

## STATEMENT OF CORPORATE GOVERNANCE PENYATA TADBIR URUS KORPORAT

This Statement on Corporate Governance is presented to explain the corporate governance practices and how the principles and the recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) have been applied during the financial year ended 31 December 2016.

### INTRODUCTION

The Board of Directors is committed in ensuring that the highest standards of corporate governance are observed and practiced throughout the Group as a means of managing the business and affairs of the Group with integrity and professionalism with the objective of safeguarding shareholders' investment and enhancing shareholders' value. The Board fully supports the recommendations of MCCG 2012.

The Board is pleased to report below the manner in which it has applied the principles of the MCCG 2012 and the extent of its compliance with the recommendations throughout financial year ended 31 December 2016.

### A. THE BOARD OF DIRECTORS

An effective and experienced Board consisting of members from diverse professional backgrounds with a wide range of business and financial experience relevant to lead and control the Group.

The matters include the review on the Company's and Group's overall strategic plans and financial performance, new investment and financing decisions and Group business restructuring.

The Board has delegated specific responsibilities to two sub-committees, namely Audit and Nomination & Remuneration (NRC). All the committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decisions on all matters however lies entirely with the Board.

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Penyata Tadbir Urus Korporat dibentangkan untuk menerangkan tentang amalan tadbir urus korporat dan bagaimana prinsip dan cadangan Kod Tadbir Urus Korporat Malaysia 2012 (MCCG 2012) telah diaplikasikan dalam tahun kewangan berakhir 31 Disember 2016.

### PENGENALAN

Lembaga Pengarah komited dalam memastikan agar tahap tadbir urus korporat tertinggi sentiasa dipatuhi dan diamalkan di seluruh Kumpulan sebagai kaedah untuk menguruskan perniagaan dan hal-ehwal Kumpulan dengan integriti dan bermatlamat untuk melindungi pelaburan dan mempertingkatkan nilai pemegang saham. Lembaga Pengarah menyokong sepenuhnya saranan yang terkandung dalam MCCG 2012.

Lembaga Pengarah dengan sukacitanya melaporkan bagaimana penggunaan prinsip-prinsip MCCG 2012 dan tahap pematuhannya kepada cadangan sepanjang tahun kewangan berakhir 31 Disember 2016.

### A. LEMBAGA PENGARAH

Lembaga Pengarah yang efektif serta berpengalaman yang terdiri daripada ahli-ahli dari pelbagai latar belakang profesional dengan pengalaman perniagaan dan kewangan yang luas sesuai untuk memimpin dan mengawal Kumpulan.

Perkara-perkara tersebut termasuk semakan ke atas perancangan strategik keseluruhan Syarikat dan Kumpulan dan prestasi kewangan, pelaburan baru dan keputusan pembiayaan dan penstrukturan semula perniagaan Kumpulan.

Lembaga Pengarah telah mengagihkan tanggungjawab khusus kepada dua Jawatankuasa kecil, iaitu Audit dan Pemilihan & Imbuhan (NRC). Kesemua Jawatankuasa mempunyai kuasa untuk menilai sesuatu isu dan melapor semula ke Lembaga Pengarah berserta cadangan. Tanggungjawab muktamad untuk keputusan muktamad mengenai semua perkara adalah terletak sepenuhnya dengan Lembaga Pengarah.

**STATEMENT OF CORPORATE GOVERNANCE** (continued)**PENYATA TADBIR URUS KORPORAT** (sambungan)**MEETINGS OF DIRECTORS**

The Board meets at least once every quarterly interval with additional meetings are convened when necessary. All Board meetings for the Company and Group were scheduled in advance, prior to the commencement of the financial year through the Annual Corporate Diary. During the financial year ended 31 December 2016, five (5) Board meetings were held. Set out below is the record of attendance of the Board members.

<b>Name of Directors</b>	<b>Attendance</b>	<b>Percentage</b>
YB Dato' Haji Muhammad Pehimi bin Yusof (Appointed w.e.f 1/7/2016)	2/2	100%
Tuan Haji Jusoh bin Ali	5/5	100%
YB Dato' Sabri bin Mohd Noor	3/5	60%
YBhg Dato' Haji Mohamad Nor bin Ibrahim	5/5	100%
Encik Rosli bin Abd Rahman	5/5	100%
Encik Zainudin bin Abu Bakar (Appointed w.e.f 1/7/2016)	2/2	100%
YB Dato' Haji A. Rahman bin Yahya (Appointed w.e.f 22/2/2017)	-/-	-/-
YB Dato' Haji Wan Nawawi bin Haji Wan Ismail (Resigned w.e.f 22/2/2017)	3/5	60%
YBhg Dato' Sri Haji Abdul Rahman bin Bakar (Resigned w.e.f 1/7/2016)	3/3	100%
YBhg Dato' Haji Osman bin Muda (Resigned w.e.f 1/7/2016)	0/3	0%

**MESYUARAT PENGARAH**

Lembaga Pengarah bermesyuarat sekali pada setiap suku tahunan dengan mesyuarat tambahan diadakan jika perlu. Kesemua mesyuarat Lembaga Pengarah Syarikat dan Kumpulan telah dijadualkan lebih awal, sebelum bermulanya tahun kewangan melalui Diari Korporat Tahunan. Dalam tahun kewangan berakhir 31 Disember 2016, lima (5) mesyuarat Lembaga Pengarah telah diadakan. Berikut adalah rekod kehadiran ahli-ahli Lembaga Pengarah.

<b>Nama Pengarah</b>	<b>Kehadiran</b>	<b>Peratusan</b>
YB Dato' Haji Muhammad Pehimi bin Yusof (Dilantik pada 1/7/2016)	2/2	100%
Tuan Haji Jusoh bin Ali	5/5	100%
YB Dato' Sabri bin Mohd Noor	3/5	60%
YBhg Dato' Haji Mohamad Nor bin Ibrahim	5/5	100%
Encik Rosli bin Abd Rahman	5/5	100%
Encik Zainudin bin Abu Bakar (Dilantik pada 1/7/2016)	2/2	100%
YB Dato' Haji A. Rahman bin Yahya (Dilantik pada 22/2/2017)	-/-	-/-
YB Dato' Haji Wan Nawawi bin Haji Wan Ismail (Meletak jawatan pada 22/2/2017)	3/5	60%
YBhg Dato' Sri Haji Abdul Rahman bin Bakar (Meletak jawatan pada 1/7/2016)	3/3	100%
YBhg Dato' Haji Osman bin Muda (Meletak jawatan pada 1/7/2016)	0/3	0%

**BOARD BALANCE**

During the period under review, the Board has seven members, comprising three (3) Independent Non-Executive Directors and four (4) Non-Independent Non-Executive Directors that includes the Chairman.

YBhg Dato' Sri Haji Abdul Rahman bin Bakar who was appointed as the Chairman of the Company on 9 January 2014 has resigned on 1 July 2016. Following his resignation, YB Dato' Haji Muhammad Pehimi bin Yusof was appointed as the Chairman of the Company and also appointed as Chairman of Nomination & Remuneration Committee of the Company with effect from the same date.

YBhg Dato' Haji Osman bin Muda and YB Dato' Haji Wan Nawawi bin Haji Wan Ismail have resigned as Director of the Company with effect from 1 July 2016 and 22 February 2017 respectively.

Encik Zainudin bin Abu Bakar was appointed as Independent Non-Executive Director of the Company with effect on 1 July 2016 and appointed as a member of Nomination & Remuneration Committee on 30 August 2016.

YB Dato' Haji A. Rahman bin Yahya was appointed as Non Independent Non-Executive Director of the Company on 22 February 2017 and also appointed as member of Audit Committee of the Company with effect from the same date.

A brief description of the background of each Director is presented on pages 22 to 25 in this Annual report.

**INDEPENDENT DIRECTOR**

The Board is of the opinion that present number of independent directors is adequate to ensure the balance of power and authority on the Board. Though Independent Non-Executive Director do not form part of majority of the Board members, their independent opinion, advice and judgement are essential in arriving unbiased decision making by the Board and thus plays a key role in corporate accountability.

The Independent Directors are not members of management (Non-Executive Directors) and are free of any relationship that would interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and are in tandem with the definition of an Independent Director as set out in Section 1.01 of the Listing Requirements. The Board complies with paragraph 15.02 of the Listing Requirements, which requires that at least two or one-third of the Board of Directors of the Company, whichever is higher, are Independent Directors.

**KESEIMBANGAN LEMBAGA**

Dalam tempoh yang dinyatakan, Lembaga Pengarah mempunyai tujuh orang ahli, terdiri daripada tiga (3) Pengarah Bebas Bukan Eksekutif dan empat (4) Pengarah Bukan Bebas Bukan Eksekutif termasuk Pengerusi.

YBhg Dato' Sri Haji Abdul Rahman bin Bakar yang telah dilantik sebagai Pengerusi berkuatkuasa pada 9 Januari 2014 telah meletakkan jawatan pada 1 Julai 2016. Lanjutan daripada perletakan jawatan beliau, YB Dato' Haji Muhammad Pehimi bin Yusof telah dilantik sebagai Pengerusi Syarikat dan juga dilantik sebagai Pengerusi Jawatankuasa Pemilihan & Imbuhan berkuatkuasa pada tarikh yang sama.

YBhg Dato' Haji Osman bin Muda dan YB Dato' Haji Wan Nawawi bin Haji Wan Ismail telah meletak jawatan sebagai Pengarah Syarikat masing-masing berkuatkuasa pada 1 Julai 2016 dan 22 Februari 2017.

Encik Zainudin bin Abu Bakar telah dilantik sebagai Pengarah Bebas Bukan Eksekutif berkuatkuasa pada 1 Julai 2016 dan juga dilantik sebagai ahli Jawatankuasa Pemilihan & Imbuhan pada 30 Ogos 2016.

YB Dato' Haji A. Rahman bin Yahya telah dilantik sebagai Pengarah Bukan Bebas Bukan Eksekutif berkuatkuasa pada 22 Februari 2017 dan juga dilantik sebagai ahli Jawatankuasa Audit berkuatkuasa pada tarikh yang sama.

Keterangan ringkas mengenai latar belakang setiap Pengarah dibentangkan di mukasurat 22 hingga 25 dalam Laporan Tahunan ini.

**PENGARAH BEBAS**

Lembaga Pengarah berpendapat bahawa jumlah pengarah bebas pada masa ini adalah mencukupi untuk memastikan keseimbangan kuasa dan autoriti dalam Lembaga Pengarah. Walaupun Pengarah Bebas Bukan Eksekutif bukan merupakan majoriti ahli Lembaga Pengarah, pendapat mereka yang bebas, nasihat dan pertimbangan mereka adalah penting dalam membuat keputusan yang tidak berat sebelah oleh Lembaga dan dengan itu memainkan peranan penting dalam kebertanggungjawaban korporat.

Pengarah Bebas adalah bukan ahli pengurusan (Pengarah Bukan Eksekutif) dan bebas dari sebarang pertalian yang akan menghalang pelaksanaan pertimbangan bebas atau kebolehan untuk bertindak demi kepentingan terbaik Syarikat dan adalah sejajar dengan definisi Pengarah Bebas sebagaimana yang termaktub dalam Seksyen 1.01 Keperluan Penyenaiaan. Lembaga Pengarah mematuhi para 15.02 Keperluan Penyenaiaan, yang memerlukan sekurang-kurangnya dua atau satu pertiga daripada Lembaga Pengarah Syarikat, yang mana lebih tinggi, adalah Pengarah Bebas.

## STATEMENT OF CORPORATE GOVERNANCE (continued)

### PENYATA TADBIR URUS KORPORAT (sambungan)

#### SEPARATION OF FUNCTION BETWEEN BOARD AND MANAGEMENT

The Position Description of the Chairman and CEO were developed and approved by the Board in compliance to the MCCG 2012.

There is a clear division of responsibility between the Chairman and the CEO to ensure that there is balance of power and authority. The Board is led by YB Dato' Haji Muhammad Pehimi bin Yusof, who is primarily responsible for the orderly conduct and working of the Board. The Executive Management is led by Encik Mohd Adawi @ Ton Mohd Ali bin Ton Omar. The CEO is responsible for the efficient and effective management of the business and operations of the Company and the implementation of the Board policies and decisions.

The presence of more than two-third (2/3) of Non-Executive Directors is essential in order to safeguard the interest of other parties, such as minority shareholders, employees, creditors and others and to provide an independent view to the Board.

The Board has also approved the Directors' Code of Ethics in order to provide clear understanding of Director's responsibility in discharging his duties to the stakeholders of the Group. A copy of the Directors' Code of Ethics is given to each Director upon his appointment to the Board.

#### SUPPLY OF INFORMATION TO THE BOARD

Prior to the Board meetings, all Directors receive Board papers containing information relevant to the business of the meeting, in a form and of a quality appropriate to facilitate an informed decision making process. The papers are issued in a sufficient time to enable the Directors to obtain further information and explanations, where necessary, in order to be briefed properly and are able to fully participate in such meetings.

The Board papers include, among others, the following details:

- Minutes of previous Board meeting (s);
- Quarterly performance report of the Group;
- Quarterly financial statements to Bursa Malaysia Securities Berhad; and
- Major operational, financial and corporate issues.

Management representatives will be invited to attend all Board meetings to provide additional insight on the matters to be discussed.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are adhered to.

The Directors may, whether as a full Board or in their individual capacity, take independent advice, where necessary, in furtherance of their duties at the Company's expense.

#### PEMBAGIAN TUGAS ANTARA LEMBAGA PENGARAH DAN PENGURUSAN

Deskripsi Kedudukan Pengerusi dan Ketua Pegawai Eksekutif telah diwujudkan dan diluluskan oleh Lembaga Pengarah bagi mematuhi peruntukan MCCG 2012.

Terdapat pembahagian tanggungjawab yang nyata antara Pengerusi dan CEO untuk memastikan terdapat keseimbangan kuasa dan autoriti. Lembaga Pengarah diketuai oleh YB Dato' Haji Muhammad Pehimi bin Yusof, yang bertanggungjawab terutamanya berhubung dengan aturan perjalanan dan kerja-kerja Lembaga Pengarah. Pengurusan Eksekutif diketuai oleh Encik Mohd Adawi @ Ton Mohd Ali bin Ton Omar. CEO bertanggungjawab terhadap kecekapan dan keberkesanan pengurusan perniagaan dan operasi Syarikat serta pelaksanaan polisi-polisi dan keputusan Lembaga Pengarah.

Komposisi lebih dari dua per tiga (2/3) Pengarah-pengarah Bukan Eksekutif adalah penting dalam melindungi kepentingan pihak-pihak lain, seperti pemegang saham minoriti, kakitangan, pemiutang dan lain-lain serta untuk memberi pandangan yang bebas kepada Lembaga.

Lembaga Pengarah juga telah meluluskan Kod Etika Pengarah bagi memberi kefahaman yang jelas tentang tanggungjawab Pengarah dalam melaksanakan tugas kepada pihak-pihak berkepentingan dalam Kumpulan. Satu salinan Kod Etika Pengarah diberikan kepada setiap Pengarah ketika perlantikan mereka sebagai Ahli Lembaga Pengarah dibuat.

#### BEKALAN MAKLUMAT KEPADA LEMBAGA

Sebelum mesyuarat Lembaga, semua Pengarah menerima kertas kerja Lembaga yang mengandungi maklumat berkaitan urusan mesyuarat, dalam bentuk dan kualiti yang sesuai bagi membantu proses membuat keputusan. Kertas kerja dikeluarkan dengan memberi masa yang mencukupi untuk membolehkan para Pengarah memperolehi maklumat selanjutnya dan penjelasan, jika perlu, supaya mereka memperolehi maklumat yang sewajarnya dan berupaya mengambil bahagian sepenuhnya dalam mesyuarat. Antara lain, kertas kerja Lembaga Pengarah termasuk butiran berikut:

- Minit-minit mesyuarat Lembaga Pengarah yang lepas;
- Laporan prestasi sukan tahunan Kumpulan;
- Penyata kewangan sukan tahunan ke Bursa Malaysia Securities Berhad; dan
- Isu-isu utama operasi, kewangan dan korporat.

Wakil pengurusan akan dijemput untuk menghadiri semua mesyuarat Lembaga bagi memberi penerangan tambahan ke atas perkara-perkara yang akan dibincangkan.

**APPOINTMENTS TO THE BOARD**

**NOMINATION & REMUNERATION COMMITTEE**

The Nomination & Remuneration Committee (NRC) comprised of the following members during the year under review:

<b>Name of Directors</b>	<b>Attendance</b>	<b>Percentage</b>
YB Dato' Haji Muhammad Pehimi bin Yusof (Appointed w.e.f 1/7/2016)	1/1	100%
Tuan Haji Jusoh bin Ali	3/3	100%
Encik Rosli bin Abd Rahman	3/3	100%
Encik Zainudin bin Abu Bakar (Appointed w.e.f 30/8/2016)	-/-	-/-
YBhg Dato' Sri Haji Abdul Rahman bin Bakar (Resigned w.e.f 1/7/2016)	2/2	100%
YBhg Dato' Haji Osman bin Muda (Resigned w.e.f 27/1/2016)	-/-	-/-

The Committee had convened three (3) meetings during the period under review. All the members are Non-Executive with three (3) Independent Directors.

Semua Pengarah boleh mendapatkan nasihat dan khidmat Setiausaha Syarikat yang bertanggungjawab untuk memastikan prosedur-prosedur Lembaga dipatuhi.

Pengarah, samada sebagai sebuah Lembaga atau dalam kapasiti persendirian, boleh mendapatkan nasihat bebas jika perlu, dalam menjalankan tugas mereka dengan perbelanjaan ditanggung oleh Syarikat.

**PELANTIKAN LEMBAGA PENGARAH**

**JAWATANKUASA PEMILIHAN & IMBUHAN**

Jawatankuasa Pemilihan & Imbuhan dianggotai oleh ahli-ahli berikut dalam tahun semasa:

<b>Nama Pengarah</b>	<b>Kehadiran</b>	<b>Peratusan</b>
YB Dato' Haji Muhammad Pehimi bin Yusof (Dilantik pada 1/7/2016)	1/1	100%
Tuan Haji Jusoh bin Ali	3/3	100%
Encik Rosli bin Abd Rahman	3/3	100%
Encik Zainudin bin Abu Bakar (Dilantik pada 30/8/2016)	-/-	-/-
YBhg Dato' Sri Haji Abdul Rahman bin Bakar (Meletak jawatan pada 1/7/2016)	2/2	100%
YBhg Dato' Haji Osman bin Muda (Meletak jawatan pada 27/1/2016)	-/-	-/-

Jawatankuasa telah bermesyuarat tiga (3) kali dalam tempoh semasa. Semua ahli adalah Bukan Eksekutif dengan tiga (3) Pengarah Bebas.

## STATEMENT OF CORPORATE GOVERNANCE (continued)

### PENYATA TADBIR URUS KORPORAT (sambungan)

The Nomination & Remuneration Committee are entrusted to oversee the appointment of Directors and key management personnel, the Board and Management Remuneration Framework and the assessment of the performance of the individual Directors, Board, Board Committees and key management personnel of the Company and Group. The primary function of the Committee with regards to the nomination role includes the following:

- To access and recommend new Directors to the Board;
- To review annually the mix of skills and experience, and other qualities, including core competencies, which Non-Executive Directors should contribute to the Board;
- To implement formal appraisal process for the evaluation of the effectiveness of the Board as a whole, the committees of the Board and the individual contribution of each Board member.

The Committee has conducted assessment of the performance of individual Directors of the Group during the period under review with the objectives to improve the Board's effectiveness and to enhance the director's awareness on the key areas that need to be addressed and assessed the eligibility to be re-elected as Group Directors whom retire by rotation prior to the Annual General Meetings of the Company and Group.

### DIRECTORS' TRAINING

The Directors of the Company have attended various courses and seminars to further enhance their business acumen and knowledge in executing their duties as Directors.

All members of the Board are encouraged to enrol in relevant continuous education programmes to keep abreast with the industry development as well as current changes in laws and regulations. The Board recognises the importance of continuous education for its Directors to ensure they are continually equipped with the necessary skills and knowledge to meet the challenges of the Board from time to time.

