) Capital Commitments

	Group 2016 RM	2015 RM
Approved and contracted for : Property, plant and equipment	2,336,541	242,019
Approved but not contracted for : Property, plant and equipment	5,000,000	5,000,000
	7,336,541	5,242,019

(b) Non - Cancellable Operating Lease Commitments - Group as Lessee

	Group 2016 RM	2015 RM
Future minimum rentals payable : Not later than 1 year	8,961,626	8,787,480
Later than 1 year and not later than 5 years	20,366,199	29,094,570
	29,327,825	37,882,050

The operating lease payments represent rent payable by the Group for the use of leasehold land and buildings. The lease rentals for the use of leasehold land and factory buildings are fixed at an escalation rate of 5% once in every 2 years whilst the lease rentals for other buildings are negotiable and fixed annually.

(c) Non- Cancellable Operating Lease Commitments - Group as Lessor

	Group 2016 RM	2015 RM
Future minimum rentals receivable : Not later than 1 year	11,231,162	11,091,935
Later than 1 year and not later than 5 years	25,151,042	30,011,414
	36,382,204	41,103,349

The leases have remaining non-cancellable lease term of 4 years (2015 : 5 years).

Notes To The Financial Statements (cont'd)

31 December 2016

31. RELATED PARTY DISCLOSURES

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

	2016 RM	2015 RM
Group		
With ultimate holding company : *		
Sale of finished goods	374,566	499,522
Sale of raw materials, spare parts, packaging materials and handling charges	-	3,175
Sale of precision moulds and dies	681,561	3,638,772
Purchase of raw materials, precision plastic parts and components and precision mould and dies	760,798	289,495
Purchase of property, plant and equipment	-	135,706
Management fees	1,072,706	795,453
	<hr/>	<hr/>
With joint venture company :		
Rental of buildings	1,287,072	1,287,072
	<hr/>	<hr/>
	2016 RM	2015 RM
Company		
Management fees received from subsidiaries	579,000	559,028
Interest received/receivable from a subsidiary	-	158,006
Dividend received from joint venture	1,120,000	1,898,000
Dividend received from subsidiary	6,000,000	3,000,000
	<hr/>	<hr/>

* Ultimate holding company is Fu Yu Corporation Limited.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

Information regarding outstanding balances arising from related party transactions as at 31 December 2016 are disclosed in Note 19 and Note 28.

Notes To The Financial Statements (cont'd)

31 December 2016

31. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term employee benefits	3,740,973	2,962,269	768,282	701,689
Post-employment benefits :				
- Defined contribution plan	197,363	221,996	26,876	15,923
	3,938,336	3,184,265	795,158	717,612

Included in the total key management personnel are :

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors' other emoluments (including benefits-in-kind)	2,573,400	2,205,544	405,349	445,899

32. FINANCIAL RISK MANAGEMENT

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate (both fair value and cash flow), foreign currency, liquidity and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(a) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit would have been RM805,293 (2015 : RM850,138) and RM602,281 (2015 : RM616,791) respectively higher/lower arising from interest income on floating fixed deposits and short term commercial papers. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

Notes To The Financial Statements (cont'd)

31 December 2016

32. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Foreign Exchange 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 has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, primarily Singapore Dollars ("SGD"), Euro Dollars ("EURO") and United States Dollars ("USD").

Approximately 72% (2015: 70%) of the Group's sales are denominated in foreign currencies whilst almost 57% (2015: 56%) of costs are denominated in the functional currency of the Group. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group's exposure to foreign currencies is as follows:

Net assets/(liabilities) held in non-functional currency	2016		
	USD RM	SGD RM	EURO RM
Trade and other receivables	14,790,150	33,003	-
Cash and cash equivalents	18,620,844	708,602	-
Trade and other payables	(8,781,806)	(746,033)	-
	24,629,188	(4,428)	-

	2015		
	USD RM	SGD RM	EURO RM
Trade and other receivables	16,618,298	274	-
Cash and cash equivalents	9,496,170	999,810	-
Trade and other payables	(4,851,767)	(525,759)	(1,151,913)
	21,262,701	474,325	(1,151,913)

Notes To The Financial Statements (cont'd)

31 December 2016

32. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Foreign Exchange Risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD and EURO exchange rates against the functional currency of the Group, with all other variables held constant.

		2016 RM	2015 RM
USD/RM	- Strengthened 1% (2015: 1%)	246,292	212,627
	- Weakened 1% (2015:1%)	(246,292)	(212,627)
SGD/RM	- Strengthened 1% (2015: 1%)	(44)	4,743
	- Weakened 1% (2015:1%)	44	(4,743)
EURO/RM	- Strengthened 1% (2015: 1%)	-	(11,519)
	- Weakened 1% (2015:1%)	-	11,519

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements and maintain available banking facilities at a reasonable level to its overall debt position.

(d) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Group, the Group does not offer credit terms without the specific approval of the management. Since the Group trades only with recognised and creditworthy third parties and related parties, there is no requirement for collateral. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At the reporting date, the Company provided corporate guarantees for its subsidiaries in respect of credit facilities totalling RM25,900,000 (2015: RM25,900,000) granted to the subsidiaries by licensed financial institutions. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities of RM10,918,171 (2015: RM10,753,171) utilised by these subsidiaries.

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank if these guarantees have not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated profits of the Company.

Notes To The Financial Statements (cont'd)

31 December 2016

32. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Credit Risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2016 RM	2015 RM
Singapore	1,148,530	3,291,797
Malaysia	16,860,715	18,120,790
Hong Kong	20,269	5,252
China	90,677	161,653
United States and others	2,192,398	4,662,898
	<u>20,312,589</u>	<u>26,242,390</u>

At the reporting date, approximately 70% (2015 : 73%) of the Group's trade receivables were due from 4 major customers which are multi-industry conglomerates located in Malaysia. Approximately 0.8% (2015 : 6.2%) of the Group's trade and other receivables were due from related parties.

(e) Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates which will affect the Group's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

33. FAIR VALUE

(a) Determination of fair value of financial instruments

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

	Note
Trade and other receivables	19
Trade and other payables	28

The carrying value of current financial assets and current financial liabilities of the Group approximate their values due to their short term nature whilst the carrying value of long term borrowings is estimated to be approximate the fair value estimated based on the current rates available for borrowing with the same maturity profile.

It is not practicable to estimate the fair values of amounts due from/to the holding and related companies principally due to a lack of fixed term of repayment term entered by the parties involved and without incurring excessive costs. However, the directors believe that the carrying amounts recorded at statements of financial position reflect the corresponding fair value.

Notes To The Financial Statements (cont'd)

31 December 2016

33. FAIR VALUE (CONT'D)

(b) Fair value hierarchy

The table below analyses recurring assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity 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.

(i) As at the reporting date, the Group and the Company held the following assets are measured and disclosed at fair value :

Group	Level 1 RM	Level 2 RM	Level 3 RM
2016			
Assets measured at fair value			
- short-term money market fund	8,305,200	-	-
Assets for which fair values are disclosed			
- investment properties (Note 15)	-	-	26,989,376
2015			
Assets measured at fair value			
- short-term money market fund	11,049,448	-	-
Assets for which fair values are disclosed			
- investment properties (Note 15)	-	-	27,549,500
Company			
2016			
Assets measured at fair value			
- short-term money market fund	2,684,171	-	-
2015			
Assets measured at fair value			
- short-term money market fund	5,605,870	-	-

Notes To The Financial Statements (cont'd)

31 December 2016

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value hierarchy (cont'd)

- (ii) Certain assets of Classic Advantage Sdn. Bhd. for which recoverable value is measured at fair value less cost to sell for the impairment assessment of investment in subsidiary and property, plant and equipment are set out below:

Group	Level 1 RM	Level 2 RM	Level 3 RM
2016			
Assets for which recoverable amount is measured at fair value			
- Long term leasehold land	-	-	5,552,033
- Buildings	-	-	18,216,678
- Plant and machinery	-	-	8,967,500
- Investment properties	-	-	26,989,376
2015			
Assets for which recoverable amount is measured at fair value			
- Property, plant and equipment *#	-	-	31,603,380
- Investment properties	-	-	27,549,500

* Value-in-use approach was utilised in 2015

includes long term leasehold land, building and plant and machinery

During the reporting year, there were no transfers between the various categories in the hierarchy of fair value measurement.