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Jawatankuasa Pemilihan & Imbuhan telah diamanahkan untuk meneliti pelantikan Pengarah-pengarah dan kakitangan kanan pengurusan, Kerangka Imbuhan Lembaga dan Pengurusan dan penilaian prestasi individu Pengarah, Lembaga dan Jawatankuasa Lembaga serta kakitangan kanan pengurusan Syarikat dan Kumpulan. Fungsi utama Jawatankuasa berhubung peranan pemilihan adalah seperti berikut:

- Untuk menilai dan mengesyorkan Pengarah-pengarah baru ke Lembaga;
- Untuk mengkaji secara tahunan, campuran kemahiran dan pengalaman, dan kualiti-kualiti lain termasuk kecekapan teras, di mana Pengarah-pengarah Bukan Eksekutif seharusnya menyumbang kepada Lembaga;
- Untuk melaksanakan proses penilaian rasmi terhadap penilaian kecekapan Lembaga secara menyeluruh, Jawatankuasa-jawatankuasa Lembaga dan sumbangan individu setiap ahli Lembaga.

Jawatankuasa telah melaksanakan penilaian prestasi setiap Pengarah bagi Kumpulan sepanjang tempoh kajian dengan objektif untuk meningkatkan keberkesanan Lembaga Pengarah dan untuk meningkatkan kesedaran pengarah terhadap bidang utama yang perlu ditangani dan menilai kelayakan untuk dipilih semula sebagai Pengarah-pengarah Kumpulan yang akan bersara menurut giliran sebelum Mesyuarat Agung Tahunan Syarikat dan Kumpulan.

### LATIHAN PENGARAH

Pengarah-pengarah Syarikat telah menghadiri pelbagai kursus dan seminar bagi mempertingkatkan ketajaman fikiran berhubung perniagaan dan pengetahuan dalam melaksanakan tugas mereka sebagai Pengarah.

Semua ahli Lembaga Pengarah adalah digalakkan untuk mendaftar dalam program berkaitan latihan berterusan agar sentiasa mengikuti perkembangan industri serta perubahan semasa dalam undang-undang dan peraturan. Lembaga Pengarah memperakui kepentingan latihan berterusan bagi Pengarah untuk memastikan mereka sentiasa dilengkapi dengan kemahiran dan pengetahuan yang diperlukan untuk menghadapi cabaran sebagai Lembaga Pengarah dari masa ke semasa.

All members of the Board have attended the Mandatory Accreditation Programme (MAP) as prescribed by the Main Listing Requirements (LR) of Bursa Malaysia Securities Berhad. There is a familiarisation programme for new Board members including seminar, conference and visits to the Group's factories and meeting with senior management, to facilitate their understanding of the Group business. Conferences and seminars attended by directors in year 2016 were as follows:-

- Audit Committee Conference 2016
- National Conference 2016 – Navigate Waves of the Digital Revolution
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- 39<sup>th</sup> Public Service Games and 8<sup>th</sup> Joint Seminar Programme for Malaysia and Singapore
- Communication for Behavioural Impact (Comb) Convention

## RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

## B. DIRECTORS' REMUNERATION

### REMUNERATION PROCEDURE

The Nomination & Remuneration Committee recommends to the Board the framework of the executive remuneration and its cost, including the remuneration package for the CEO which includes but not exhaustive of the basic salary, benefits in kind and service contract. The ultimate responsibility to approve the remuneration of the CEO lies entirely with the Board.

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Semua Pengarah telah menghadiri Program Akreditasi Mandatori (MAP) seperti yang ditetapkan oleh Keperluan Penyenaiaan Papan Utama Bursa Malaysia Securities Berhad. Terdapat program suai kenal untuk ahli-ahli Lembaga yang baru termasuk menghadiri seminar, persidangan, lawatan ke kilang-kilang Kumpulan dan perjumpaan dengan kakitangan pengurusan kanan, bagi membantu pemahaman mereka berhubung perniagaan Kumpulan. Persidangan dan kursus yang telah dihadiri oleh para Pengarah bagi tahun 2016 adalah seperti berikut:

- Audit Committee Conference 2016
- National Conference 2016 – Navigate Waves of the Digital Revolution
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- 39<sup>th</sup> Public Service Games and 8<sup>th</sup> Joint Seminar Programme for Malaysia and Singapore
- Communication for Behavioural Impact (Comb) Convention

## PELANTIKAN SEMULA

Bersesuaian dengan Tataurus Pertubuhan Syarikat, semua Pengarah yang dilantik oleh Lembaga adalah tertakluk kepada pemilihan oleh pemegang saham sebaik sahaja wujud peluang pertama selepas pelantikan mereka. Tataurus tersebut turut menyatakan sekurang-kurangnya satu per tiga (1/3) dari Pengarah yang masih ada adalah tertakluk kepada pelantikan semula menurut giliran pada setiap Mesyuarat Agung Tahunan. Semua Pengarah akan bersara dari jawatan sekurang-kurangnya sekali dalam setiap tiga (3) tahun tetapi layak untuk dilantik semula.

## B. IMBUHAN PENGARAH

### PROSEDUR IMBUHAN

Jawatankuasa Pemilihan & Imbuhan mencadangkan kerangka imbuhan eksekutif dan kosnya kepada lembaga, termasuk pakej imbuhan Ketua Pegawai Eksekutif yang merangkumi tetapi tidak terhad kepada gaji pokok, manfaat barangan dan kontrak perkhidmatan. Tanggungjawab muktamad untuk meluluskan imbuhan Ketua Pegawai Eksekutif terletak sepenuhnya pada Lembaga Pengarah.

## STATEMENT OF CORPORATE GOVERNANCE (continued)

### PENYATA TADBIR URUS KORPORAT (sambungan)

#### DIRECTORS' REMUNERATION

The remuneration of the CEO is structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Director, the remuneration reflects the level of responsibility and commitment. The remuneration of each Director is determined by the full Board in order to ensure that the Company attracts and retain the Directors needed to run the Company successfully.

The details of the remuneration of Directors for the financial year ended 31 December 2016 are as follows:

Category	Fees (RM'000)	Salaries, Bonus & Other Emoluments (RM'000)	Benefits in-kind (RM'000)	Total (RM'000)
Non-Executive Directors	197	286	-	483

The number of Directors whose remuneration falling within the following bands are:

Directors Remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Less than RM50,000	-	6
RM50,000 to RM100,000	-	1
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 and above	-	-

Directors' fee (if any) is tabled to the company's shareholders for approval at the company's Annual General Meeting.

#### IMBUHAN PENGARAH

Imbuan Ketua Pegawai Eksekutif dirangka untuk menghubungkan imbuan dengan prestasi korporat dan individu. Dalam kes Pengarah Bukan Eksekutif, imbuan menggambarkan tahap tanggungjawab dan komitmen. Imbuan setiap Pengarah ditentukan oleh Lembaga sepenuhnya bagi memastikan Syarikat dapat menarik dan mengekalkan Pengarah yang diperlukan untuk menjalankan Syarikat dengan jayanya

Butiran imbuan Pengarah-pengarah untuk tahun kewangan 31 Disember 2016 adalah sebagaimana berikut:

Kategori	Yuran (RM'000)	Gaji, Bonus & Emolument lain (RM'000)	Manfaat Barangan (RM'000)	Jumlah (RM'000)
Pengarah Bukan Eksekutif	197	286	-	483

Bilangan Pengarah yang imbuhan berada dalam lingkungan berikut:

Imbuan Pengarah	Bilangan Pengarah	
	Pengarah Eksekutif	Pengarah Bukan Eksekutif
Kurang dari RM50,000	-	6
RM50,000 ke RM100,000	-	1
RM100,001 ke RM150,000	-	-
RM150,001 ke RM200,000	-	-
RM200,001 dan ke atas	-	-

Yuran Pengarah (jika ada) akan dibentangkan kepada para pemegang saham syarikat untuk kelulusan di Mesyuarat Agung Tahunan Syarikat.



**C. SHAREHOLDERS****DIALOGUE BETWEEN THE COMPANY AND INVESTORS**

Apart from the Annual Report, the Annual General Meeting (AGM) is the principal form of dialogue with the shareholders. All shareholders are encouraged to attend the AGM and participate in its proceedings. Every opportunity is given to the shareholders to ask question and seek clarification on the business and performance of the Company and Group.

The Company also maintains a website at [www.goldenpharos.com](http://www.goldenpharos.com) from which the shareholders can access for financial and other pertinent information at all times. The company is currently in the process of redesigning the structure and format of the website to ensure easy access and more interactive to all the users.

**D. ACCOUNTABILITY AND AUDIT**

The Board aims to present a balanced and understandable assessment of the Company's and Group's position and prospects, primarily through the annual financial statements, quarterly announcements of results to the shareholders as well as the Chairman's Statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of its financial reporting.

**STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS**

The Directors are required by the Company's Act 2016 to prepare financial statements for each financial year, which have been made out in accordance with the applicable approved accounting standards. The financial statements shall give a true and fair view of the state of affairs of the Company and Group at the end of the financial year, and the results and cash flows of the Company and the Group for the financial year.

**STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

The Audit Committee provides recommendation to the Board concerning the Group's Risk profile. The Board delegates the authority to the Audit Committee which encompasses risk management strategy within the Group including compliance to the Group's Risk Management Framework. The Board has overall responsibility for the Company's internal control system. Through the Audit Committee, the Board reviews the adequacy and integrity of the internal control systems including risk management and recommends improvement, if any.

The Statement on Risk Management and Internal Control is set out in pages 47 to 49 in this Annual Report which provides an overview of the state of internal control and risk management practices within the Group.

**C. PEMEGANG SAHAM****DIALOG DI ANTARA SYARIKAT DAN PARA PELABUR**

Selain dari Laporan Tahunan, Mesyuarat Agung Tahunan adalah pentas utama dialog dengan pemegang saham. Semua pemegang saham adalah digalakkan untuk menghadiri Mesyuarat Agung Tahunan dan mengambil bahagian dalam perjalanannya. Peluang sentiasa diberikan kepada pemegang saham untuk menanyakan soalan dan meminta penjelasan berhubung perniagaan dan prestasi Syarikat serta Kumpulan.

Syarikat turut menyediakan laman sesawang di [www.goldenpharos.com](http://www.goldenpharos.com) di mana para pemegang saham boleh melayarinya untuk mendapat maklumat kewangan dan lain-lain maklumat yang penting pada setiap masa. Ketika ini syarikat sedang dalam proses merekabentuk struktur dan format laman sesawang ini untuk memudahkan pengunjung memasukinya dan lebih interaktif kepada semua pengguna.

**D. KEBERTANGGUNGJAWABAN DAN AUDIT**

Lembaga Pengarah beriltizam untuk mengemukakan penilaian yang seimbang dan boleh difahami berhubung tahap dan prospek Syarikat dan Kumpulan, terutama sekali melalui penyata kewangan tahunan, pengumuman prestasi sukuan tahunan kepada pemegang saham dan juga Penyata Pengerusi dan tinjauan operasi dalam Laporan Tahunan. Lembaga Pengarah dibantu oleh Jawatankuasa Audit untuk mengawasi proses pelaporan kewangan Kumpulan dan kualiti laporan kewangan tersebut.

**PENYATA TANGGUNGJAWAB PENGARAH DALAM MENYEDIAKAN PENYATA KEWANGAN**

Lembaga Pengarah adalah dikehendaki oleh Akta Syarikat 2016 untuk menyediakan penyata kewangan bagi setiap tahun kewangan, yang disediakan berdasarkan piawaian perakaunan yang diterima pakai. Penyata kewangan harus memberikan gambaran yang benar dan saksama tentang kedudukan kewangan Kumpulan pada akhir tahun kewangan dan keputusannya serta aliran tunai Syarikat dan Kumpulan bagi tahun kewangan tersebut.

**PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN**

Jawatankuasa Audit memberikan cadangan kepada Lembaga berhubung dengan profil risiko Kumpulan. Lembaga mengagihkan kuasa kepada Jawatankuasa Audit yang merangkumi strategi pengurusan risiko dalam Kumpulan termasuk pematuhan kepada Kerangka Pengurusan Risiko Kumpulan. Lembaga Pengarah bertanggungjawab seluruhnya ke atas sistem kawalan dalaman Syarikat. Menerusi Jawatankuasa Audit, Lembaga menyemak kecukupan dan integriti sistem kawalan dalaman termasuk pengurusan risiko dan cadangan penambahbaikan, jika ada.

Penyata Pengurusan Risiko Dan Kawalan Dalaman dinyatakan di mukasurat 47 hingga 49 Laporan Tahunan ini yang memberi gambaran menyeluruh tentang keadaan kawalan dalaman dan amalan pengurusan risiko dalam Kumpulan.

## STATEMENT OF CORPORATE GOVERNANCE (continued)

### PENYATA TADBIR URUS KORPORAT (sambungan)

#### RELATIONSHIP WITH THE AUDITORS

The Audit Committee maintains a transparent relationship with the external auditor in seeking professional advice and ensuring compliance with applicable accounting standards and statutory requirements. The external auditors are invited to attend the Audit Committee and Board Meeting when the annual financial statement is considered.

#### MATERIAL CONTRACTS

During the year, there were no material contracts entered into by the Company and its subsidiaries (not being contracts entered into the ordinary course of business) involving directors and substantial shareholders.

#### HUBUNGAN DENGAN JURUAUDIT

Jawatankuasa Audit mengekalkan hubungan yang telus dengan juruaudit luar dalam mendapatkan nasihat profesional dan memastikan pematuhan kepada piawaian perakaunan yang digunakan dan keperluan berkanun. Juruaudit luar dijemput untuk menghadiri mesyuarat Jawatankuasa Audit dan Lembaga Pengarah bilamana laporan kewangan dipertimbangkan.

#### KONTRAK PENTING

Di sepanjang tahun semasa, tiada kontrak penting yang dibuat oleh Syarikat dan subsidiari-subsidiarinya (bukan kontrak yang dibuat dalam urusan biasa perniagaan) yang membabitkan para pengarah dan pemegang-pemegang saham utama.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN

The Board of Directors ("Board") acknowledges the importance of a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Set out below is the Board's statement about the state of risk management and internal control of the Group during the year. The statement accords with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SRMIC"), as referred to in Practice Note 9 - Internal Control and Corporate Governance Statement of the Main Market Listing Requirements and Guidance Note 11 - Internal Control and Corporate Governance Statement of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

### BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining sound internal control systems, and for reviewing the adequacy and integrity of those systems. The system of internal control covers risk management, financial, operational and compliance controls.

In view of the limitations that are inherent in any system of internal control, it is imperative to note that the systems are designed to mitigate rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer ("CEO") and the Group Finance Manager that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

### RISK MANAGEMENT

The Board subscribes to the fact that an effective risk management practice is a critical component of a sound system of risk management and internal control. Accordingly, the Board confirms that there is in place a formal and on-going process to identify, evaluate and manage significant risks faced by the Group that may impede the achievement of Group's objectives throughout the year and that a review on the adequacy and effectiveness of the risk management and internal control system has been undertaken.

The Group Risk Management Steering Committee ("GRMSC"), represented by divisional heads at head office, co-ordinates the implementation of the risk management process throughout the Group. The GRMSC had meetings to discuss Business Risk Scorecards, which outlines principal risks identified and relevant controls put in place, prepared by the working committee of each subsidiary company. The risk scorecards are consolidated and reported to the Audit Committee and the Board for review and endorsement.

Ahli Lembaga Pengarah ("Lembaga") mengakui kepentingan sistem kawalan dalaman yang utuh bagi melindungi pelaburan pemegang saham dan aset Kumpulan.

Di bawah ialah penyata Lembaga mengenai keadaan pengurusan risiko dan kawalan dalaman Kumpulan bagi tahun semasa. Penyata ini adalah sejajar dengan Penyata Pengurusan Risiko dan Kawalan Dalaman: Garispanduan untuk Pengarah-Pengarah Syarikat Awam Tersenarai, seperti yang dirujuk dalam Nota Amalan 9 - Kawalan Dalaman dan Penyata Tadbir Urus Korporat Keperluan Penyenaraian Pasaran Utama dan Nota Panduan 11 - Kawalan Dalaman dan Penyata Tadbir Urus Korporat Keperluan Penyenaraian Pasaran Ace Bursa Malaysia Securities Berhad ("Bursa Malaysia").

### TANGGUNGJAWAB LEMBAGA

Lembaga mengakui tanggungjawab keseluruhannya bagi mengekalkan sistem kawalan dalaman yang utuh, dan untuk menyemak kecukupan dan keutuhan sistem-sistem tersebut. Sistem kawalan dalaman adalah merangkumi kawalan pengurusan risiko, kewangan, kendalian dan pematuhan.

Mengambil kira sekatan-sekatan semulajadi dalam mana-mana sistem kawalan dalaman, adalah penting untuk menyatakan bahawa sistem ini adalah direka untuk mengurangkan dan bukannya menghapuskan risiko kegagalan mencapai matlamat perniagaan. Oleh itu, sistem tersebut hanya boleh memberi jaminan yang munasabah tetapi bukan sepenuhnya terhadap kesilapan yang ketara, kerugian atau penipuan.

Lembaga Pengarah telah menerima jaminan daripada Ketua Pegawai Eksekutif dan Pengurus Kewangan Kumpulan bahawa pengurusan risiko dan sistem kawalan dalaman Kumpulan beroperasi secukupnya dan berkesan, dalam semua aspek penting, berdasarkan pengurusan risiko dan sistem kawalan dalaman Kumpulan.

### PENGURUSAN RISIKO

Lembaga mengakui bahawa amalan pengurusan risiko yang berkesan adalah unsur yang penting bagi sesuatu sistem pengurusan risiko dan kawalan dalaman yang utuh. Justeru itu, Lembaga mengesahkan bahawa terdapat satu proses yang rasmi dan berterusan untuk mengenalpasti, menilai dan menguruskan risiko yang ketara yang dihadapi oleh Kumpulan yang boleh menghalang pencapaian matlamat Kumpulan sepanjang tahun semasa dan semakan mengenai kecukupan dan keberkesanan pengurusan risiko dan sistem kawalan dalaman telah dilaksanakan.

Jawatankuasa Pemandu Pengurusan Risiko ("GRMSC"), yang dianggotai oleh ketua-ketua bahagian di ibu pejabat, menyelaraskan pelaksanaan proses pengurusan risiko dalam Kumpulan. GRMSC mengadakan mesyuarat untuk membincangkan Kad Mata Risiko Perniagaan (Business Risk Scorecards), yang menggariskan risiko utama yang dikenalpasti dan kawalan yang berkaitan yang diwujudkan, yang disediakan oleh jawatankuasa kerja setiap syarikat subsidiari. Kad mata digabungkan dan dilaporkan kepada Jawatankuasa Audit dan Lembaga untuk semakan dan kelulusan.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

### PENYATA PENGURUSAN RISIKO DAN KAWALAN DALAMAN (sambungan)

Risk assessments are also carried out before committing resources to new projects and initiatives, identifying its impact on current operations and business objectives, which are reported in proposal papers to approving management and/or board committees.

#### OTHER KEY ELEMENTS OF INTERNAL CONTROL

The Board is committed to ensure that a proper control structure and environment is maintained within the Group in order to achieve a sound system of internal control. The Board has the following elements in place:-

- There is in place a clearly defined responsibility and authority of Board Committees. These committees report back to the Board with their recommendation for review and/or approval by the Board.
- The Group has an organisation structure that clearly defined lines of responsibility and delegation of authority to ensure proper identification of accountability and segregation of duties.
- Operating policies and procedures, which incorporate regulatory and internal requirements, are prescribed in Standard Operating Procedures and circulars. The documents are updated as and when necessary to meet the continually changing operational needs.
- The Board meets quarterly to review Group's operational and financial performance against approved budget, approve quarterly report to the Bursa Malaysia and deliberate on issues that require the Board approval. In addition, the Board is also updated on the changes in business environment that may adversely affect business performance and relevant actions taken.
- The CEO meets on a monthly basis with all divisional heads and business unit heads to review the Group's performance against budget, business issues including internal control matters and risk management.
- Annual budget is deliberated thoroughly between the management at head office and business unit level before tabling it to the Board for review, consideration and approval.

Penilaian risiko turut dijalankan sebelum membuat komitmen sumber kepada projek-projek dan inisiatif baru, mengenal pasti kesannya terhadap operasi semasa dan objektif perniagaan, yang dilaporkan dalam kertas cadangan untuk kelulusan jawatankuasa pengurusan dan/atau lembaga.