34. CAPITAL MANAGEMENT

The Group's policy is to maintain adequate capital base to maintain investors, creditors and market confidence and to sustain future development of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

35. SEGMENTAL REPORTING

(a) Business segments

The Group operates principally in Malaysia and in the manufacture of and sub-assembly of precision plastic parts and components and fabrication of precision moulds and dies. The Group's assets and liabilities are located in Malaysia.

The Group's operation is divided into local and export market. The local market relates to sales to customers within Malaysia who are non Licensed Manufacturing Warehouse ("LMW"). The export market relates to sales to LMW in Malaysia and overseas customers, with Singapore and United States of America being the principal market segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Notes To The Financial Statements (cont'd)

31 December 2016

35. SEGMENTAL REPORTING (CONT'D)

(a) Business segments (cont'd)

	Local		Export		Elimination		Note	Total	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM		2016 RM	2015 RM
Revenue:									
External customers	1,219,479	145,783	112,361,576	119,972,369	-	-		113,581,055	120,118,152
Inter-segment	579,000	559,028	-	-	(579,000)	(559,028)	A	-	-
Total revenue	1,798,479	704,811	112,361,576	119,972,369	(579,000)	(559,028)		113,581,055	120,118,152
Results:									
Interest income	2,362,675	2,740,584	844,409	374,843	-	(158,006)		3,207,084	2,957,421
Investment income	140,899	146,890	90,331	110,608	-	-		231,230	257,498
Depreciation and amortisation	(50,548)	(5,856)	(5,162,013)	(5,260,475)	(3,645)	-		(5,216,206)	(5,266,331)
Share of results of a joint venture	-	-	-	-	280,142	1,229,430		280,142	1,229,430
Gain on disposal of property, plant and equipment	1	4	329	53,423	-	-		330	53,427
Other non-cash gain	(3,557)	325	(16,505)	809,677	-	-	B	(20,062)	810,002
Segment profit	1,213,788	1,776,444	15,565,429	21,149,061	280,142	1,229,430	C	17,059,359	24,154,935
Assets:									
Investment in a joint venture	6,400,000	6,400,000	-	-	306,640	1,146,498		6,706,640	7,546,498
Addition to non-current assets	17,380	26,020	2,819,597	16,504,138	-	-	D	2,836,977	16,530,158
Segment assets	72,572,674	76,947,145	160,868,751	161,474,656	(491,959)	156,796	E	232,949,466	238,578,597
Segment liabilities	556,911	303,152	24,337,166	30,479,949	(545,040)	(724,588)	F	24,349,037	30,058,513

Notes To The Financial Statements (cont'd)

31 December 2016

35. SEGMENTAL REPORTING (CONT'D)

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

A Inter-segment revenues are eliminated on consolidation.

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

	2016 RM	2015 RM
Bad debts written off	-	(243,374)
Property, plant and equipment written off	(76,374)	(292,995)
Allowance for obsolete inventories	(520,408)	(20,787)
Net unrealised foreign exchange gain	576,720	1,367,158
	<u>(20,062)</u>	<u>810,002</u>

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

	2016 RM	2015 RM
Share of results of a joint venture	280,142	1,229,430

D Additions to non-current assets consist of:

	2016 RM	2015 RM
Property, plant and equipment	2,836,977	10,667,158
Deferred tax assets	-	5,863,000
	<u>2,836,977</u>	<u>16,530,158</u>

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position :

	2016 RM	2015 RM
Investment in a joint venture	306,640	1,146,498
Inter-segment assets	(798,599)	(989,702)
	<u>(491,959)</u>	<u>156,796</u>

F Inter-segment liabilities are eliminated on consolidation.