#### UNSUR KAWALAN DALAMAN UTAMA LAIN

Lembaga beriltizam untuk memastikan bahawa struktur kawalan dan persekitaran yang bersesuaian dikekalkan dalam Kumpulan bagi mencapai satu sistem kawalan dalaman yang utuh. Lembaga mempunyai unsur-unsur berikut:-

- Adalah wujud tanggungjawab dan bidangkuasa Jawatankuasa-Jawatankuasa Lembaga yang ditakrifkan secara jelas. Jawatankuasa-Jawatankuasa ini melaporkan cadangan-cadangan mereka kepada Lembaga untuk semakan dan/atau kelulusan.
- Kumpulan mempunyai struktur organisasi yang mentakrifkan dengan jelas sempadan tanggungjawab dan perwakilan kuasa bagi menjamin pengenalpastian kebertanggungjawaban dan pengasingan tugas yang sesuai.
- Polisi dan tatacara operasi yang mengandungi peraturan dan keperluan dalaman adalah ditentukan di dalam Piawaian Tatacara Operasi (Standard Operating Procedures) dan pekeliling. Dokumen-dokumen tersebut dikemaskini bila perlu bagi memenuhi keperluan operasi yang sentiasa berubah.
- Lembaga bermesyuarat setiap sukuan tahunan untuk menyemak operasi dan prestasi kewangan Kumpulan berbanding belanjawan yang diluluskan, meluluskan laporan sukuan tahunan kepada Bursa Malaysia dan membincangkan isu-isu yang memerlukan kelulusan Lembaga. Selain itu, Lembaga juga dikemaskini dengan perubahan dalam persekitaran perniagaan yang boleh memberi kesan buruk kepada prestasi perniagaan dan tindakan berkaitan yang diambil.
- Ketua Pegawai Eksekutif bermesyuarat secara bulanan dengan kesemua ketua bahagian dan unit perniagaan untuk menyemak prestasi Kumpulan berbanding belanjawan, isu-isu perniagaan termasuk perihal kawalan dalaman dan pengurusan risiko.
- Belanjawan tahunan dibincangkan secara terperinci di antara pihak pengurusan di ibu pejabat dan peringkat unit perniagaan sebelum dibentangkan kepada Lembaga untuk semakan, pertimbangan dan kelulusan.

- The Audit Committee, with the assistance of the Internal Audit Department provides an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system and advises management on areas that require improvement. The Internal audit unit also reviews the extent to which its recommendations have been accepted and implemented by the management.
- Internal audit reports are tabled at the Audit Committee meetings, who in turn reports to the Board its assessments and recommendations. Internal control deficiencies and issues highlighted are addressed by the management appropriately.

### CONCLUSION

The system of risk management and internal control described in this statement is considered by the Board to be adequate within the context of the business environment throughout the Group's businesses. The Board continues to take appropriate initiatives to enhance the internal control system to ensure that it remains relevant over time in the continually evolving business environment.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the year ended 31 December 2016. Based on their review, nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control to be included in the annual report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 21 February 2017.

- Jawatankuasa Audit, dengan bantuan Jabatan Audit Dalaman, menyediakan penilaian bebas terhadap kecukupan, kecekapan dan keberkesanan sistem kawalan dalaman Kumpulan dan menasihati pengurusan mengenai perkara-perkara yang memerlukan penambahbaikan. Unit audit dalaman juga menyemak sejauh mana cadangan-cadangannya diterima dan dilaksanakan oleh pihak pengurusan.
- Laporan audit dalaman dibentangkan di dalam mesyuarat Jawatankuasa Audit, yang kemudiannya melaporkan penilaian dan cadangannya kepada Lembaga. Kekurangan dalam kawalan dalaman dan isu-isu yang ditekankan adalah ditangani oleh pihak pengurusan dengan sewajarnya.

### KESIMPULAN

Sistem kawalan dalaman yang diterangkan dalam penyata ini adalah dianggap oleh Lembaga sebagai mencukupi dalam konteks persekitaran perniagaan keseluruhan Kumpulan. Lembaga sentiasa mengambil langkah-langkah bersesuaian untuk menambahbaik sistem kawalan dalaman bagi memastikan ia terus relevan mengikut masa dalam persekitaran perniagaan yang sentiasa berubah.

### SEMAKAN PENYATA OLEH JURUAUDIT LUAR

Juruaudit luar telah menyemak Penyata Pengurusan Risiko dan Kawalan Dalaman untuk dimasukkan ke dalam laporan tahunan bagi tahun berakhir 31 Disember 2016. Berdasarkan semakan mereka, tiada sebarang perkara yang ditemui yang menyebabkan mereka percaya bahawa Penyata Pengurusan Risiko dan kawalan dalaman yang akan dimasukkan ke dalam laporan tahunan tidak konsisten dengan pemahaman mereka terhadap proses yang diterima pakai Lembaga Pengarah dalam mengkaji kecukupan dan keberkesanan pengurusan risiko dan sistem kawalan dalaman Kumpulan.

Penyata ini dibuat selaras dengan resolusi Lembaga Pengarah bertarikh 21 Februari 2017.

## REPORT ON AUDIT COMMITTEE

### LAPORAN JAWATANKUASA AUDIT

#### MEMBERS AND MEETINGS

The Audit Committee comprises of three independent non-executive and one non-independent non-executive Directors of the Board. The Committee had five (5) meetings during the financial year. Details of the members and the attendance of the meetings are as follows:

	No. of Meetings Attended
<b>Tuan Haji Jusoh bin Ali</b> (Independent Non-Executive Chairman)	5/5
<b>YB Dato' Haji Wan Nawawi bin Wan Ismail</b> (Non-Independent Non-Executive Director)	3/5
<b>En. Rosli bin Abd Rahman</b> (Independent Non-Executive Director)	5/5

With effect from 22 February 2017, YB Dato' Haji Wan Nawawi bin Wan Ismail resigned as audit committee member in line with his resignation from the Board on the same date. While with effect from the same date, YB Dato' Haji A. Rahman bin Yahya, a Non-Independent Non-Executive, was appointed as audit committee member following his appointment to the Board.

The External Auditor was invited to attend the meeting when the annual financial statements was being tabled. The Internal Audit Head, the Chief Executive Officer, the Acting General Manager and the Group Finance Manager were in attendance at the meetings to table the internal audit reports and to present the performance results of the Company and the Group.

Other members of senior management of the Group attended some of these meetings upon invitation by the Chairman of the Committee.

#### SUMMARY OF ACTIVITIES

During the period, the Audit Committee carried out its duties as set out in the terms of reference. Other main issues discussed by the Audit Committee were as follows:

- Reviewed the Annual Audit Plan for the year 2016 to ensure adequate scope and coverage over the activities of the Group.
- Reviewed a total of six (6) internal audit reports presented by the Internal Audit Department on findings and recommendations with regards to system and control weaknesses noted in the course of their audit and management's response thereto and ensuring material findings are adequately addressed by management.

#### AHLI-AHLI DAN MESYUARAT

Jawatankuasa Audit terdiri daripada tiga orang pengarah bebas bukan eksekutif dan seorang pengarah bukan bebas bukan eksekutif. Jawatankuasa tersebut telah mengadakan lima (5) mesyuarat di sepanjang tahun kewangan. Maklumat ahli dan kehadiran mesyuarat adalah seperti berikut:

	Kehadiran Mesyuarat
<b>Tuan Haji Jusoh bin Ali</b> (Pengerusi Bebas Bukan Eksekutif)	5/5
<b>YB Dato' Haji Wan Nawawi bin Wan Ismail</b> (Pengarah Bukan Bebas Bukan Eksekutif)	3/5
<b>En. Rosli bin Abd Rahman</b> (Pengarah Bebas Bukan Eksekutif)	5/5

Berkuatkuasa dari 22 Februari 2017, YB Dato' Haji Wan Nawawi bin Wan Ismail telah meletak jawatan sebagai ahli jawatankuasa audit selaras dengan peletakan jawatan beliau dari Lembaga Pengarah pada hari yang sama. Manakala berkuatkuasa dari tarikh tersebut, YB Dato' Haji A. Rahman bin Yahya, Pengarah Bukan Bebas Bukan Eksekutif, telah dilantik sebagai ahli jawatankuasa audit berikutan pelantikan beliau ke Lembaga Pengarah.

Juruaudit Luar adalah dijemput menghadiri mesyuarat apabila penyata kewangan tahunan dibentangkan. Pengurus Audit Dalaman, Ketua Pegawai Eksekutif, Pemangku Pengurus Besar dan Pengurus Kewangan Kumpulan menghadiri mesyuarat-mesyuarat yang membentangkan laporan audit dalaman dan untuk membentangkan prestasi kewangan Syarikat dan Kumpulan.

Pihak pengurusan kanan Kumpulan yang lain turut menghadiri sebahagian mesyuarat tersebut atas jemputan Pengerusi Jawatankuasa.

#### RINGKASAN AKTIVITI

Di dalam tempoh, Jawatankuasa Audit telah melaksanakan tugas-tugas sepertimana yang ditetapkan dalam terma rujukan. Isu-isu utama lain yang dibincangkan oleh Jawatankuasa Audit adalah seperti berikut:

- Menyemak Rancangan Audit Tahunan bagi tahun 2016 untuk memastikan bidang dan liputan yang mencukupi ke atas aktiviti-aktiviti Kumpulan.
- Menyemak enam (6) laporan audit dalaman yang disediakan oleh Jabatan Audit Dalaman ke atas penemuan dan cadangan berkenaan dengan sistem dan kelemahan kawalan yang ditemui semasa kerja-kerja audit dan maklumbalas pengurusan yang berkenaan dan memastikan penemuan yang penting ditangani sebaik-baiknya oleh pihak pengurusan.

**REPORT ON AUDIT COMMITTEE** (continued)  
**LAPORAN JAWATANKUASA AUDIT** (sambungan)

- iii. Reviewed the quarterly results of the Group and made recommendations to the Board for approval.
- iv. Reviewed any related party transactions and conflict of interest situation that arose within the Group.
- v. Evaluate the performance of the external auditors and made recommendations to the Board on their appointment, scope of work and audit fees.

#### **INTERNAL AUDIT FUNCTIONS**

The Group has its own Internal Audit Department, which carries out the internal audit function and assists the Audit Committee in ensuring compliance with the established policies and procedures, monitoring significant risks, highlighting on areas that need improvement and reviews to the extent that its recommendations in addressing the internal control issues are implemented. The Internal Auditors report directly to the Audit Committee and assist the Board of Directors in monitoring significant exposures to risks and contribute to the improvement of internal control system.

The role of the Internal Audit Department is to provide the Committee with independent and objective reports on the state of the internal control of the various operating subsidiaries within the Group and the extent of compliance of the operating subsidiaries with the established policies and procedures. The scope of the Internal Audit covers the audits of all operating subsidiaries. The Internal Audit carries out audit assignments based on an audit plan that is reviewed and approved by the Audit Committee.

The Group practices risk-based approach auditing and monitoring of controls. The monitoring process also forms the basis for continually improving the risk management process in the Group's overall goals.

During the year under review, the Internal Audit Department carried out audit assignments on various operating subsidiaries of the Group. Audit reports were issued to the Audit Committee and respective companies incorporating findings and recommendations with regard to the system and control weaknesses noted during the course of the audit and management's responses on the audit findings. The Internal Audit Department also followed up on implementation and disposition of all findings and recommendations.

During the year, all the internal audit activities were performed in-house and the total cost incurred was RM217,179 comprising of manpower, training, travelling and accommodation.

The Audit Committee Report was made in accordance with the resolution of the Board of Directors duly passed on 21 February 2017.

- iii. Menyemak keputusan sukuan tahunan Kumpulan dan membuat cadangan untuk kelulusan Lembaga.
- iv. Menyemak mana-mana urusan pihak berkaitan dan keadaan pertindihan kepentingan yang timbul dalam Kumpulan.
- v. Menilai prestasi juruaudit luar dan membuat cadangan kepada Lembaga ke atas pelantikan, bidang kerja dan yuran audit.

#### **FUNGSI AUDIT DALAMAN**

Kumpulan memiliki Jabatan Audit Dalaman sendiri yang melaksanakan fungsi audit dalaman dan membantu Jawatankuasa Audit dalam memastikan pematuhan terhadap polisi dan peraturan yang telah ditetapkan, mengawasi risiko-risiko ketara, mengenengahkan perkara-perkara yang memerlukan penambahbaikan dan menilai sehingga cadangan-cadangan bagi menangani isu-isu kawalan dalaman adalah dilaksanakan. Juruaudit Dalaman melaporkan secara terus kepada Jawatankuasa Audit dan membantu Lembaga Pengarah mengawasi pendedahan ketara ke atas risiko-risiko dan menyumbang ke arah peningkatan dalam sistem kawalan dalaman.

Peranan Jabatan Audit Dalaman ialah untuk menyediakan kepada Jawatankuasa laporan yang bebas dan saksama terhadap kedudukan kawalan dalaman pelbagai subsidiari yang aktif dalam Kumpulan dan tahap pematuhan subsidiari-subsidiari yang aktif tersebut terhadap polisi dan peraturan yang telah ditetapkan. Audit dalaman menjalankan tugas audit berasaskan perancangan audit yang diteliti dan diluluskan oleh Jawatankuasa Audit.

Kumpulan mengamalkan pendekatan berasaskan risiko dan pengawasan kawalan. Proses pengawasan juga menjadi asas bagi penambahbaikan pengurusan risiko yang berterusan sebagai matlamat menyeluruh Kumpulan.

Dalam tahun semasa, Jabatan Audit Dalaman menjalankan kerja-kerja audit terhadap pelbagai subsidiari yang aktif dalam Kumpulan. Laporan audit dikemukakan kepada Jawatankuasa Audit dan syarikat-syarikat yang berkenaan dengan menyertakan penemuan dan cadangan ke atas sistem dan kelemahan kawalan yang ditemui semasa audit dan maklumbalas pihak pengurusan ke atas penemuan audit. Bahagian Audit Dalaman juga membuat susulan ke atas pelaksanaan serta penyelesaian ke atas segala penemuan dan cadangan.

Pada tahun semasa, semua aktiviti audit dalaman dilaksanakan secara dalaman dan jumlah kos yang ditanggung ialah RM217,179 yang terdiri daripada tenaga kerja, latihan, perjalanan dan penginapan.

Laporan Jawatankuasa Audit telah dibuat selaras dengan resolusi Lembaga Pengarah yang diluluskan pada 21 Februari 2017.

## TERMS OF REFERENCE OF AUDIT COMMITTEE

### TERMA RUJUKAN JAWATANKUASA AUDIT

#### MEMBERSHIP

- 1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-
  - (a) the Committee must be composed of no fewer than three (3) members;
  - (b) all of the Committee must be non-executive directors and financially literate, with a majority of them being Independent Directors; and
  - (c) at least one member of the Committee:
    - (i) must be a member of the Malaysian Institute of Accountants; or
    - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
      - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
      - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967;
      - (cc) fulfils such other requirements as prescribed or approved by the Exchange.
- 2 The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director.
- 3 No Alternate Director shall be appointed as a member of the Committee.
- 4 In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of the Bursa Malaysia pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.
- 5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

#### KEAHLIAN

- 1 Jawatankuasa perlu dilantik oleh Lembaga Pengarah daripada kalangan para Pengarah Syarikat yang memenuhi kriteria berikut:
  - (a) Jawatankuasa mestilah mengandungi tidak kurang daripada tiga (3) orang ahli;
  - (b) kesemua Jawatankuasa mestilah terdiri daripada para pengarah bukan eksekutif dan mempunyai pengetahuan kewangan, dengan majoritinya adalah Pengarah Bebas; dan
  - (c) sekurang-kurangnya seorang ahli Jawatankuasa:
    - (i) hendaklah merupakan ahli Institut Akauntan Malaysia; atau
    - (ii) jika beliau bukan seorang ahli Institut Akauntan Malaysia, beliau hendaklah mempunyai sekurang-kurangnya 3 tahun pengalaman bekerja dan:
      - (aa) beliau hendaklah lulus peperiksaan yang ditetapkan dalam Bahagian I Jadual Pertama Akta Akauntan, 1967; atau
      - (bb) beliau hendaklah merupakan seorang ahli persatuan akauntan yang ditetapkan dalam Bahagian II Jadual Pertama Akta Akauntan, 1967.
    - (cc) memenuhi lain-lain syarat yang ditetapkan oleh atau diluluskan oleh Bursa.
- 2 Ahli-ahli Jawatankuasa perlu memilih seorang Pengerusi daripada kalangan mereka yang hendaklah merupakan Pengarah Bebas.
- 3 Pengarah silih ganti tidak boleh dilantik sebagai ahli Jawatankuasa.
- 4 Sekiranya berlaku sebarang kekosongan di dalam Jawatankuasa yang menyebabkan syarat keperluan penyenaian Bursa Malaysia berkenaan komposisi jawatankuasa audit tidak dipatuhi, Lembaga perlu mengisi kekosongan tersebut dalam tempoh tiga bulan.
- 5 Syarat perkhidmatan dan prestasi Jawatankuasa dan setiap ahli hendaklah dinilai oleh Lembaga Pengarah sekurang-kurangnya sekali setiap 3 tahun bagi menentukan samada Jawatankuasa dan ahli melaksanakan tugas mereka sejajar dengan terma rujukan mereka.



**MEETINGS**

- 1 Frequency
  - (a) Meetings shall be held not less than four times a year.
  - (b) Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.
- 2 Quorum
  - (a) A quorum shall consist of a majority of Independent Directors.
- 3 Secretary
  - (a) The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.
- 4 Attendance
  - (a) The Chief Executive Officer, the Internal Audit Manager, the Group Finance Manager, and the representative of the external auditor shall normally attend meetings.
  - (b) Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
  - (c) At least once a year, the Committee shall meet with the external auditors without any executive Board members present.
- 5 Reporting Procedure
  - (a) The minutes of each meeting shall be circulated to all members of the Board.
- 6 Meeting Procedure
 

The Committee shall regulate its own procedure, in particular:-

  - (a) the calling of meetings;
  - (b) the notice to be given of such meetings;
  - (c) the voting and proceedings of such meetings;
  - (d) the keeping of minutes; and
  - (e) the custody, production and inspection of such minutes.
- 7 Circular Resolution
  - (a) Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Committee.

**MESYUARAT**

- 1 Kekerapan
  - (a) Mesyuarat hendaklah diadakan tidak kurang daripada empat kali setiap tahun.
  - (b) Di atas permintaan Juruaudit Luar, Pengerusi Jawatankuasa hendaklah mengadakan mesyuarat Jawatankuasa untuk mempertimbangkan sebarang perkara yang Juruaudit Luar percaya perlu diketengahkan untuk perhatian para Pengarah atau pemegang saham.
- 2 Korum
  - (a) Korum hendaklah majoritinya terdiri daripada Pengarah Bebas.
- 3 Setiausaha
  - (a) Setiausaha Syarikat hendaklah bertindak sebagai Setiausaha Jawatankuasa atau sekiranya beliau tidak hadir, orang yang diberi kuasa oleh Pengerusi Jawatankuasa.
- 4 Kehadiran
  - (a) Ketua Pegawai Eksekutif, Pengurus Audit Dalaman, Pegawai Kewangan Kumpulan, dan wakil daripada Juruaudit Luar pada kebiasaannya menghadiri mesyuarat.
  - (b) Lain-lain Pengarah dan pekerja boleh menghadiri mesyuarat tertentu hanya dengan jemputan Jawatankuasa, khusus untuk mesyuarat yang berkenaan.
  - (c) Sekurang-kurangnya sekali setahun, Jawatankuasa hendaklah bermesyuarat dengan Juruaudit Luar tanpa kehadiran ahli eksekutif Lembaga.
- 5 Peraturan Laporan
  - (a) Minit setiap mesyuarat hendaklah diedarkan kepada kesemua ahli Lembaga.
- 6 Peraturan Mesyuarat
 

Jawatankuasa hendaklah menetapkan peraturan mereka sendiri, terutamanya:-

  - (a) panggilan mesyuarat;
  - (b) notis yang perlu diberikan bagi mesyuarat tersebut;
  - (c) pengundian dan perjalanan mesyuarat tersebut;
  - (d) penyimpanan minit-minit; dan
  - (e) penjagaan, pengeluaran dan penyemakan minit-minit tersebut.
- 7 Resolusi Pekeliling
  - (a) Resolusi Pekeliling yang ditandatangani oleh kesemua ahli adalah sah dan berkuatkuasa sepertimana ianya telah diluluskan dalam mesyuarat Jawatankuasa.