Notes To The Financial Statements (cont'd)

31 December 2016

35. SEGMENTAL REPORTING (CONT'D)

(b) Geographical Information

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

	Revenue		Non-current assets	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	91,990,482	88,050,126	82,832,714	86,622,175
Singapore	8,284,491	11,944,955	-	-
United States	6,138,682	10,251,458	-	-
Others	7,167,400	9,871,613	-	-
	<u>113,581,055</u>	<u>120,118,152</u>	<u>82,832,714</u>	<u>86,622,175</u>

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

	2016 RM	2015 RM
Property, plant and equipment	45,276,802	47,135,372
Investment properties	25,480,272	26,077,305
Investment in a joint venture	6,706,640	7,546,498
Deferred tax assets	5,369,000	5,863,000
	<u>82,832,714</u>	<u>86,622,175</u>

(c) Information About Major Customers

Revenue from two major customers amounting to RM66,562,939 (2015 : RM64,138,348) has been included in the export segment.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 March 2017.

Notes To The Financial Statements (cont'd)

31 December 2016

37. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group	
	2016 RM	2015 RM
Total retained earnings		
- Realised	105,335,390	99,893,304
- Unrealised	576,720	1,367,158
	<hr/> 105,912,110	<hr/> 101,260,462
Total share of retained earnings from joint venture		
- Realised	232,277	592,078
- Unrealised	74,363	554,420
	<hr/> 306,640	<hr/> 1,146,498
Less: Consolidation adjustments	(67,529,557)	(63,798,112)
Retained earnings as per financial statements	<hr/> 38,689,193	<hr/> 38,608,848
	Company	
	2016 RM	2015 RM
Total retained earnings		
- Realised	<hr/> 6,179,805	<hr/> 8,577,947

Analysis Of Shareholdings

As At 28 February 2017

SHARE CAPITAL

Issued and fully paid-up capital : 360,000,000 shares equivalent to RM72,000,000
Class of shares : Ordinary shares

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of Shareholders	Percentage of Shareholders	No. of shares Held	Percentage of Issued capital
1 - 99	71	1.701	3,283	0.00
100 - 1,000	651	15.600	389,050	0.108
1,001 - 10,000	2,085	49.964	11,224,840	3.118
10,001 - 100,000	1,219	29.211	38,628,940	10.730
100,001 to less than 5% of the issued shares	146	3.498	55,458,244	15.405
5% and above of issued shares	1	0.023	254,295,643	70.637
	4,173	100.00	360,000,000	100.00

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 28 FEBRUARY 2017

Name of Directors	Direct Interest	%	Indirect Interest	%
1. Datuk Muhammad Feisol Bin Haji Hassan	186,180 [#]	0.05	-	-
2. Tam Wai	366,000	0.10	254,295,643 [^]	70.64
3. Ho Nee Kit	369,120	0.10	254,295,643 [^]	70.64
4. Ching Heng Yang	300,000	0.08	254,295,643 [^]	70.64
5. Hew Lien Lee	3,031,524	0.84	-	-
6. Ong Seng Pheow	114,000	0.03	-	-
7. Teh Bee Tein	-	-	-	-

Notes:

[#] 60,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd

[^] Deemed interested by virtue of indirect shareholdings in Fu Yu Investment Pte Ltd

Shareholdings in related corporation as at 28 February 2017 is the same as disclosed in the Directors' Report as at 31 December 2016.

Analysis Of Shareholdings (cont'd)

As At 28 February 2017

LIST OF TOP 30 HOLDERS AS AT 28 FEBRUARY 2017

No.	Name Of Shareholders	No. of Shares	%
1.	FU YU INVESTMENT PTE LTD	254,295,643	70.64
2.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	6,640,600	1.84
3.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND	6,327,000	1.76
4.	HEW LIEN LEE	3,031,524	0.84
5.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	2,300,000	0.64
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LIM KA KIAN (PB)	1,830,000	0.51
7.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	1,002,500	0.28
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI BOON CHAI	950,000	0.26
9.	YONG YEN CHOY @ YONG YEN LOON	920,000	0.26
10.	KAF TRUSTEE BERHAD KIFB FOR THE INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES MALAYSIA	860,000	0.24
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG ASIA-PACIFIC DIVIDEND FUND	833,000	0.23
12.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG BALANCED FUND	730,000	0.20
13.	TAN KA LIAN	646,500	0.18
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HOO YEEK FOO	605,600	0.17
15.	ISMAIL BIN MUSTAFA @ MUSTAM	600,000	0.17
16.	GAPURNA SDN BHD	571,020	0.16
17.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	518,200	0.14
18.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN OIY POW (8045795)	500,000	0.14
19.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAWARIA SDN BHD	500,000	0.14
20.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG HONG CHAI	500,000	0.14