## TERMS OF REFERENCE OF AUDIT COMMITTEE (continued)

### TERMA RUJUKAN JAWATANKUASA AUDIT (sambungan)

#### RIGHTS

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

#### FUNCTIONS

The Committee shall, amongst others, discharge the following functions:

- 1 To review with the external auditor:
  - (a) the audit plan;
  - (b) his evaluation of the system of internal controls;
  - (c) his audit report; and
  - (d) his management letter and management's response;
- 2 To review:
  - (a) the assistance given by the Company's employees to the external auditor;
  - (b) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - (i) the going concern assumption;
    - (ii) changes in or implementation of major accounting policy changes;
    - (iii) significant and unusual events; and
    - (iv) compliance with accounting standards and other legal requirements.
  - (c) 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 or management integrity.
  - (d) the Statement of Corporate Governance prior to the approval by the Board of Directors.

#### BIDANG KUASA

Jawatankuasa dalam melaksanakan tugasannya hendaklah sejajar dengan peraturan yang akan ditentukan oleh Lembaga Pengarah:

- (a) mempunyai kuasa untuk menyiasat sebarang perkara dalam terma rujukannya;
- (b) mempunyai sumber yang diperlukan untuk menjalankan tugasnya;
- (c) mempunyai akses sepenuhnya dan tanpa halangan kepada sebarang maklumat yang berkaitan dengan Syarikat;
- (d) mempunyai saluran komunikasi langsung dengan Juruaudit Luar dan orang-orang yang menjalankan fungsi atau aktiviti audit dalaman;
- (e) boleh mendapatkan nasihat profesional bebas atau nasihat lain; dan
- (f) boleh mengadakan mesyuarat dengan juruaudit luar, juruaudit dalaman atau kedua-duanya, tanpa kehadiran lain-lain pengarah dan pekerja Syarikat, apabila dianggap perlu.

#### FUNGSI

Jawatankuasa perlu, antara lain, melaksanakan fungsi-fungsi berikut:

- 1 Menyemak bersama dengan Juruaudit Luar:
  - (a) perancangan audit;
  - (b) penilaian mereka terhadap sistem kawalan dalaman;
  - (c) laporan audit mereka; dan
  - (d) surat pengurusan dan maklumbalas pihak pengurusan;
- 2 Untuk menyemak:
  - (a) bantuan yang diberikan oleh pekerja Syarikat kepada Juruaudit Luar;
  - (b) keputusan sukuan tahunan dan penyata kewangan akhir tahun, sebelum kelulusan Lembaga Pengarah, menumpukan terutamanya:-
    - (i) andaian kesinambungan perniagaan;
    - (ii) perubahan dalam atau pelaksanaan perubahan dasar perakaunan utama;
    - (iii) peristiwa penting dan luarbiasa; dan
    - (iv) pematuhan kepada piawaian perakaunan dan keperluan perundangan yang lain.
  - (c) sebarang urusan pihak berkaitan dan keadaan pertindihan kepentingan yang mungkin timbul dalam Syarikat atau Kumpulan termasuklah sebarang urusan, peraturan atau tata laku yang menimbulkan persoalan atau kewibawaan pihak pengurusan.
  - (d) Penyata Tadbir Urus Korporat sebelum kelulusan Lembaga Pengarah.

**TERMS OF REFERENCE OF AUDIT COMMITTEE** (continued)**TERMA RUJUKAN JAWATANKUASA AUDIT** (sambungan)

- |   |   |
|---|---|
| <p>3 In respect of the appointment of external auditors:</p> <ul style="list-style-type: none"><li>(a) to review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;</li><li>(b) to consider the nomination of a person or persons as external auditors and the audit fee;</li><li>(c) to consider any questions of resignation or dismissal of external auditors.</li></ul> <p>4 In respect of the internal audit function:</p> <ul style="list-style-type: none"><li>(a) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;</li><li>(b) to review 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;</li><li>(c) to review any appraisal or assessment of the performance of members of the internal audit function;</li><li>(d) to approve any appointment or termination of senior staff members of the internal audit function;</li><li>(e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.</li><li>(f) the internal audit function must be independent of the activities it audits; the internal audit activity should be free from interference in determining the scope of internal audit, performing work, and communicating results; and</li><li>(g) the internal audit function reports directly to the Audit Committee.</li></ul> <p>5 To promptly report such matter to the Bursa Malaysia if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.</p> <p>6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.</p> | <p>3 Berkaitan dengan perlantikan Juruaudit Luar:</p> <ul style="list-style-type: none"><li>(a) untuk menyemak samada wujud sebab (yang berasas) untuk mempercayai bahawa Juruaudit Luar tidak sesuai untuk dilantik semula;</li><li>(b) untuk menimbang pencalonan orang atau orang-orang sebagai Juruaudit Luar dan yuran audit;</li><li>(c) untuk menimbang sebarang persoalan mengenai perletakan jawatan atau pemecatan Juruaudit Luar.</li></ul> <p>4 Berkaitan dengan fungsi juruaudit dalaman:</p> <ul style="list-style-type: none"><li>(a) mengkaji kecukupan skop, fungsi, kecekapan dan sumber bahagian audit dalaman dan bahawa ia mempunyai kuasa yang diperlukan untuk menjalankan tugasannya;</li><li>(b) mengkaji rancangan audit dalaman, proses, keputusan rancangan audit dalaman, proses atau penyiasatan yang dijalankan dan samada tindakan yang sepatutnya diambil ke atas cadangan bahagian audit dalaman;</li><li>(c) mengkaji sebarang penilaian atau penaksiran prestasi ahli bahagian audit dalaman.</li><li>(d) untuk meluluskan sebarang perlantikan atau penamatan kakitangan kanan ahli bahagian audit dalaman.</li><li>(e) untuk memaklumkan kepada diri mereka mengenai sebarang pemberhentian kakitangan audit dalaman dan memberi peluang kepada kakitangan yang akan berhenti untuk menjelaskan sebab-sebab dia berhenti.</li><li>(f) bahagian audit dalaman mestilah bebas daripada aktiviti yang diauditnya; aktiviti audit dalaman hendaklah bebas daripada gangguan dalam menentukan skop audit dalaman, pelaksanaan kerja, dan pemberitahuan keputusan; dan</li><li>(g) bahagian audit dalaman melaporkan terus kepada Jawatankuasa Audit.</li></ul> <p>5 Untuk melaporkan dengan segera perkara seumpamanya kepada Bursa Malaysia jika Jawatankuasa berpandangan bahawa perkara yang dilaporkan oleh mereka kepada Lembaga Pengarah tidak diselesaikan dengan memuaskan menyebabkan pelanggaran Keperluan Penyenaian.</p> <p>6 Untuk menjalankan lain-lain fungsi seumpamanya yang dipersetujui oleh Jawatankuasa dan Lembaga Pengarah.</p> |
|---|---|

## LIST OF PROPERTIES

Properties	Description	Land Area (sq. metre)	Tenure of land	Age of building	Net Book value 31/12/2016 (RM)
1 Lot 6720 & 6721, Jalan Perak Telok Panglima Garang State of Selangor	Industrial land	12,141	99 years leasehold expiring on 11.6.2086	26 years	7,438,774
2 P.T. No. 105 H.S. (D) 496 1 Mukim Ulu Paka, District of Dungun State of Terengganu	Plywood mill	219,850	60 years leasehold expiring on 14.7.2042	34 years	8,176,533
3 Lot No. 1431, 1432 and 1433 Bandar Al-Muktafi Billah Shah District of Dungun State of Terengganu	3 units hostel	2,359	99 years leasehold expiring on 15.4.2096	34 years	271,452
4 Lot No. 3164 Mukim of Batu Buruk District of Kuala Terengganu State of Terengganu	3.5 storey office building	130	Freehold	23 years	909,200
5 P.T. No. 109 H.S. (D) 569 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	48,980	60 years leasehold expiring on 24.2.2058	-	1,495,963
6 Lot No. 2049 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	138,000	60 years leasehold expiring on 17.6.2060	-	3,638,180
7 Lot No. 2050 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	48,420	60 years leasehold expiring on 17.6.2060	-	1,276,000
8 Lot No. 2051 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	17,840	60 years leasehold expiring on 17.6.2060	-	469,272
9 Lot No. 7348 Mukim Jerangau District of Dungun State of Terengganu	Sawmill	145,682	30 years leasehold expiring on 4.3.2038	36 years	5,590,395

**LIST OF PROPERTIES** (continued)

Properties	Description	Land Area (sq. metre)	Tenure of land	Age of building	Net Book value 31/12/2016 (RM)
10 Lot No. 16388 & 16389 Mukim Kuala Paka District of Dungun State of Terengganu	Vacant industrial land	23,518	30 years leasehold expiring on 15.10.2037	-	558,754
11 Lot No. 743 Mukim Telok Kalong District of Kemaman State of Terengganu	Vacant industrial land	25,231	60 years leasehold expiring on 25.4.2029	-	1,009,092
12 P.T. 6401 Mukim Jerangau District of Dungun State of Terengganu	1 unit single storey office	7,834	60 years leasehold expiring on 24.9.2054	22 years	550,642
13 Lot No. 12556 Mukim of Chukai District of Kemaman State of Terengganu	Sawmill and timber downstream processing	35,728	50 years leasehold expiring on 15.10.2045	41 years	7,196,263
14 Lot No. 9803 Mukim of Chukai District of Kemaman State of Terengganu	Sawmill and timber downstream processing	31,126	60 years leasehold expiring on 22.2.2053	41 years	3,978,610
15 Lot No S22-33 Perumahan Jalan Kenari 44110 Lembah Beringin State of Selangor	1 unit single storey terrace house	133	Freehold	-	22,000
16 Lot No S22-44 Perumahan Jalan Kenari 44110 Lembah Beringin State of Selangor	1 unit single storey terrace house	133	Freehold	-	22,000
17 Lot No. PT 60056 Mukim of Banggol District of Kemaman State of Terengganu	Vacant industrial land	198,290	60 years leasehold expiring on 21.2.2071	-	12,498,764

## SENARAI HARTANAH

Hartanah	Keterangan	Keluasan (meter persegi)	Tempoh pajakan	Usia bangunan	Nilai buku bersih 31/12/2016 (RM)
1 Lot 6720 & 6721, Jalan Perak Telok Panglima Garang Negeri Selangor	Tanah industri	12,141	99 tahun pajakan tamat pada 11.6.2086	26 tahun	7,438,774
2 P.T. No. 105 H.S. (D) 496 1 Mukim Ulu Paka, Daerah Dungun Negeri Terengganu	Kilang papan lapis	219,850	60 tahun pajakan tamat pada 14.7.2042	34 tahun	8,176,533
3 Lot No. 1431, 1432 and 1433 Bandar Al-Muktafi Billah Shah Daerah Dungun Negeri Terengganu	3 unit asrama	2,359	99 tahun pajakan tamat pada 15.4.2096	34 tahun	271,452
4 Lot No. 3164 Mukim of Batu Buruk Daerah Kuala Terengganu Negeri Terengganu	Bangunan pejabat 3.5 tingkat	130	Pegangan bebas	23 years	909,200
5 P.T. No. 109 H.S. (D) 569 Mukim Ulu Paka Daerah Dungun Negeri Terengganu	Tanah industri kosong	48,980	60 tahun pajakan tamat pada 24.2.2058	-	1,495,963
6 Lot No. 2049 Mukim Ulu Paka Daerah Dungun Negeri Terengganu	Tanah industri kosong	138,000	60 tahun pajakan tamat pada 17.6.2060	-	3,638,180
7 Lot No. 2050 Mukim Ulu Paka Daerah Dungun Negeri Terengganu	Tanah industri kosong	48,420	60 tahun pajakan tamat pada 17.6.2060	-	1,276,000
8 Lot No. 2051 Mukim Ulu Paka Daerah Dungun Negeri Terengganu	Tanah industri kosong	17,840	60 tahun pajakan tamat pada 17.6.2060	-	469,272
9 Lot No. 7348 Mukim Jerangau Daerah Dungun Negeri Terengganu	Kilang papan	145,682	30 tahun pajakan tamat pada 4.3.2038	36 tahun	5,590,395

**SENARAI HARTANAH** (sambungan)

Hartanah	Keterangan	Keluasan (meter persegi)	Tempoh pajakan	Usia bangunan (RM)	Nilai buku bersih 31/12/2016
10. Lot No. 16388 & 16389 Mukim Kuala Paka Daerah Dungun Negeri Terengganu	Tanah industri kosong	23,518	30 tahun pajakan tamat pada 15.10.2037	-	558,754
11 Lot No. 743 Mukim Telok Kalong Daerah Kemaman Negeri Terengganu	Tanah industri kosong	25,231	60 tahun pajakan tamat pada 25.4.2029	-	1,009,092
12 P.T. 6401 Mukim Jerangau Daerah Dungun Negeri Terengganu	1 unit pejabat setingkat	7,834	60 tahun pajakan tamat pada 24.9.2054	22 tahun	550,642
13 Lot No. 12556 Mukim Chukai Daerah Kemaman Negeri Terengganu	Kilang papan dan pemprosesan hiliran	35,728	50 tahun pajakan tamat pada 15.10.2045	41 tahun	7,196,263
14 Lot No. 9803 Mukim Chukai Daerah Kemaman Negeri Terengganu	Kilang papan dan pemprosesan hiliran	31,126	60 tahun pajakan tamat pada 22.2.2053	41 tahun	3,978,610
15 Lot No S22-33 Perumahan Jalan Kenari 44110 Lembah Beringin Negeri Selangor	1 unit rumah teres 1 tingkat	133	Pegangan bebas	-	22,000
16 Lot No S22-44 Perumahan Jalan Kenari 44110 Lembah Beringin Negeri Selangor	1 unit rumah teres 1 tingkat	133	Pegangan bebas	-	22,000
17 Lot No. PT 60056 Mukim Banggol Daerah Kemaman Negeri Terengganu	Tanah industri kosong	198,290	60 tahun pajakan tamat pada 21.2.2071	-	12,498,764

# Contents

## Directors' Report and Audited Financial Statements 31 December 2016

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## DIRECTOR'S REPORT

The directors hereby present 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 the subsidiaries.

The principal activities of the subsidiaries and associates of the Group are stated in Notes 17 and 18 to the financial statements respectively.

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

### Results

	Group RM'000	Company RM'000
<b>(Loss)/profit net of tax</b>	(5,754)	173
<b>(Loss)/profit attributable to:</b>		
Owners of the parent	(5,552)	173
Non-controlling interest	(202)	-
	(5,754)	173

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

No dividends were paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

### Directors

The names of the directors of the Company in office since the end of the previous financial year and at the date of this report are:

Haji Jusoh bin Ali	
Dato' Sabri bin Mohd Noor	
Dato' Haji Mohamad Nor bin Ibrahim	
Rosli bin Abd Rahman	
Dato' Haji Muhammad Pehimi bin Yusof	(appointed on 1 July 2016)
Zainudin bin Abu Bakar	(appointed on 1 July 2016)
Dato' Haji A. Rahman bin Yahya	(appointed on 22 February 2017)
Dato' Haji Abdul Rahman bin Bakar	(resigned on 1 July 2016)
Dato' Haji Osman bin Muda	(resigned on 1 July 2016)
Dato' Haji Wan Nawawi bin Haji Wan Ismail	(resigned on 22 February 2017)

### 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 the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive 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 11 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 he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' REPORT (continued)

### Directors' interests

According to the register of directors' shareholdings, none of the directors who held office at the end of the financial year, had any interest in shares in the Company or its related corporations during the financial year.

### Other statutory information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (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 value 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 of 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.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) 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 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2017.

Dato' Haji Muhammad Pehimi bin Yusof

Haji Jusoh bin Ali

**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Dato' Haji Muhammad Pehimi bin Yusof and Haji Jusoh bin Ali, being two of the directors of Golden Pharos Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 67 to 126 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 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 18 April 2017.

Dato' Haji Muhammad Pehimi bin Yusof

Haji Jusoh bin Ali

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

I, Syukri bin Ali, being the officer primarily responsible for the financial management of Golden Pharos Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 67 to 127 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 Syukri bin Ali at Kuala Terengganu  
in the state of Terengganu Darul Iman on 18 April 2017

Syukri bin Ali

Before me,

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF GOLDEN PHAROS BERHAD (INCORPORATED IN MALAYSIA)

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Golden Pharos Berhad., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 126.

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 matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was 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 this matter. For the 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 this matter. 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 matter below, provide the basis of our audit opinion on the accompanying financial statements.

Risk area and rationale	Our response
<p><i>Impairment of investments in subsidiaries</i></p> <p>(We draw your attention to summary of significant accounting policies in Notes 2.10, significant accounting judgements and estimates in Notes 3.2(e) and the disclosure of investment in subsidiaries in Notes 17 to the financial statements).</p> <p>As at 31 December 2016, the carrying amount of investment in subsidiaries of the Company stood at approximately RM44,955,000.</p> <p>Management is required to assess indicators of impairment in respect of investments in subsidiaries on an annual basis.</p> <p>We focused on this area because of the significance of the carrying amount of the investment in subsidiaries which represents 85% of the total assets of the Company at the reporting date. Further, the impairment testing relies on value in use estimates based on projected cash flows which involve significant management judgement and assumptions that are affected by expected future market and economic conditions.</p>	<p>Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Company in performing the impairment assessment.</p> <p>We evaluated the reasonableness of the basis of preparing the projected cash flow against the subsidiary's most recent financial performance and historical evidence supporting the underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as the weighted-average cost of capital discount rates assigned to the CGUs, as well as the long-term growth rate, by comparing against internal information, and external economic and market data.</p> <p>We performed sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value.</p> <p>We also evaluated the adequacy of the Company's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.</p>

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF GOLDEN PHAROS BERHAD (INCORPORATED IN MALAYSIA)** (continued)

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises of the Directors' Report and Statement on Risk Management and Internal Control but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, which we are expected to be made available to us after that date.

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

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

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

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

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

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GOLDEN PHAROS BERHAD (INCORPORATED IN MALAYSIA) (continued)

*Auditors' responsibilities for the audit of the financial statements (continued)*

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

### Other reporting responsibilities

The supplementary information set out in Note 37 on page 127 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 Requirement, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Sandra Segaran a/I Muniandy@Krishnan  
02882/01/2019 J  
Chartered Accountant

Kuala Terengganu, Terengganu Darul Iman, Malaysia  
18 April 2017

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	4	57,598	74,099	3,759	3,089
Cost of sales		(52,668)	(63,755)	-	-
<b>Gross profit</b>		<b>4,930</b>	<b>10,344</b>	<b>3,759</b>	<b>3,089</b>
<b>Other items of income</b>					
Interest income	5	292	345	-	3
Dividend income from investment securities	6	271	122	-	-
Other income	7	3,368	845	28	185
<b>Other items of expense</b>					
Selling and distribution expenses		(1,828)	(1,812)	-	-
Administrative expenses		(13,353)	(12,759)	(3,527)	(4,333)
Finance costs	8	(212)	(1,199)	(63)	(905)
Other expenses		(342)	(347)	-	-
Share of results of an associate		518	906	-	-
<b>(Loss)/profit before tax</b>	9	<b>(6,356)</b>	<b>(3,555)</b>	<b>197</b>	<b>(1,961)</b>
Income tax benefit/(expense)	12	602	1,022	(24)	414
<b>(Loss)/profit net of tax</b>		<b>(5,754)</b>	<b>(2,533)</b>	<b>173</b>	<b>(1,547)</b>
<b>(Loss)/profit attributable to:</b>					
Owners of the parent		(5,552)	(2,533)	173	(1,547)
Non-controlling interest		(202)	-	-	-
		<b>(5,754)</b>	<b>(2,533)</b>	<b>173</b>	<b>(1,547)</b>
<b>Other comprehensive income:</b>					
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Net loss on available-for-sale financial assets:					
- Loss on fair value changes		(48)	(1,085)	-	-
- Transfer to profit or loss upon disposal		(2,678)	-	-	-
Net loss on remeasurement of defined benefit obligations	25	-	(1,500)	-	(89)
<b>Other comprehensive loss, net of tax</b>		<b>(2,726)</b>	<b>(2,585)</b>	<b>-</b>	<b>(89)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(8,480)</b>	<b>(5,118)</b>	<b>173</b>	<b>(1,636)</b>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the parent		(8,278)	(5,118)	173	(1,636)
Non-controlling interest		(202)	-	-	-
		<b>(8,480)</b>	<b>(5,118)</b>	<b>173</b>	<b>(1,636)</b>
<b>Loss per share attributable to owners of the parent (sen per share)</b>					
- Basic and Diluted	13	(4.13)	(1.88)		

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	53,432	54,961	631	693
Investment properties	15	12,266	12,491	7,431	7,577
Goodwill	16	-	-	-	-
Investments in subsidiaries	17	-	-	44,955	45,021
Investments in associates	18	1,687	1,169	-	-
Deferred tax assets	19	534	505	-	-
Investment securities	20	2,946	6,672	-	-
		<b>70,865</b>	<b>75,798</b>	<b>53,017</b>	<b>53,291</b>
<b>Current assets</b>					
Inventories	21	7,214	7,821	-	-
Trade and other receivables	22	13,684	12,873	3,845	3,137
Prepayments		5,179	4,304	2	3
Tax recoverable		3,594	3,896	-	-
Cash and bank balances	23	11,654	18,511	19	244
		<b>41,325</b>	<b>47,405</b>	<b>3,866</b>	<b>3,384</b>
<b>Total assets</b>		<b>112,190</b>	<b>123,203</b>	<b>56,883</b>	<b>56,675</b>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Retirement benefit obligations	25	3	508	-	-
Borrowings	24	708	1,137	91	82
Trade and other payables	26	26,742	28,321	29,628	29,659
Tax payable		-	103	-	-
		<b>27,453</b>	<b>30,069</b>	<b>29,719</b>	<b>29,741</b>
<b>Net current assets/(liabilities)</b>		<b>13,872</b>	<b>17,336</b>	<b>(25,853)</b>	<b>(26,357)</b>
<b>Non-current liabilities</b>					
Retirement benefit obligations	25	8,927	8,037	496	431
Deferred tax liabilities	19	172	712	24	-
Borrowings	24	750	1,657	251	283
		<b>9,849</b>	<b>10,406</b>	<b>771</b>	<b>714</b>
<b>Total liabilities</b>		<b>37,302</b>	<b>40,475</b>	<b>30,490</b>	<b>30,455</b>
<b>Net assets</b>		<b>74,888</b>	<b>82,728</b>	<b>26,393</b>	<b>26,220</b>
<b>Equity attributable to owners of the parent</b>					
Share capital	27	67,273	67,273	67,273	67,273
Share premium	27	625	625	625	625
Retained earnings/(accumulated losses)		26,503	32,055	(42,472)	(42,645)
Other reserves	28	(19,951)	(17,225)	967	967
Equity attributable to owners of the parent		<b>74,450</b>	<b>82,728</b>	<b>26,393</b>	<b>26,220</b>
Non-controlling interest		438	-	-	-
<b>Total equity</b>		<b>74,888</b>	<b>82,728</b>	<b>26,393</b>	<b>26,220</b>
<b>Total equity and liabilities</b>		<b>112,190</b>	<b>123,203</b>	<b>56,883</b>	<b>56,675</b>

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



**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Attributable to owners of the parent				Non-distributable			Non-distributable		
	Equity, total RM'000	Share capital RM'000 (Note 27)	Share premium RM'000 (Note 27)	Retained earnings RM'000	Other reserves, total RM'000	Equity contribution from owners RM'000	Fair value adjustment reserve RM'000	Reserve arising from merger RM'000	Non-controlling interest RM'000	
<b>Group</b>										
<b>Opening balance at 1 January 2016</b>	82,728	67,273	625	32,055	(17,225)	1,262	4,231	(22,718)	-	
Loss for the year	(5,754)	-	-	(5,552)	-	-	-	-	(202)	
Other comprehensive loss										
- Net loss on available-for-sale financial assets	(2,726)	-	-	-	(2,726)	-	(2,726)	-	-	
Total comprehensive loss	(8,480)	-	-	(5,552)	(2,726)	-	(2,726)	-	(202)	
Transaction with owners										
Shares issued for acquisition of a subsidiary	640	-	-	-	-	-	-	-	640	
<b>Closing balance at 31 December 2016</b>	74,888	67,273	625	26,503	(19,951)	1,262	1,505	(22,718)	438	
<b>Opening balance at 1 January 2015</b>	86,784	67,273	625	36,088	(17,202)	200	5,316	(22,718)	-	
Loss for the year	(2,533)	-	-	(2,533)	-	-	-	-	-	
Other comprehensive loss										
- Net loss on available-for-sale financial assets	(1,085)	-	-	-	(1,085)	-	(1,085)	-	-	
- Net loss on remeasurement of defined benefit obligations	(1,500)	-	-	(1,500)	-	-	-	-	-	
Total comprehensive loss	(5,118)	-	-	(4,033)	(1,085)	-	(1,085)	-	-	
Transaction with owners										
Waiver of amount due to a shareholder	1,062	-	-	-	1,062	1,062	-	-	-	
<b>Closing balance at 31 December 2015</b>	82,728	67,273	625	32,055	(17,225)	1,262	4,231	(22,718)	-	

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

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

		← Non-distributable →	Distributable	← Non-distributable →			
	Note	Equity, total RM'000	Share capital RM'000 (Note 27)	Share (Accumulated premium RM'000 (Note 27)	Profit/ losses) RM'000	Other reserve RM'000	Equity contribution from owners RM'000
<b>Company</b>							
<b>Opening balance at 1 January 2016</b>		26,220	67,273	625	(42,645)	967	967
Total comprehensive income		173	-	-	173	-	-
<b>Closing balance at 31 December 2016</b>		<b>26,393</b>	<b>67,273</b>	<b>625</b>	<b>(42,472)</b>	<b>967</b>	<b>967</b>
<b>Opening balance at 1 January 2015</b>		27,089	67,273	625	(41,009)	200	200
Loss for the year		(1,547)	-	-	(1,547)	-	-
Other comprehensive loss							
- Net loss on remeasurement of defined benefit obligations	25	(89)	-	-	(89)	-	-
Total comprehensive loss		(1,636)	-	-	(1,636)	-	-
<u>Transaction with owners</u>							
Waiver of amount due to a shareholder	28	767	-	-	-	767	767
<b>Closing balance at 31 December 2015</b>		26,220	67,273	625	(42,645)	967	967

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Group		Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
<b>Operating activities</b>					
(Loss)/profit before tax		(6,356)	(3,555)	197	(1,961)
<u>Adjustments for:</u>					
Dividend income:					
- Investments in subsidiaries	4	-	-	(1,257)	(636)
- Investment securities	6	(271)	(122)	-	-
Profit from Al-Mudharabah	7	(51)	(25)	(22)	(1)
Finance costs	8	212	1,199	63	905
Depreciation of property, plant and equipment	9	4,150	4,171	144	183
Depreciation of investment properties	9	225	225	146	146
Inventories written off	9	68	-	-	-
(Gain)/loss on disposal of property, plant and equipment	7,9	(79)	(160)	6	(50)
Property, plant and equipment written off	9	-	172	-	111
Gain on disposal of investment securities	7	(2,789)	-	-	-
Impairment losses on investment securities	9	261	-	-	-
Impairment losses on trade and other receivables	9	300	211	-	326
Reversal of impairment losses on trade and other receivables	7	(19)	(136)	-	-
Impairment losses on investment in subsidiaries	9	-	-	66	-
Interest income	5	(292)	(345)	-	(3)
Net unrealised foreign exchange gain	7	(24)	(56)	-	-
Share of results of an associate		(518)	(906)	-	-
Provision for retirement benefit obligations	10	906	999	65	106
Provision for short-term accumulating compensated absences	10	96	95	12	12
<b>Total adjustments</b>		<b>2,175</b>	<b>5,322</b>	<b>(777)</b>	<b>1,099</b>

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

	Note	Group		Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
<b>Operating cash flows before changes in working capital</b>		(4,181)	1,767	(580)	(862)
<u>Changes in working capital:</u>					
Decrease in inventories		540	5,232	-	-
(Increase)/decrease in trade and other receivables		(404)	1,644	(205)	(169)
(Increase)/decrease in prepayments		(874)	(702)	1	253
(Decrease)/increase in trade and other payables		(2,417)	(2,252)	(84)	48
Total changes in working capital		(3,155)	3,922	(288)	132
<b>Cash flows (used in)/from operations</b>		(7,336)	5,689	(868)	(730)
Profit from Al-Mudharabah		51	25	22	1
Finance costs		(26)	(133)	-	-
Income taxes refunded		370	1	-	-
Income taxes paid		(99)	(3,543)	-	-
Retirement benefits obligations paid	24	(521)	(235)	-	-
<b>Net cash flows (used in)/from operating activities</b>		(7,561)	1,804	(846)	(729)
<b>Investing activities</b>					
Purchase of property, plant and equipment	14	(2,571)	(1,987)	(37)	(85)
Proceeds from disposal of property, plant and equipment		188	311	9	153
Proceeds from disposal of investment securities		3,559	-	-	-
Placement of deposits with licensed banks		(20)	-	-	-
Withdrawal of deposits with licensed banks		5,000	4,000	-	-
Net cash outflow on acquisition of a subsidiary		(960)	-	-	-
Dividend received:					
- Investment securities		239	122	-	-
- Investments in subsidiaries		-	-	753	491
Profit sharing and interest received		292	345	-	1
<b>Net cash flows from investing activities</b>		5,727	2,791	725	560
<b>Financing activities</b>					
Proceeds from issuance of ordinary shares		1,600	-	-	-
Drawdown from borrowings		1,193	1,519	-	-
Repayment of borrowings		(1,336)	(1,472)	-	-
Repayment of obligations under finance leases		(1,349)	(927)	(83)	(201)
Cost of fund and interest paid		(143)	(137)	(21)	(18)
<b>Net cash flows used in financing activities</b>		(35)	(1,017)	(104)	(219)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,869)	3,578	(225)	(388)
<b>Cash and cash equivalents at 1 January</b>		11,477	7,899	244	632
<b>Cash and cash equivalents at 31 December</b>	23	9,608	11,477	19	244

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 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 registered office of the Company is located at Lot PT 3071, Kawasan Perindustrian Chendering, 21080 Kuala Terengganu, Terengganu Darul Iman.

The principal place of business of the Company is located at 66-2 Taman Sri Intan, Jalan Sultan Omar, 20300 Kuala Terengganu, Terengganu Darul Iman.

The holding company is Terengganu Incorporated Sdn. Bhd., a company incorporated in Malaysia.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries and associates are set out in Notes 17 and 18 respectively.

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

The financial statements of the Group and of the Company 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 of the Group and of the Company are prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

#### 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 Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2016:

Description	Effective for annual periods beginning or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable 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 to 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 (continued)**

### **2.2 Changes in accounting policies (continued)**

The nature and impact of the new and amended MFRSs 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 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.

#### **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 directors do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

## 2. Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

#### **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 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.

#### **Annual Improvements to MFRSs 2012 – 2014 Cycle**

The Annual Improvements to MFRSs 2012 - 2014 Cycle which 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.

Standards	Descriptions
<b>MFRS 5 Non-current Assets Held for Sale and Discontinued Operations</b>	<p>The amendments to MFRS 5 clarifies that changing from one disposal method to 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.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.</p>
<b>MFRS 7 Financial Instruments: Disclosure</b>	<p>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.</p> <p>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.</p>
<b>MFRS 119 Employee Benefit</b>	<p>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.</p>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**2. Summary of significant accounting policies (continued)**

**2.2 Changes in accounting policies (continued)**

**Annual Improvements to MFRSs 2012 – 2014 Cycle (continued)**

Standards	Descriptions
<b>MFRS 134 Interim Financial Reporting</b>	<p>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.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.</p>

**2.3 Standards and amendments issued but not yet effective**

The standards and amendments 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.

Description	Effective for annual periods beginning or after
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
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
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

**MFRS 107 Disclosure Initiatives (Amendments to MFRS 107)**

The amendments to MFRS 107 Statement of Cash Flows require 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. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

**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 the Company.



## 2. Summary of significant accounting policies (continued)

### 2.3 Standards and amendments issued but not yet effective (continued)

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

The amendments to MFRS 2 address three main areas:

- The effect of vesting conditions on the measurement of a cash-settled share-based-payment transaction.
- The classification of share-based payment transaction with net settlement features for with holding tax obligations; and
- Accounting where a notification to the terms and conditions of share-based payment 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. The Group is assessing the potential effect of the amendments on the financial statements.

#### **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-steps 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 a material 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.

#### **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.

## **2. Summary of significant accounting policies (continued)**

### **2.3 Standards and amendments issued but not yet effective (continued)**

#### **MFRS 16 Leases (continued)**

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 plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

#### **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' interest 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.

### **2.4 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 to like 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.

## 2. Summary of significant accounting policies (continued)

### 2.4 Basis of consolidation (continued)

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.

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.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

#### **Business combinations**

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.7.

## **2. Summary of significant accounting policies (continued)**

### **2.5 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.

### **2.6 Investments in associates**

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, 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 associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate 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 associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The financial statements of the associates 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 associate. 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 associates 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 (continued)

### 2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

### 2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in progress is also not depreciated as this asset is not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets, at the following annual rates and useful life:

Leasehold land	50 - 60 years
Buildings	2% - 5%
Plant and machinery	6% - 20%
Furniture, fittings and equipment	5% - 20%
Motor vehicles	10% - 20%
Infrastructure	4% - 20%

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 value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

## **2. Summary of significant accounting policies (continued)**

### **2.9 Investment properties**

Investment properties are initially measured at cost, including transaction costs. Investment properties are measured using cost model. Thus, subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transferer are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

### **2.10 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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 other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss, unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### **2.11 Financial assets**

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial asset at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets.

## 2. Summary of significant accounting policies (continued)

### 2.11 Financial assets (continued)

The Group and the Company have classified their financial assets as loans and receivables and available-for-sale financial assets.

#### (a) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. 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.

#### (b) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale financial assets are recognised in profit or loss when the Company's right to receive payment is established.

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

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

Investments in quoted securities are designated as available-for-sale financial assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

**2. Summary of significant accounting policies (continued)**

**2.12 Impairment of financial assets**

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

**(a) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the 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 and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash 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.

**(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**(c) Available-for-sale financial assets**

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

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

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



## 2. Summary of significant accounting policies (continued)

### 2.13 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdraft.

### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumable materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

### 2.15 Provisions

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

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

### 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 and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group and the Company have classified their financial liabilities as other financial liabilities.

The Group's and the Company's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

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

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

## **2. Summary of significant accounting policies (continued)**

### **2.17 Offsetting of financial instruments**

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

### **2.18 Financial guarantee contracts**

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### **2.19 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 Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-cumulating compensated absences such as sick leave are recognised when the absences occur.

#### **(b) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee 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.

#### **(c) Defined benefit plans**

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

## 2. Summary of significant accounting policies (continued)

### 2.19 Employee benefits (continued)

#### (c) Defined benefit plans (continued)

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

#### (d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either to terminate the employment of current employees according to the detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

### 2.20 Leases

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

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**2. Summary of significant accounting policies (continued)**

**2.21 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 and the Company incurred in connection with the borrowing of funds.

**2.22 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

**(a) Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. 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) Rental income**

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

**(c) Dividend income**

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

**(d) Management fees**

Management fees are recognised when services are rendered.

**(e) Interest income**

Interest income is recognised using the effective interest method.

**2.23 Income taxes**

**(a) Current 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.

## 2. Summary of significant accounting policies (continued)

### 2.23 Income taxes (continued)

#### (b) Deferred tax (continued)

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.

#### (c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax 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 sales tax.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**2. Summary of significant accounting policies (continued)**

**2.23 Income taxes (continued)**

**(d) Goods and Services Tax (“GST”)**

The net amount of GST, being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

**2.24 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.25 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.

**2.26 Contingencies**

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

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

**2.27 Fair value measurements**

The Group measures its financial instruments, such as, derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 31(b).

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:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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.

## 2. Summary of significant accounting policies (continued)

### 2.27 Fair value measurements (continued)

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group 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.

### 2.28 Foreign currency

#### (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.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies 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.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects of the amounts recognised in the financial statements.

### 3.2 Key sources of estimation uncertainty

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) Useful lives of plant and machinery

The cost of plant and machinery for the manufacture of wood related products is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 17 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The net carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 14.

**3. Significant accounting judgements and estimates (continued)**

**3.2 Key sources of estimation uncertainty (continued)**

**(b) Deferred tax assets**

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

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and 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 statement of financial position and the amount of unrecognised tax losses and capital allowances. The carrying amount of the Group's deferred tax assets at the reporting date is disclosed in Note 19.

**(c) Impairment of loans and receivables**

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 of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 22.

**(d) Defined benefit plan**

The cost of defined benefit pension plan is determined using the actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. The carrying amounts of the Group's and of the Company's defined benefit plan at the reporting date and related assumptions are disclosed in Note 25.

**(e) Impairment of investments in subsidiaries and associates**

The Group and the Company assess whether there is any indication that an investment in subsidiaries may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts and estimated recoverable amounts of the investments.

Judgements made by the management in the process of applying the Group's accounting policies in respect of investment in subsidiaries includes determination whether its investments are impaired following certain indications or impairment such as, amongst others, prolonged shortfall between market value carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment.

During the financial year, management has assessed that investment in a subsidiary has indicators of impairment. Management has applied the discounted cash flow method of valuation to estimate the recoverable value of the specific individual investment. This method requires management to make certain assumptions concerning the future. These assumptions and other key sources of estimation uncertainty at reporting date, may have a significant risk of causing material adjustment of the carrying amounts of the investment within the next financial year. Assumptions by the management may include, amongst others, assumption on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risk and expected future outcome based on certain past trends. Management expects the discount rate would be similar to those of the industry weighted average cost of capital, an increase in the discount rate by 2% would result in impairment in the cost of investment of the specific subsidiary.

In arriving the discounted cash flow management assumed that the operation of a subsidiary, GP Dynamic Venture Sdn. Bhd. will commence in year 2017 and that the ultimate holding company will provide financial support for this operation when required.