Analysis Of Shareholdings (cont'd)

As At 28 February 2017

LIST OF TOP 30 HOLDERS AS AT 28 FEBRUARY 2017 (CONT'D)

No.	Name Of Shareholders	No. of Shares	%
21.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEH LEAN HOE	470,000	0.13
22.	TUNG LIAN SENG	436,800	0.12
23.	RHB NOMINEES (TEMPATAN) SDN BHD LEE NGEE MOI	436,300	0.12
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE WAH @ WONG MOK CHOON (SS2 PJ-CL)	434,700	0.12
25.	PHUA TIAN CHOW	421,900	0.12
26.	LAW KING YONG	420,000	0.12
27.	RAMESH A/L SARAVANAMUTHU	400,000	0.11
28.	LIM SHUK JING	351,000	0.10
29.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD-AMANAH SAHAM KEDAH	350,000	0.10
30.	ONG BOK LIM	350,000	0.10

SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2017

Name	Direct Interest	%	Indirect Interest	%
1. Fu Yu Investment Pte Ltd	254,295,643	70.64	-	-
2. Fu Yu Corporation Limited	-	-	254,295,643*	70.64
3. Tam Wai	366,000	0.10	254,295,643@	70.64
4. Ching Heng Yang	300,000	0.08	254,295,643@	70.64
5. Ho Nee Kit	369,120	0.10	254,295,643@	70.64

Notes:

* Deemed interested by virtue of direct shareholding in Fu Yu Investment Pte Ltd ("FYI")

@ Deemed interested by virtue of indirect shareholding in FYI

PROXY FORM

LCTH CORPORATION BHD (633871-A)
(Incorporated in Malaysia)



*I/*We _____

of _____

being a member/members of **LCTH CORPORATION BERHAD** hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and / or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

or *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Thirteenth Annual General Meeting of the Company to be held on Thursday, 27 April 2017 at 1.00 p.m. and at any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below:-

Agenda	Resolution	For	Against
To approve a final dividend of 1.5 sen per share for the financial year ended 31 December 2016.	1		
To re-elect the following Directors retiring pursuant to Article 101 of the Company's Articles of Association:- (i) Hew Lien Lee (ii) Ching Heng Yang	2 3		
To re-appoint Datuk Muhammad Feisol Bin Haji Hassan as Director of the Company	4		
To approve the meeting allowances	5		
To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	6		
To approve the continuation in office of Datuk Muhammad Feisol Bin Haji Hassan as Independent Non-Executive Director.	7		
To approve the continuation in office of Mr Ong Seng Pheow as Independent Non-Executive Director.	8		
To approve the Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature.	9		

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion].

Dated this _____ day of _____ 2017

NUMBER OF SHARES HELD

[Signature/Common Seal of Shareholder(s)]

[*Delete if not applicable]

NOTES:-

1. A member of the company who is entitled to attend and vote at this meeting is entitled to appoint a proxy or in the case of a corporation a duly authorised representative to attend and to vote in his stead.
2. A member may appoint more than 2 proxies to attend and the proxies shall not be valid unless the member specifies the proportion of his securities holdings to be represented by each proxy.
3. The instrument appointing proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation under its common seal or the hand of its attorney.
4. The instrument appointing a proxy shall be left at the Share Registrar of the Company at 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, Wilayah Persekutuan at least 48 hours before the time appointed for the holding of the meeting or adjourned meeting.
5. Depositors who appear in the Record of Depositors as at 18 April 2017 shall be regarded as Member of the Company entitled to attend the Thirteenth Annual General Meeting or appoint a proxy to attend and vote on his behalf.



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