Management also recognised that the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have significant adverse impact on the forecasts.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**4. Revenue**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	57,521	74,040	-	-
Rental income	77	59	728	728
Dividend income from subsidiaries	-	-	1,257	636
Management fees from subsidiaries	-	-	1,774	1,725
	<b>57,598</b>	<b>74,099</b>	<b>3,759</b>	<b>3,089</b>

**5. Interest income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income from:				
Loans and receivables	292	345	-	3

**6. Dividend income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividend income from:				
Available-for-sale financial assets				
- Equity instruments (quoted in Malaysia)	271	122	-	-

**7. Other income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Reversal of impairment losses on trade and other receivables (Note 22 (a))	19	136	-	-
Sale of scrap and other products	112	17	-	-
Gain on disposal of property, plant and equipment	79	160	-	50
Gain on disposal of investment securities	2,789	-	-	-
Unrealised gain on foreign exchange	24	56	-	-
Realised gain on foreign exchange	30	76	-	-
Discount received	3	6	3	6
Profit from Al-Mudharabah	51	25	22	1
Insurance compensation	1	128	-	128
Post-filling forest inventory development	83	22	-	-
Miscellaneous	177	219	3	-
	<b>3,368</b>	<b>845</b>	<b>28</b>	<b>185</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**8. Finance costs**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
Hire purchase payables	144	137	21	18
Bankers' acceptances	14	19	-	-
Overdrafts	12	114	-	-
Intercompany loans and advances	-	-	-	1
Loans and advances:				
- holding company	42	929	42	886
	<b>212</b>	<b>1,199</b>	<b>63</b>	<b>905</b>

**9. (Loss)/profit before tax**

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
Auditors' remuneration:				
- Current year	175	152	63	55
- Other services	10	20	10	20
Employee benefits expense (Note 10)	18,156	17,429	1,681	1,762
Non-executive directors' remuneration excluding benefits-in-kind (Note 11)	1,029	1,061	483	506
Depreciation of property, plant and equipment (Note 14)	4,150	4,171	144	183
Depreciation of investment properties (Note 15)	225	225	146	146
Loss on disposal of property, plant and equipment	-	-	6	-
Property, plant and equipment written off	-	172	-	111
Impairment losses on trade and other receivables (Note 22(a),(c))	300	211	-	326
Sustainable forest management expenses	1,416	1,281	-	-
Rental of equipment	23	15	4	6
Rental of land and buildings	149	223	77	77
Inventories written off (Note 21)	68	-	-	-
Impairment losses on investment in subsidiaries	-	-	66	-
Impairment losses on investment securities	261	-	-	-

**10. Employee benefits expense**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	12,343	12,194	1,218	1,171
Social security contributions	191	184	12	11
Contributions to defined contribution plan	1,738	1,567	198	192
Provision for retirement benefits obligations (Note 25)	906	999	65	106
Provision for short-term accumulating compensated absences	96	95	12	12
Other benefits	2,882	2,390	176	270
	<b>18,156</b>	<b>17,429</b>	<b>1,681</b>	<b>1,762</b>

## 11. Directors' remuneration

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive:				
Salaries and other emoluments	118	-	-	-
Fees	17	-	-	-
Defined contribution plan	1	-	-	-
<b>Total executive directors' remuneration</b>	<b>136</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-executive:				
Fees	417	299	197	184
Other emoluments	612	762	286	322
<b>Total directors' remuneration</b> (excluding benefits-in-kind) (Note 9)	<b>1,029</b>	<b>1,061</b>	<b>483</b>	<b>506</b>
Estimated money value of benefits-in-kind	-	26	-	-
<b>Total non-executive directors' remuneration</b> (including benefits-in-kind)	<b>1,029</b>	<b>1,087</b>	<b>483</b>	<b>506</b>
<b>Total directors' remuneration</b>	<b>1,165</b>	<b>1,087</b>	<b>483</b>	<b>506</b>

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
<b>Non-executive directors:</b>		
Below RM50,000	6	6
RM50,001 - RM100,000	1	1
RM200,001 - RM250,000	-	1

## 12. Income tax (benefit)/expense

### Major components of income tax (benefit)/expense

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Statements of profit or loss and other comprehensive income:</b>				
Current income tax:				
Malaysian income tax	73	177	-	-
(Over)/under provision in respect of previous years	(106)	320	-	-
	<b>(33)</b>	<b>497</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016** (continued)

**12. Income tax (benefit)/expense (continued)**

Major components of income tax (benefit)/expense (continued)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred income tax (Note 18):				
Reversal of temporary differences	(580)	(1,389)	(175)	(323)
Under/(over) provision in respect of previous years	11	(130)	199	(91)
	(569)	(1,519)	24	(414)
Income tax (benefit)/expense recognised in profit or loss	(602)	(1,022)	24	(414)

Reconciliation between tax (benefit)/expense and accounting (loss)/profit

The reconciliation between tax (benefit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

Group	2016 RM'000	2015 RM'000
Loss before tax	(6,356)	(3,555)
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	(1,525)	(889)
<u>Adjustments:</u>		
Income not subject to tax	(95)	(34)
Non-deductible expenses	722	647
Effect of tax exempt and tax relief	(7)	-
Deferred tax recognised at different tax rate	-	59
Utilisation of current years' reinvestment allowances	(185)	(223)
Utilisation of unabsorbed capital allowances and unutilised tax losses	-	(716)
Deferred tax assets not recognised	707	170
Share of taxation of an associate	(124)	(226)
Under/(over) provision of deferred income tax in respect of previous years	11	(130)
(Over)/under provision of income tax in respect of previous years	(106)	320
Income tax benefit recognised in profit or loss	(602)	(1,022)

**12. Income tax (benefit)/expense (continued)**

Reconciliation between tax (benefit)/expense and accounting (loss)/profit (continued)

<b>Company</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Profit/(loss) before tax	197	(1,961)
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	47	(490)
<u>Adjustments:</u>		
Income not subject to tax	(302)	(191)
Deferred tax recognised at different tax rate	-	13
Deferred tax assets not recognised	-	153
Non-deductible expenses	80	192
Under/(over) provision of deferred income tax in respect of previous years	199	(91)
Income tax expense/(benefit) recognised in profit or loss	24	(414)

Current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable (loss)/profit for the year.

Tax savings during the financial year arising from:

	<b>Group</b>		<b>Company</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Utilisation of current year's tax losses	34	207	5	1
Utilisation of previously unutilised tax losses	89	-	-	-

**13. Loss per share**

Basic loss per share amounts are calculated by dividing loss for the year net of tax, attributable to owners of the parent by weighted average number of ordinary shares outstanding during the financial year.

The following reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
Loss net of tax attributable to owners of the parent (RM'000)	(5,552)	(2,533)
Weighted average number of ordinary shares in issue ('000)	134,546	134,546
Basic and diluted loss per share (sen)	(4.13)	(1.88)

The Group has no potential ordinary shares in issue as at the reporting date and therefore the basic and fully diluted loss per share are the same.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**14. Property, plant and equipment**

Group	Land and buildings* RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Infrastructure RM'000	Total RM'000
<b>Cost:</b>						
<b>At 1 January 2015 (restated)</b>	51,407	77,493	12,793	11,734	1,908	155,335
Additions	63	2,493	116	931	-	3,603
Disposals	-	(1,789)	-	(597)	-	(2,386)
Write offs	-	(516)	(1)	(239)	-	(756)
<b>At 31 December 2015 and 1 January 2016 (restated)</b>	51,470	77,681	12,908	11,829	1,908	155,796
Additions	345	1,650	129	551	55	2,730
Disposals	-	(153)	(2)	(364)	-	(519)
Write offs	-	(51)	(94)	-	-	(145)
<b>At 31 December 2016</b>	<b>51,815</b>	<b>79,127</b>	<b>12,941</b>	<b>12,016</b>	<b>1,963</b>	<b>157,862</b>
<b>Accumulated depreciation and impairment losses:</b>						
<b>At 1 January 2015 (restated)</b>	6,224	72,566	11,503	8,012	1,178	99,483
Depreciation charge for the year (Note 9)	1,595	1,331	277	958	10	4,171
Disposals	-	(1,759)	-	(476)	-	(2,235)
Write offs	-	(462)	(1)	(121)	-	(584)
<b>At 31 December 2015 and 1 January 2016 (restated)</b>	7,819	71,676	11,779	8,373	1,188	100,835
Depreciation charge for the year (Note 9)	1,616	1,198	393	931	12	4,150
Disposals	-	(141)	(2)	(267)	-	(410)
Write offs	-	(51)	(94)	-	-	(145)
<b>At 31 December 2016</b>	<b>9,435</b>	<b>72,682</b>	<b>12,076</b>	<b>9,037</b>	<b>1,200</b>	<b>104,430</b>
<b>Net carrying amount:</b>						
At 31 December 2015 (restated)	43,651	6,005	1,129	3,456	720	54,961
<b>At 31 December 2016</b>	<b>42,380</b>	<b>6,445</b>	<b>865</b>	<b>2,979</b>	<b>763</b>	<b>53,432</b>

14. Property, plant and equipment (continued)

\* Land and buildings of the Group:

Group (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost:</b>				
<b>At 1 January 2015 (restated)</b>	409	35,512	15,486	51,407
Addition	-	-	63	63
<b>At 31 December 2015 and 1 January 2016 (restated)</b>	409	35,512	15,549	51,470
Additions	-	-	345	345
<b>At 31 December 2016</b>	<b>409</b>	<b>35,512</b>	<b>15,894</b>	<b>51,815</b>
<b>Accumulated depreciation:</b>				
<b>At 1 January 2015 (restated)</b>	-	3,847	2,377	6,224
Depreciation charge for the year	-	961	634	1,595
<b>At 31 December 2015 and 1 January 2016 (restated)</b>	-	4,808	3,011	7,819
Depreciation charge for the year	-	965	651	1,616
<b>At 31 December 2016</b>	<b>-</b>	<b>5,773</b>	<b>3,662</b>	<b>9,435</b>
<b>Net carrying amount:</b>				
<b>At 31 December 2015 (restated)</b>	409	30,704	12,538	43,651
<b>At 31 December 2016</b>	<b>409</b>	<b>29,739</b>	<b>12,232</b>	<b>42,380</b>

Company	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2015 (restated)</b>		835	961
Additions		12	322
Disposals		-	(524)
Write offs		-	(187)
<b>At 31 December 2015 and 1 January 2016 (restated)</b>		847	572
Additions		21	76
Disposals		(2)	(56)
Write offs		(16)	-
<b>At 31 December 2016</b>		<b>850</b>	<b>592</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**14. Property, plant and equipment (continued)**

\* Land and buildings of the Group:

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Accumulated depreciation:</b>			
<b>At 1 January 2015 (restated)</b>	570	471	1,041
Depreciation charge for the year (Note 9)	57	126	183
Disposals	-	(421)	(421)
Write offs	-	(77)	(77)
<b>At 31 December 2015 and 1 January 2016 (restated)</b>	627	99	726
Depreciation charge for the year (Note 9)	58	86	144
Disposals	(2)	(41)	(43)
Write offs	(16)	-	(16)
<b>At 31 December 2016</b>	<b>667</b>	<b>144</b>	<b>811</b>
<b>Net carrying amount:</b>			
At 31 December 2015 (restated)	220	473	693
<b>At 31 December 2016</b>	<b>183</b>	<b>448</b>	<b>631</b>

Assets held under finance lease

During the financial year, the Group and the Company acquired equipment and motor vehicles with an aggregate cost of RM159,000 (2015: RM1,616,000) and RM60,000 (2015: RM249,000) respectively, by means of finance lease. The cash flow on acquisition of property, plant and equipment of the Group and of the Company amounted to RM2,571,000 (2015: RM1,987,000) and RM37,000 (2015: RM85,000) respectively.

The net carrying amount of plant and machinery, equipment and motor vehicles held under finance leases at the reporting date were RM444,000 (2015: RM453,000) and RM3,448,000 (2015: RM3,973,000) for the Company and for the Group respectively.

Assets pledged as securities

In addition to assets held under finance leases, the Group's land and buildings, motor vehicles, furniture, fittings, equipment and plant and machinery, with net carrying amount of RM32,691,000 (2015: RM33,939,000) are mortgaged to secure the Group's bank borrowings (Note 24).



**15. Investment properties**

	Leasehold land RM'000	Building RM'000	Total RM'000
<b>Group</b>			
<b>Cost:</b>			
<b>At 1 January 2015/31 December 2015/31 December 2016</b>	13,399	139	13,538
<b>Accumulated depreciation:</b>			
<b>At 1 January 2015 (restated)</b>	819	3	822
Depreciation charge for the year (Note 9)	222	3	225
<b>At 31 December 2015 and 1 January 2016 (restated)</b>	1,041	6	1,047
Depreciation charge for the year (Note 9)	222	3	225
<b>At 31 December 2016</b>	<b>1,263</b>	<b>9</b>	<b>1,272</b>
<b>Net carrying amount:</b>			
At 31 December 2015 (restated)	12,358	133	12,491
<b>At 31 December 2016</b>	<b>12,136</b>	<b>130</b>	<b>12,266</b>
<b>Company</b>			
<b>Cost:</b>			
<b>At 1 January 2015/31 December 2015/31 December 2016</b>	3,000	5,290	8,290
<b>Accumulated depreciation:</b>			
<b>At 1 January 2015</b>	161	406	567
Depreciation charge for the year (Note 9)	40	106	146
<b>At 31 December 2015 and 1 January 2016</b>	201	512	713
Depreciation charge for the year (Note 9)	40	106	146
<b>At 31 December 2016</b>	<b>241</b>	<b>618</b>	<b>859</b>
<b>Net carrying amount:</b>			
At 31 December 2015	2,799	4,778	7,577
<b>At 31 December 2016</b>	<b>2,759</b>	<b>4,672</b>	<b>7,431</b>

Fair value information

The Company has engaged an independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued to determine the fair value of its investment property. A valuation is conducted at each financial year end.

Based on the valuation report dated 1 February 2017, leasehold land and buildings of the Group and of the Company as at 31 December 2016 to be RM13,880,000 (2015: RM13,880,000) and RM130,000 (2015: RM135,000) and RM3,600,000 (2015: RM3,600,000) and RM5,100,000 (2015: RM5,100,000) respectively.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**15. Investment properties (continued)**

Level 2 fair values

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

Valuation of investment properties

Investment properties are stated at cost less accumulated depreciation.

The following is recognised in profit or loss in respect of investment properties:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	77	59	728	728

**16. Goodwill**

	2016 RM'000	2015 RM'000
<b>Cost:</b>		
At 1 January/31 December	613	613
<b>Accumulated impairment:</b>		
At 1 January/31 December	(613)	(613)
<b>Net carrying amount:</b>		
At 31 December	-	-

**17. Investments in subsidiaries**

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	118,824	118,824
Less: Accumulated impairment losses	(73,883)	(73,817)
	44,941	45,007
Provision for financial guarantee	14	14
	44,955	45,021

**17. Investments in subsidiaries (continued)**

(a) Details of subsidiaries are as follows:

Names	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2016	2015
<b>Held by the Company:</b>				
Golden Pharos Doors Sdn. Bhd.	Malaysia	Inactive.	100	100
Golden Pharos Glass Sdn. Bhd.	Malaysia	Manufacturing and trading of glass.	100	100
Golden Pharos Overseas Sales Sdn. Bhd.	Malaysia	Inactive.	100	100
Golden Pharos Overseas Sdn. Bhd.**	Malaysia	Dormant.	100	100
Permint Timber Corporation Sdn. Bhd.	Malaysia	Investment holding.	100	100
Golden Pharos Fiber Sdn. Bhd.	Malaysia	Dormant.	100	100
<b>Held through Permint Timber Corporation Sdn. Bhd.:</b>				
Pesama Timber Corporation Sdn. Bhd.	Malaysia	Sawmilling, harvesting, moulding, finger joint, furniture and kiln drying.	100	100
Pesaka Trengganu Berhad	Malaysia	Sawmilling.	100	100
Permint Plywood Sdn. Bhd.	Malaysia	Rental of buildings, plant and machinery and selling of logs.	100	100
Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.	Malaysia	Harvesting and sustainable forest management.	100	100
GP Tropical Furniture Sdn. Bhd.	Malaysia	Dormant.	50.39*	50.39*
<b>Held through Permint Plywood Sdn. Bhd.:</b>				
GP Dynamic Venture Sdn. Bhd.	Malaysia	Manufacture and sale of veneer, plywood and decorative plywood and wide range of timber based product. The Company has yet to commence operation.	60*	-

\* Percentage of ownership interest held by non-controlling interests equal to the proportion of voting rights held.

\*\* This subsidiary holds 19% equity interest in Prestige Doors PLC, a company incorporated in the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016** (continued)

**17. Investments in subsidiaries (continued)**

(b) Acquisition of subsidiary

During the financial year, the Group acquired 60% equity interest in GP Dynamic Venture Sdn. Bhd. ("the subsidiary") upon subscription of 960,000 ordinary shares at RM1 per ordinary share amounted to RM960,000, representing net cash outflow on the acquisition. The subsidiary is a company incorporated in Malaysia on 29 December 2015 ("date of incorporation"), which going to be involved in manufacture and sale of veneer, plywood and decorative plywood and wide range of timber based product and has yet to commence its operations during the financial year.

(c) Summarised financial information of GP Dynamic Venture Sdn. Bhd. which has non-controlling interest that is material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statement of financial position

	31.12.2016 RM'000
Non-current assets	734
Current assets	579
<b>Total assets</b>	<b>1,313</b>
Current liabilities	134
Non-current liabilities	83
<b>Total liabilities</b>	<b>217</b>
<b>Net assets</b>	<b>1,096</b>
Equity attributable to owners of the Company	658
Non-controlling interest	438

(ii) Summarised statement of comprehensive income

	29.12.2015 to 31.12.2016 RM'000
Revenue	-
Loss for the period	505
Loss attributable to owner of the company	303
Loss attributable to the non-controlling interest	202
<b>Total comprehensive loss for the period</b>	<b>505</b>
<b>Total comprehensive loss attributable to owner of the company</b>	<b>303</b>
<b>Total comprehensive loss attributable to the non-controlling interest</b>	<b>202</b>
	<b>505</b>

(iii) Summarised statements of cash flows

	29.12.2015 to 31.12.2016 RM'000
Net cash flows used in operating activities	(915)
Net cash flows used in investing activities	(645)
Net cash flows from financing activities	1,594
<b>Net increase in cash and cash equivalents</b>	<b>34</b>
Cash and cash equivalents at date of incorporation	-
<b>Cash and cash equivalents at end of the period</b>	<b>34</b>

**18. Investments in associates**

	Group	
	2016 RM'000	2015 RM'000
Unquoted ordinary shares, at cost	3,981	3,981
Unquoted preference shares, at cost	7,764	7,764
	11,745	11,745
Share of post-acquisition reserves	1,349	831
	13,094	12,576
Less: Accumulated impairment losses	(11,407)	(11,407)
	1,687	1,169
Represented by:		
Share of net tangible assets	1,687	1,169

Details of the associates are as follows:

Names	Country of incorporation	Proportion (%) of ownership interest		Principal activities
		2016	2015	
Konsortium Perumahan Rakyat Terengganu Sdn. Bhd.	Malaysia	35	35	Housing development.
Kemaman Furniture Industries Sdn. Bhd.	Malaysia	43.59	43.59	Dormant.
Pesama Renors (M) Sdn. Bhd.	Malaysia	25	25	Dormant.
GPB Seabridge International, Inc.+	United States of America	20	20	Dormant.

+ Audited by a firm of auditors other than Ernst & Young.

Konsortium Perumahan Rakyat Terengganu Sdn. Bhd.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statement of financial position

	2016 RM'000	2015 RM'000
<b>Assets and liabilities:</b>		
Total assets	23,395	19,223
Total liabilities	(18,352)	(15,884)

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**18. Investments in associates (continued)**

(ii) Summarised statement of comprehensive income

Konsortium Perumahan Rakyat Terengganu Sdn. Bhd.

	2016 RM'000	2015 RM'000
<b>Results:</b>		
Revenue	16,231	14,047
Profit for the year	1,480	2,588

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

	2016 RM'000	2015 RM'000
Net assets at 1 January	3,339	751
Profit for the year	1,480	2,588
Net assets at 31 December	4,819	3,339
Interest in associate	35%	35%
	1,687	1,169

**19. Deferred tax**

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2015 RM'000	Recognised in profit or loss RM'000 (Note 12)	As at 31 December 2015 RM'000	Recognised in profit or loss RM'000 (Note 12)	As at 31 December 2016 RM'000
<b>Group</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	7,966	(180)	7,786	323	8,109
<b>Deferred tax assets:</b>					
Provisions and retirement benefit obligations	(1,421)	(832)	(2,253)	(380)	(2,633)
Unutilised tax losses, unabsorbed reinvestment allowances and unabsorbed capital allowances	(4,819)	(507)	(5,326)	(512)	(5,838)
	(6,240)	(1,339)	(7,579)	(892)	(8,471)
	1,726	(1,519)	207	(569)	(362)
<b>Company</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	1,237	(28)	1,209	1,204	2,413
<b>Deferred tax assets:</b>					
Provisions and retirement benefit obligations	(64)	(43)	(107)	(119)	(226)
Unutilised tax losses and unabsorbed capital allowances	(759)	(343)	(1,102)	(1,061)	(2,163)
	(823)	(386)	(1,209)	(1,180)	(2,389)
	414	(414)	-	24	24

**19. Deferred tax (continued)**

Presented after offsetting as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	(534)	(505)	-	-
Deferred tax liabilities	172	712	24	-
	<b>(362)</b>	207	<b>24</b>	-

Unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances

At the reporting date, the Group has unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances of approximately RM183,840,000 (2015: RM127,232,000), RM12,261,000 (2015: RM11,250,000) and RM2,601,000 (2015: RM2,601,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

Section 44(5A) and Paragraph 75A of Schedule 3 of the Malaysia Income Tax Act 1967 which became effective in Year of Assessment 2006 restricts the utilisation of unutilised tax losses and unabsorbed capital allowances where there is a substantial change in the ordinary shareholder of a company. The test for determining whether there is a substantial change in shareholders is carried out by comparing the shareholders on the last day of the basis period in which the unabsorbed losses/capital allowances were ascertained with those on the first day of the basis period in which the unabsorbed losses/capital allowances are to be utilised.

Pursuant to guidelines issued by the Malaysian tax authorities in 2008, the Ministry of Finance has exempted all companies from the provision of Section 44(5A) and Paragraph 75A of Schedule 3 except dormant companies.

**20. Investment securities**

	Group	
	2016 RM'000	2015 RM'000
<b>Non-current</b>		
Available-for-sale financial assets, at fair value		
Quoted in Malaysia		
- Equity instruments	1,951	5,654
- Unit trust, Amanah Saham Darul Iman ("ASDI")	995	1,018
Total investment securities	<b>2,946</b>	6,672

None of these financial assets are impaired.

**21. Inventories**

	Group	
	2016 RM'000	2015 RM'000
<b>Cost</b>		
Raw materials	6,527	7,028
Work-in-progress	91	136
Finished goods	183	129
Consumable materials	413	528
	<b>7,214</b>	7,821

During the financial year, the amount of inventories recognised as an expenses in cost of sales of the Group was RM30,610,000 (2015: RM33,520,000).

During the year, the Group's inventories amounting to RM68,000 (2015: RMNil) were written off (Note 9).

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**22. Trade and other receivables**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade receivables</b>				
Third parties	22,259	22,709	-	-
Less: Allowance for impairment Third parties	(11,961)	(11,912)	-	-
Trade receivables, net	10,298	10,797	-	-
<b>Other receivables</b>				
Amounts due from subsidiaries	-	-	80,136	79,432
Loans to subsidiaries	-	-	4,665	4,665
Amounts due from associates	5,152	5,143	-	-
Deposits	2,820	1,625	15	24
Goods and Services Tax ("GST") receivable	65	24	-	-
Sundry receivables	8,372	8,243	7,055	7,042
	16,409	15,035	91,871	91,163
Less: Allowance for impairment				
Amounts due from subsidiaries	-	-	(76,361)	(76,361)
Loans to subsidiaries	-	-	(4,665)	(4,665)
Amounts due from associates	(5,113)	(5,113)	-	-
Sundry receivables	(7,910)	(7,846)	(7,000)	(7,000)
	(13,023)	(12,959)	(88,026)	(88,026)
Other receivables, net	3,386	2,076	3,845	3,137
Total trade and other receivables	13,684	12,873	3,845	3,137
Less: GST receivable	(65)	(24)	-	-
Add: Cash and bank balances (Note 23)	11,654	18,511	19	244
Total loans and receivables	25,273	31,360	3,864	3,381

**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2015: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM4,995,000 (2015: RM4,995,000) due from affiliated companies. Affiliated companies refer to companies related to Golden Pharos Berhad's associates.



**22. Trade and other receivables (continued)**

**(a) Trade receivables (continued)**

Ageing analysis of trade receivables

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

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	8,461	8,463
1 to 30 days past due not impaired	1,014	1,169
31 to 60 days past due not impaired	292	338
61 to 90 days past due not impaired	-	595
91 to 120 days past due not impaired	59	16
More than 121 days past due not impaired	472	216
	<b>1,837</b>	2,334
Impaired	<b>11,961</b>	11,912
	<b>22,259</b>	22,709

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,837,000 (2015: RM2,334,000) that are past due at the reporting date but not impaired.

At the reporting date, trade receivables arising from export sales amounting to RM87,000 (2015: RMNil) have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. The remaining balance of receivables that are past due but not impaired are unsecured in nature.

Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016** (continued)

**22. Trade and other receivables (continued)**

**(a) Trade receivables (continued)**

Receivables that are impaired

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

	Group Individually impaired	
	2016 RM'000	2015 RM'000
Trade receivables-nominal amount	11,961	11,912
Less: Allowance for impairment	(11,961)	(11,912)
	-	-

Movement in allowance accounts:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	11,912	12,093
Charge for the year (Note 9)	236	101
Written off	(168)	(146)
Reversal of impairment losses (Note 7)	(19)	(136)
At 31 December	11,961	11,912

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

**(b) Related party balances**

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Loans to subsidiaries are unsecured, bear interest ranging from 2.5% to 4.0% per annum (2015: 2.5% to 4.0% per annum) and repayable on demand.

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

**22. Trade and other receivables (continued)**

**(c) Other receivables**

Other receivables that are impaired

At the reporting date, the Group and the Company have provided allowances of RM13,023,000 (2015: RM12,959,000) and RM88,026,000 (2015: RM88,026,000) respectively, for other receivables.

Movement in allowance accounts:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	12,959	12,849	88,026	87,700
Charge for the year (Note 9)	64	110	-	326
<b>At 31 December</b>	<b>13,023</b>	12,959	<b>88,026</b>	88,026

**23. Cash and bank balances**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash in hand and at banks	9,183	10,580	19	244
Deposits with licensed banks	2,471	7,931	-	-
	<b>11,654</b>	18,511	<b>19</b>	244

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between one day to 365 days depending on the immediate cash requirements of the Group, and earn interests at the respective deposit rates. The weighted average effective interest rate as at 31 December 2016 for the Group was 3.0% (2015: 3.0%) per annum.

Deposits with licensed banks of the Group amounting to RM600,000 (2015: RM600,000) are pledged as securities for borrowings (Note 24).

Deposit with licensed bank of the Group amounting to RM12,000 (2015: RMNil) is pledged as bank guarantee for the facility utilised by a subsidiary.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Cash in hand and at banks	11,654	18,511	19	244
Less: Deposits with licensed banks	(2,046)	(7,034)	-	-
<b>Cash and cash equivalents</b>	<b>9,608</b>	11,477	<b>19</b>	244

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**24. Borrowings**

	Maturity	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current</b>					
Secured:					
Bankers' acceptances	On demand	207	350	-	-
Obligations under finance leases (Note 30(b))	2017	501	787	91	82
		<b>708</b>	<b>1,137</b>	<b>91</b>	<b>82</b>
<b>Non-current</b>					
Secured:					
Obligations under finance leases (Note 30(b))	2018 - 2021	750	1,657	251	283
<b>Total borrowings</b>		<b>1,458</b>	<b>2,794</b>	<b>342</b>	<b>365</b>

The remaining maturities of the borrowings as at 31 December 2016 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
On demand or within one year	708	1,137	91	82
More than 1 year and less than 2 years	358	724	96	82
More than 2 years and less than 5 years	392	933	155	201
	<b>1,458</b>	<b>2,794</b>	<b>342</b>	<b>365</b>

Bankers' acceptances

The weighted average interest rates at the reporting date for bankers' acceptances was 5.90% (2015: 4.13%) per annum. The bankers' acceptances are secured by corporate guarantee provided by the holding company.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14). The average discount rate implicit in the leases is 11.48% (2015: 6.50%) per annum.

**25. Retirement benefit obligations**

The Group operates an unfunded, defined benefit Retirement Benefit Scheme for eligible employees. The Group's obligations under this Scheme are determined based on triennial actuarial valuation using the projected unit credit method. The latest actuarial valuation of this Scheme was carried out as at 31 December 2015.

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Charged to profit or loss:				
Current service cost	456	432	41	39
Past service cost	-	162	-	47
Interest cost	450	405	24	20
Total included in employee benefits expense (Note 10)	<b>906</b>	<b>999</b>	<b>65</b>	<b>106</b>
Recognised in other comprehensive income:				
Net loss on remeasurement of defined benefit obligations	-	(1,500)	-	(89)
	<b>906</b>	<b>(501)</b>	<b>65</b>	<b>17</b>

**25. Retirement benefit obligations (continued)**

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Present value of unfunded defined benefit obligations	8,930	8,545	496	431

Changes in present value of defined benefit obligations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	8,545	6,281	431	236
Recognised in profit or loss (Note 10)	906	999	65	106
Recognised in other comprehensive income:				
Net loss on remeasurement of defined benefit obligations	-	1,500	-	89
Benefits paid	(521)	(235)	-	-
At 31 December	8,930	8,545	496	431

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Analysed as:</b>				
<b>Current</b>	3	508	-	-
<b>Non-current</b>				
Later than 1 year but not later than 2 years	298	389	-	-
Later than 2 years but not later than 5 years	3,143	1,785	58	36
Later than 5 years	5,486	5,863	438	395
	8,927	8,037	496	431
	8,930	8,545	496	431

In calculating the defined benefit obligations and the related current service cost and past service cost using the Projected Unit Credit Method for the Group and the Company, the following assumptions were used. The assumptions were calculated on a weighted average basis.

	2016 %	2015 %
Discount rate	5.5	5.5
Expected rate of salary increase	5.0	5.0

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**25. Retirement benefit obligations (continued)**

The sensitivity of the defined benefit obligation to changes in the relevant actuarial assumptions is as follows:

	Group Defined benefit obligations		Company Defined benefit obligations	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
<b>2016</b>				
Discount rate (1% of movement)	(666)	752	(49)	56
Expected rate of salary increase (1% of movement)	846	(759)	61	(54)

**26. Trade and other payables**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current</b>				
<b>Trade payables</b>				
Third parties	2,054	3,077	-	-
<b>Other payables</b>				
Accruals	7,210	7,411	44	45
Goods and Services Tax ("GST") payable	91	90	27	28
Sundry payables	2,548	2,950	918	780
Amount due to holding company	14,199	14,153	11,045	11,000
Amount due to a corporate shareholder	640	640	640	640
Amounts due to subsidiaries	-	-	16,954	17,166
	<b>24,688</b>	<b>25,244</b>	<b>29,628</b>	<b>29,659</b>
Total trade and other payables	<b>26,742</b>	<b>28,321</b>	<b>29,628</b>	<b>29,659</b>
Less: GST payable	(91)	(90)	(27)	(28)
Add: Borrowings (Note 24)	1,458	2,794	342	365
Total financial liabilities carried at amortised cost	<b>28,109</b>	<b>31,025</b>	<b>29,943</b>	<b>29,996</b>

**(a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled on 60 day (2015: 60 day) terms.

**(b) Other payables**

These amounts are non-interest bearing. Other payables are normally settled on an average term of three months (2015: average term of three months).

**(c) Amount due to holding company**

The amount due to holding company is unsecured, bears interest at 4% (2015: 4%) per annum and has no fixed terms of repayment.

**26. Trade and other payables (continued)**

**(d) Amounts due to a corporate shareholder**

The amount due to a corporate shareholder relates to advances for working capital purposes named as Al-Mudharabah.

These advances bear interest at 5% (2015: 5%) per annum, are repayable within four (4) years (inclusive of one (1) year grace period) starting from 13 July 2012 and are secured by the corporate guarantee issued by the Company. In 2014, the Company had committed to an early settlement of these advances and in return, it has obtained approval for a waiver of interest as disclosed in Note 28 to the financial statements.

**(e) Amounts due to subsidiaries**

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand. The amounts due to subsidiaries are in relation to funds placed by certain subsidiaries in the Pool Fund Account ("the Fund") managed by the Company. The Fund is to be used for working capital requirements by the companies within the Group.

**27. Share capital and share premium**

	Group and Company			
	Number of ordinary share of RM0.50 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
<b>Authorised share capital</b>				
At 1 January/31 December	200,000	200,000	100,000	100,000
	Number of ordinary share of RM0.50 each	[----- Share capital (Issued and fully paid) '000	Amount Share premium RM'000	[----- Total share capital and share premium RM'000
At 1 January 2015/31 December 2015/ 31 December 2016	134,546	67,273	625	67,898

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**28. Other reserves**

	Equity contribution from owners RM'000	Fair value adjustment reserve RM'000	Reserve arising from merger RM'000	Total RM'000
<b>Group</b>				
<b>At 1 January 2015</b>	200	5,316	(22,718)	(17,202)
<b>Other comprehensive loss:</b>				
Available-for-sale financial assets				
- Net loss on fair value changes	-	(1,085)	-	(1,085)
<b>Transaction with owners:</b>				
Waiver of amount due to a shareholder	1,062	-	-	1,062
<b>At 31 December 2015 and 1 January 2016</b>	<b>1,262</b>	<b>4,231</b>	<b>(22,718)</b>	<b>(17,225)</b>
<b>Other comprehensive loss:</b>				
Available-for-sale financial assets				
- Net loss on fair value changes	-	(48)	-	(48)
- Transfer to profit or loss upon disposal	-	(2,678)	-	(2,678)
<b>At 31 December 2016</b>	<b>1,262</b>	<b>1,505</b>	<b>(22,718)</b>	<b>(19,951)</b>

	2016 RM'000	2015 RM'000
<b>Company</b>		
<b>Equity contribution from owners</b>		
<b>At 1 January</b>	<b>967</b>	200
<b>Transaction with owners:</b>		
Waiver of amount due to a shareholder	-	767
<b>As at 31 December</b>	<b>967</b>	967

**(a) Equity contribution from owners**

The amount represents waiver of amounts due to shareholders.

**(b) Fair value adjustment reserve**

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

**(c) Reserve arising from merger**

Reserve arising on merger represents the difference between the nominal value of the shares issued as consideration for the acquisition of Permint Timber Corporation Sdn. Bhd. and its subsidiaries and the nominal value of the shares transferred for these investments.



**29. Related party transactions**

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income from land and building charged to a subsidiary (Note 4)	-	-	(728)	(728)
Management fees charged to subsidiaries (Note 4)	-	-	(1,774)	(1,725)
Dividend income from subsidiaries (Note 4)	-	-	(1,257)	(636)
Interest expense on loans and advances:				
- holding company (Note 8)	42	929	42	886
Building rental charged by a related company	-	-	48	48
Interest expense on amounts due to subsidiaries (Note 8)	-	-	-	1

**(b) Compensation of key management personnel**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	2,921	2,718	941	920
Defined contribution plan	441	400	138	125
Defined benefit plan	209	209	51	33
	<b>3,571</b>	<b>3,327</b>	<b>1,130</b>	<b>1,078</b>

Included in compensation of key management personnel is:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration (Note 11)	1,165	1,061	483	506

**30. Commitments**

**(a) Capital commitments**

Capital expenditure as at reporting date is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Approved and contracted for:				
Motor vehicle	-	-	-	60
Approved but not contracted for:				
Plant and machinery	3,389	423	-	-
Motor vehicles	690	350	-	-
	<b>4,079</b>	<b>773</b>	<b>-</b>	<b>60</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**30. Commitments (continued)**

**(b) Finance lease commitments**

The Group and the Company have finance leases for certain items of plant and equipment and motor vehicles (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Minimum lease payments:</b>				
Not later than 1 year	573	831	106	92
More than 1 year and less than 2 years	401	833	106	92
More than 2 years and less than 5 years	421	1,109	162	224
Total minimum lease payments	1,395	2,773	374	408
Less: Amounts representing finance charges	(144)	(329)	(32)	(43)
Present value of minimum lease payments	1,251	2,444	342	365
<b>Present value of payments:</b>				
Not later than 1 year	501	787	91	82
More than 1 year and less than 2 years	358	724	96	82
More than 2 years and less than 5 years	392	933	155	201
Present value of minimum lease payments	1,251	2,444	342	365
Less: Amount due within 12 months (Note 24)	(501)	(787)	(91)	(82)
Amount due after 12 months (Note 24)	750	1,657	251	283

The hire purchase and lease liabilities bore an average interest rate at the reporting date of 11.48% (2015: 6.50%) per annum. The Group and the Company have finance leases and hire purchase contracts for certain items of plant and machinery and motor vehicles (see Note 24).

**31. Fair value of financial instruments**

- (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2016</b>					
<b>Financial liabilities:</b>					
Borrowings (non-current)					
- Obligations under finance leases	30(b)	750	772	251	255
<b>2015</b>					
<b>Financial liabilities:</b>					
Borrowings (non-current)					
- Obligations under finance leases	30(b)	1,657	1,978	283	292

**31. Fair value of financial instruments (continued)**

(b) Determination of fair value

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade and other receivables (current)	22
Borrowings (current)	24
Trade and other payables (current)	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

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

Amounts due from/to subsidiaries and associates and loans to/from subsidiaries

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

Financial guarantee

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

(c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value at the end of the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	<b>Note</b>	<b>Level 1 RM'000</b>
<b>Group</b>		
<b>31 December 2016</b>		
<b>Financial asset:</b>		
Investment securities: Available-for-sale	20	2,946
<b>31 December 2015</b>		
<b>Financial asset:</b>		
Investment securities: Available-for-sale	20	6,672

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**32. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

**(a) Credit risk**

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third 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, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Exposure to credit risk

The Group determines concentrations of credit risk by monitoring the country and industry sector profile 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:

	Group			
	2016		2015	
	RM'000	% of total	RM'000	% of total
<b>By industry sectors:</b>				
Harvesting, sawmilling and kiln drying of timber	2,044	18%	2,248	17%
Manufacturing	8,603	82%	8,548	78%
Others	-	0%	63	5%
	<b>10,647</b>	<b>100%</b>	10,859	100%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with licensed banks and other financial institutions, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

**(b) Liquidity risk**

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

**32. Financial risk management objectives and policies (continued)**

**(b) Liquidity risk (continued)**

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	----- 2016 -----		
	RM'000		
	On demand or within one year	One to five years	Total
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	26,742	-	26,742
Borrowings	780	822	1,602
<b>Total undiscounted financial liabilities</b>	<b>27,522</b>	<b>822</b>	<b>28,344</b>
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	29,628	-	29,628
Borrowings	106	268	374
<b>Total undiscounted financial liabilities</b>	<b>29,734</b>	<b>268</b>	<b>30,002</b>

	----- 2015 -----		
	RM'000		
	On demand or within one year	One to five years	Total
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	28,321	-	28,321
Borrowings	1,181	1,942	3,123
<b>Total undiscounted financial liabilities</b>	<b>29,502</b>	<b>1,942</b>	<b>31,444</b>
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	29,659	-	29,659
Borrowings	92	316	408
<b>Total undiscounted financial liabilities</b>	<b>29,751</b>	<b>316</b>	<b>30,067</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016** (continued)

**32. Financial risk management objectives and policies (continued)**

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's and the Company's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

At the end of the reporting year, if Ringgit Malaysia ("RM") interest rates had been 10 (2015: 10) basis points higher with all other variables held constant, the Group's loss net of tax (2015: loss net of tax) would have been RMNil (2015: RMNil) lower, arising mainly as a result of higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM. The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD").

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	2016 RM	2015 RM
<b>Financial assets</b>		
Trade and other receivables	1,011,706	666,551

**(e) Market price risk**

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

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

### 33. Capital management

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

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.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less fair value adjustment reserve.

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Borrowings	24	1,458	2,794	342	365
Trade and other payables	26	26,742	28,321	29,628	29,659
Less: Cash and bank balances	23	(11,654)	(18,511)	(19)	(244)
Net debt		16,546	12,604	29,951	29,780
Equity attributable to the owners of the parent		74,450	82,728	26,393	26,220
Less: Fair value adjustment reserve	28	(1,505)	(4,231)	-	-
Total capital		72,945	78,497	26,393	26,220
Capital and net debt		89,491	91,101	56,344	56,000
Gearing ratio		18%	14%	53%	53%

### 34. Segment information

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

- (i) Harvesting, sawmilling and kiln drying of timber;
- (ii) Manufacturing - manufacturing and trading of glass; and
- (iii) Others - including investment holding, marketing and distribution agent and trading of wooden doors and woodchips, none of which are of a sufficient size to be reported separately.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

34. Segment information (continued)

	Harvesting, sawmilling and kiln drying of timber				Manufacturing		Others		Adjustments and eliminations		Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>												
External customers	26,541	42,285	30,588	28,131	469	3,683	-	-	-	-	57,598	74,099
Inter-segment	13,785	18,300	-	-	3,945	4,649	(17,730)	(22,949)	A	-	-	-
Total revenue	40,326	60,585	30,588	28,131	4,414	8,332	(17,730)	(22,949)			57,598	74,099
<b>Results</b>												
Interest income	152	264	114	78	26	3	-	-	-	-	292	345
Dividend income	271	122	-	-	1,296	2,147	(1,296)	(2,147)	A	-	271	122
Depreciation	2,184	2,166	1,405	1,419	786	811	-	-	-	-	4,375	4,396
Other non-cash expenses	1,236	(49)	298	281	144	513	(66)	424	B	-	1,612	1,169
Segment (loss)/profit	(5,764)	(3,844)	989	71	(877)	1,741	(704)	(1,523)	C	-	(6,356)	(3,555)
<b>Assets</b>												
Additions to non-current assets	810	489	446	2,780	1,474	334	-	-	D	-	2,730	3,603
Segment assets	101,996	109,129	20,910	22,656	113,488	112,466	(124,204)	(121,048)	E	-	112,190	123,203
<b>Segment liabilities</b>	42,728	41,962	6,093	8,568	166,894	165,636	(178,413)	(175,691)	F	-	37,302	40,475



**34. Segment information (continued)**

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

A Inter-segment revenues and expenses are eliminated on consolidation.

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

	Note	2016 RM'000	2015 RM'000 Restated
Impairment losses on trade and other receivables	9	300	211
Reversal of impairment losses on trade and other receivables	7	(19)	(136)
Inventories written off	9	68	-
Impairment loss on investment securities	9	261	-
Provision for short-term accumulating compensated absences	10	96	95
Provision for retirement benefits obligations	10	906	999
		<b>1,612</b>	<b>1,169</b>

C The following items are (deducted from)/added to segment profit to arrive at "(loss)/profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	2016 RM'000	2015 RM'000
Dividend	(1,296)	(2,147)
Impairment losses on investment in subsidiaries	66	-
Reversal of trade and other receivables	-	(424)
Share of results of associate	518	906
Loss from intercompany sales	8	142
	<b>(704)</b>	<b>(1,523)</b>

D Additions to non-current assets consist of:

	2016 RM'000	2015 RM'000
Property, plant and equipment (Note 14)	2,730	3,603

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

	2016 RM'000	2015 RM'000
Inter-segment assets	(124,204)	(121,048)

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

	2016 RM'000	2015 RM'000
Deferred tax liabilities	-	2
Inter-segment liabilities	(178,413)	(175,693)
	<b>(178,413)</b>	<b>(175,691)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (continued)

**34. Segment information (continued)**

Geographical information

Revenue based on the geographical location of customers is as follows:

	Revenue	
	2016 RM'000	2015 RM'000
Malaysia	52,889	69,721
United States of America	964	-
United Kingdom	319	1,321
East Asia	1,467	-
Other regions	1,959	3,057
	<b>57,598</b>	<b>74,099</b>

**35. Comparative figures**

Certain comparative figures have been reclassified to conform with current year's presentation.

**36. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 18 April 2017.

**37. Supplementary information - Breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December 2016 and 31 December 2015 into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, 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.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total accumulated losses of the Company and its subsidiaries				
- Realised	(214,146)	(196,751)	(42,448)	(42,645)
- Unrealised	325	(150)	(24)	-
	<b>(213,821)</b>	(196,901)	<b>(42,472)</b>	(42,645)
Total accumulated losses from associates				
- Realised	(10,058)	(10,576)	-	-
	<b>(223,879)</b>	(207,477)	<b>(42,472)</b>	(42,645)
Less: Consolidation adjustments	<b>(250,382)</b>	(239,532)	-	-
Total retained earnings/(accumulated losses) as per financial statements	<b>26,503</b>	32,055	<b>(42,472)</b>	(42,645)

## ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2017 ANALISA PEGANGAN SAHAM PADA 31 MAC 2017

Authorised Share Capital Modal Saham Dibenarkan	RM100,000,000
Issued and Fully Paid Capital Modal Saham Berbayar	RM67,273,258
Class of Share Jenis Saham	Ordinary Shares of RM0.50 each Saham Biasa bernilai RM0.50 setiap satu

### DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2017 AGIHAN PEGANGAN SAHAM PADA 31 MAC 2017

Category Kategori	No. of Shares Bilangan Saham	% Over Total Share % Jumlah Saham Keseluruhan	No. of Holders Bilangan Pemegang Saham	% Over Total Shareholders % Jumlah Keseluruhan Pemegang Saham
1 - 99	995	0.000	46	1.418
100 - 1,000	1,110,112	0.825	1,147	35.368
1,001 - 10,000	6,566,126	4.880	1,557	48.011
10,001 - 100,000	13,159,001	9.780	433	13.351
100,001 - 6,727,324 (*)	15,872,400	11.796	57	1.757
6,727,325 and above / dan ke atas (**)	97,837,881	72.716	3	0.092
<b>Grand Total / Jumlah Keseluruhan</b>	<b>134,546,515</b>	<b>100.00</b>	<b>3,243</b>	<b>100.00</b>

Remark: \* less than 5% of issued shares  
\*\* 5% And above of issued shares

Catatan: \*Kurang daripada 5% saham terbitan  
\*\* 5% dan ke atas saham terbitan

### SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017 PEMEGANG SAHAM UTAMA PADA 31 MAC 2017

Name Nama	No. of share Bilangan Pegangan Saham	% %
TERENGGANU INCORPORATED SDN. BHD.	86,365,281	64.189
LEMBAGA TABUNG AMANAH WARISAN NEGERI TERENGGANU	11,472,600	8.526
<b>TOTAL / JUMLAH</b>	<b>97,837,881</b>	<b>72.716</b>

Name of Directors / Nama Pengarah	No. of Shares / Bilangan Pegangan
YB Dato' Haji Muhammad Pehimi bin Yusof	0
YB Dato' Haji A. Rahman bin Yahya	0
YB Dato' Sabri Bin Mohd Noor	0
YBhg Dato' Haji Mohamad Nor Bin Ibrahim	0
Tuan Haji Jusoh Bin Ali	0
Encik Rosli Bin Abd Rahman	0
Encik Zainudin bin Abu Bakar	0

**LIST OF TOP SHAREHOLDERS/DEPOSITORS AS AT 31 MARCH 2017**  
**SENARAI TIGA PULUH PEMEGANG SAHAM TERBESAR PADA 31 MAC 2017**

NAME NAMA	NORMAL HOLDINGS PEMEGANG SAHAM	% %	
1	TERENGGANU INCORPORATED SDN. BHD.	72,931,281	54.205
2	TERENGGANU INCORPORATED SDN. BHD.	13,434,000	9.984
3	LEMBAGA TABUNG AMANAH WARISAN NEGERI TERENGGANU	11,472,600	8.526
4	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAY ONG NGO @ TAY BOON FANG	2,059,000	1.530
5	LIM KOOI FUI	1,128,700	0.838
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEONG CHEE KWONG (REM 825)	635,500	0.472
7	LIM KOOI FUI	605,000	0.449
8	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WENDY LEE YOKE PENG (CEB)	600,000	0.445
9	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN YOK SON @ TAN SIEW TUAN (E-BPT)	557,300	0.414
10	TAY BOON TECK	510,000	0.379
11	KHOO KAY LEONG	465,200	0.345
12	CHIA PHAY CHENG	450,000	0.334
13	SYED OMAR SHAHABUDDIN BIN SYED ABDULLAH	400,000	0.297
14	TAY ONG NGO @ TAY BOON FANG	330,000	0.245
15	TAN BON TIONG	305,500	0.227
16	CHUA KENG KIONG	300,000	0.222
17	OOI SAY HUP	292,100	0.217
18	CHEONG PANG KWAN	287,000	0.213
19	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	280,000	0.208
20	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. KENNETH KOH BENG HOCK	280,000	0.208
21	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (REM & EMPLOYEES)	276,000	0.205
22	GAN KHO @ GAN HONG LEONG	271,000	0.201
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN PUAY SENG	270,000	0.200
24	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	253,300	0.188
25	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KAI YING (E-PDG)	243,000	0.180
26	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ANG KAR HENG (E-SJA)	213,100	0.158
27	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LING TUNG KONG (E-BTR)	205,300	0.152
28	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ESA BIN MOHAMED	200,000	0.148
29	LEE SEW KIM	200,000	0.148
30	LOW TIK KHUAN	184,000	0.136
<b>Total / Jumlah</b>		<b>109,638,881</b>	
<b>Total No of Depositors / Jumlah Pendeposit</b>		<b>30</b>	
<b>Total Percentage (%) / Jumlah Peratus (%)</b>		<b>81.487</b>	

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirtieth Annual General Meeting of the Company will be held at **Gamelan 2, Primula Beach Hotel, Jalan Persinggahan, 20400 Kuala Terengganu, Terengganu Darul Iman** on **Thursday, 25<sup>th</sup> May 2017** at **10.30 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to the Explanatory Notes to the Agenda)
2. To re-elect Haji Jusoh bin Ali retiring in accordance with Article 102 of the Articles of Association of the Company, comprising part of the Constitution of the Company. (Ordinary Resolution 1)
3. To re-elect the following directors retiring in accordance with Article 109 of the Articles of Association of the Company, comprising part of the Constitution of the Company:
  - (a) Dato' Haji Muhammad Pehimi bin Yusof (Ordinary Resolution 2)
  - (b) Zainudin bin Abu Bakar (Ordinary Resolution 3)
  - (c) Dato' Haji A. Rahman bin Yahya (Ordinary Resolution 4)
4. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 5)

### **AS SPECIAL BUSINESS:**

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

5. **Directors' Fees and any benefits payable**
  - (a) "THAT the payment of Directors' Fees of RM180,000.00 for the financial year ended 31 December 2016 be approved." (Ordinary Resolution 6)
  - (b) "THAT the payment of Directors' benefits (excluding Directors' Fees) payable of RM1,278,674.00 for the financial period from 1 January 2017 to 30 June 2018 be approved." (Ordinary Resolution 7)
6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting." (Ordinary Resolution 8)
7. To transact any other business of which due notice shall have been given.

By Order of the Board

**Suhairi bin Sulong (MIA No. 16392)**

**Saliza binti Abdul Rahman (LS 0008098)**

Company Secretaries

Kuala Terengganu

28 April 2017

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies or in the case of a corporation, to appoint a representative to attend and vote in his place.
2. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the authorised nominee appoint two (2) proxies or where an exempt authorised nominee appoint two (2) or more proxies to attend the same meeting, the authorised nominee or exempt authorised nominee shall specify the proportion of shareholdings to be represented by each proxy.
4. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Any alteration in the Form of Proxy must be initialled.
7. The Form of Proxy must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty eight hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than twenty four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
8. For the purpose of determining who shall be entitled to attend and vote at the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 17 May 2017 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

**Explanatory Notes on Special Business:**

**(i) Item 1 of the Agenda**

This item is meant for discussion only. The provisions of Section 340(1) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a motion to be put to vote by shareholders.

**(ii) Item 5 of the Agenda – Ordinary Resolution 6 and 7  
Directors' Fees and any benefits payable**

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries, shall be approved at a general meeting.

The Ordinary Resolution 6 and 7 proposed under item 5 is in accordance with Section 230 (1)(b) of the Companies Act 2016, if passed, will authorise the payment of directors' fees and any benefits payable to directors of the Company for their services as directors during the financial year ended 31 December 2016 and for the financial period from 1 January 2017 to 30 June 2018.

Directors benefits includes allowances and other emoluments payable to directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board, Board Committees, Board meeting of subsidiaries and covers the period from 1 January 2017 to 30 June 2018 (the due date for which the next Annual General Meeting should be held).

**(iii) Item 6 of the Agenda – Ordinary Resolution 8  
Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

The Ordinary Resolution 8 proposed under item 6 is a renewal of Sections 75 and 76 mandate obtained from the Shareholders of the Company at the previous Annual General Meeting and, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company in order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The Directors did not allot or issue any shares under the same mandate granted last year. Should the mandate be exercised, the Directors will utilise the proceeds raised for possible fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

There is no person seeking election at the Annual General Meeting.

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.

Kindly refer to item (iii) of the Explanatory Notes on Special Business on page 131.



I/We \_\_\_\_\_  
(Full name as per NRIC in capital letters)

Company No./NRIC No. (new) \_\_\_\_\_ (old) \_\_\_\_\_  
of \_\_\_\_\_  
(Full address)

being a member of GOLDEN PHAROS BERHAD hereby appoint \_\_\_\_\_  
NRIC No. (new) \_\_\_\_\_ (old) \_\_\_\_\_ or failing him/her  
\_\_\_\_\_ NRIC No. (new) \_\_\_\_\_ (old) \_\_\_\_\_  
of \_\_\_\_\_  
(Full address)

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the **30<sup>th</sup> Annual General Meeting** of the Company to be held at **Gamelan 2, Primula Beach Hotel, Jalan Persinggahan, 20400 Kuala Terengganu, Terengganu Darul Iman on Thursday, 25<sup>th</sup> May 2017 at 10.30 a.m.** and at any adjournment thereof.

Name of Proxy	NRIC No.	No. of shares to be represented by proxy	%
1.			
2.			

(Where two (2) proxies are appointed, please indicate the proportion of your shareholdings to be represented by each proxy.)

My/Our proxy is to vote as indicated with an "X" below:

If no specific discretion as to voting is given, the proxy will vote or abstain from voting at his discretion:

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To re-elect Haji Jusoh bin Ali as Director.		
2.	To re-elect Dato' Haji Muhammad Pehimi bin Yusof as Director.		
3.	To re-elect Zainudin bin Abu Bakar as Director.		
4.	To re-elect Dato' Haji A. Rahman bin Yahya as Director.		
5.	To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
6.	To approve payment of Directors' Fees for the financial year ended 31 December 2016.		
7.	To approve payment of Directors' benefits (excluding Directors' Fees) payable for the financial period from 1 January 2017 to 30 June 2018.		
8.	To authorise the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

Dated \_\_\_\_\_ day of \_\_\_\_\_ 2017

Number of shares held	*CDS Account No.

Signature of Member/Common Seal

\*Applicable for shares under nominee account only

**Notes:**

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies or in the case of a corporation, to appoint a representative to attend and vote in his place.
- A proxy may but need not be a member of the Company.
- Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the authorised nominee appoint two (2) proxies or where an exempt authorised nominee appoint two (2) or more proxies to attend the same meeting, the authorised nominee or exempt authorised nominee shall specify the proportion of shareholdings to be represented by each proxy.
- In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- Any alteration in the Form of Proxy must be initialled.
- The Form of Proxy must be deposited at Tricar Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty eight hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than twenty four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- For the purpose of determining who shall be entitled to attend and vote at the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 17 May 2017 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the meeting.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

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STAMP

**Golden Pharos Berhad**

Unit 32-01, Level 32 Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur

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## NOTIS MESYUARAT AGUNG TAHUNAN

**DENGAN INI DIBERITAHU BAHAWA** Mesyuarat Agung Tahunan Syarikat yang ke Tiga Puluh akan diadakan di **Gamelan 2, Primula Beach Hotel, Jalan Persinggahan, 20400 Kuala Terengganu, Terengganu Darul Iman** pada hari **Khamis, 25 Mei 2017** pada jam **10:30 pagi**, untuk tujuan-tujuan berikut:

1. Untuk menerima Penyata Kewangan yang telah diaudit bagi tahun berakhir 31 Disember 2016 berserta Laporan para Pengarah dan Juruaudit mengenainya. (Rujuk Nota Penjelasan kepada Agenda)
2. Untuk melantik Haji Jusoh bin Ali, Pengarah yang akan bersara menurut Artikel 102, Tataurusan Pertubuhan Syarikat, yang terdiri daripada sebahagian Perlembagaan Syarikat. (Resolusi Biasa 1)
3. Untuk melantik Pengarah-pengarah berikut yang bersara menurut Artikel 109, Tataurusan Pertubuhan Syarikat, yang terdiri daripada sebahagian Perlembagaan Syarikat:
  - (a) Dato' Haji Muhammad Pehimi bin Yusof (Resolusi Biasa 2)
  - (b) Zainudin bin Abu Bakar (Resolusi Biasa 3)
  - (c) Dato' Haji A. Rahman bin Yahya (Resolusi Biasa 4)
4. Untuk melantik semula Tetuan Ernst & Young sebagai Juruaudit Syarikat dan memberi kuasa kepada para Pengarah untuk menetapkan bayaran mereka. (Resolusi Biasa 5)

### SEBAGAI URUSAN KHAS:

Untuk mempertimbangkan dan meluluskan jika difikirkan sesuai, resolusi-resolusi di bawah:

#### 5. Yuran Pengarah dan Imbuan yang perlu dibayar

- (a) "BAHAWA bayaran Yuran Pengarah sebanyak RM180,000.00 untuk tahun kewangan berakhir 31 Disember 2016 diluluskan." (Resolusi Biasa 6)
- (b) "BAHAWA bayaran Imbuan Pengarah (tidak termasuk Yuran Pengarah) yang perlu dibayar sebanyak RM1,278,674.00 untuk tempoh kewangan daripada 1 Januari 2017 hingga 30 Jun 2018 diluluskan." (Resolusi Biasa 7)

#### 6. Kuasa untuk memperuntukkan dan menerbitkan saham menurut Seksyen 75 dan 76 Akta Syarikat, 2016

"BAHAWA menurut Seksyen 75 dan 76 Akta Syarikat 2016, para Pengarah Syarikat adalah dan dengan ini diberi kuasa untuk memperuntukkan saham Syarikat ini, pada bila-bila masa dan berdasarkan terma dan syarat dan bertujuan sebagaimana para Pengarah, dalam pertimbangan mutlak mereka fikirkan sesuai, tertakluk pada bilangan agregat saham yang diperuntukkan menurut resolusi ini tidak melebihi 10% daripada jumlah bilangan saham terbitan Syarikat pada waktu itu dan bahawa para Pengarah adalah dan dengan ini diberi kuasa untuk mendapatkan kelulusan bagi penyenaraian dan sebutharga saham tambahan yang diterbitkan dari Bursa Malaysia Securities Berhad dan bahawa kuasa tersebut akan terus berkuatkuasa sehingga pengumuman Mesyuarat Agung Tahunan ("MAT") Syarikat yang akan datang selepas kelulusan itu diberikan atau pada tamat tempoh di mana MAT yang berikutnya perlu diadakan selepas kelulusan itu diberikan, yang mana terdahulu, melainkan jika kelulusan itu dibatalkan atau diubah oleh Syarikat pada mesyuarat agung". (Resolusi Biasa 8)

7. Untuk mempertimbangkan lain-lain urusan biasa di mana notis yang sepatutnya telah diterima.

Dengan Perintah Lembaga Pengarah

**Suhairi bin Sulong (MIA No. 16392)**

**Saliza binti Abdul Rahman (LS 0008098)**

Setiausaha Syarikat

Kuala Terengganu

28 April 2017

## NOTIS MESYUARAT AGUNG TAHUNAN (sambungan)

### Nota-nota:

1. Seorang ahli berhak menghadiri dan mengundi dalam mesyuarat ini berhak melantik tidak lebih daripada dua (2) proksi atau sekiranya pelantik adalah sebuah perbadanan, berhak melantik seorang wakil untuk menghadiri dan mengundi bagi pihak dirinya.
2. Seorang proksi tidak semestinya seorang ahli Syarikat.
3. Di mana ahli Syarikat adalah nomini yang dibenarkan sebagaimana definisi di bawah Akta Industri Sekuriti (Depositori Pusat), 1991, beliau boleh melantik tidak lebih dari dua (2) proksi bagi setiap akaun sekuriti yang dipegangnya dengan saham biasa Syarikat berada dalam kedudukan kredit dalam akaun sekuriti tersebut. Di mana ahli Syarikat adalah nomini berkecuali yang dibenarkan di mana memegang saham biasa Syarikat untuk beberapa pemunya dalam satu (1) akaun sekuriti ("akaun omnibus"), tiada had kepada bilangan proksi yang akan dilantik oleh nomini berkecuali yang dibenarkan ke atas setiap akaun omnibus yang dipegangnya. Di mana nomini yang dibenarkan melantik dua (2) proksi atau di mana nomini berkecuali yang dibenarkan melantik dua (2) atau lebih proksi untuk hadir mesyuarat yang sama, nomini yang dibenarkan atau nomini berkecuali yang dibenarkan perlu menyatakan kadar pegangan sahamnya yang diwakili oleh setiap proksi.
4. Dalam setiap notis memanggil mesyuarat Syarikat akan tertera satu pernyataan bahawa ahli yang layak untuk hadir dan mengundi berhak untuk melantik tidak lebih dari dua (2) orang proksi untuk hadir dan mengundi bagi pihak dirinya. Jika ahli melantik dua (2) proksi untuk hadir mesyuarat yang sama, maka ahli perlu menyatakan kadar pegangan sahamnya yang diwakili oleh setiap proksi. Proksi yang dilantik untuk hadir dan mengundi di mesyuarat Syarikat akan mempunyai hak yang sama sebagai ahli untuk bercakap di mesyuarat.
5. Suratcara pelantikan proksi hendaklah dibuat secara bertulis oleh pelantik atau wakil kuasa yang dilantik secara bertulis atau sekiranya pelantik adalah sebuah perbadanan, ia mestilah dimeterai atau ditandatangani oleh pegawai atau wakil kuasa yang telah diberi kuasa sewajarnya.
6. Sebarang pembetulan ke atas surat perlantikan proksi hendaklah diparap.
7. Surat pelantikan proksi mesti diserahkan ke 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, atau sebagai alternatif, Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur tidak lewat dari 48 jam sebelum waktu yang ditetapkan bagi mengadakan mesyuarat tersebut atau sebarang penundaannya atau dalam kes pungutan suara, tidak kurang daripada dua puluh empat jam sebelum masa yang ditetapkan untuk membuat pungutan suara dan jika gagal, suratcara proksi tidak boleh dikira sebagai sah.
8. Bagi tujuan untuk menentukan ahli yang layak untuk hadir dan mengundi di Mesyuarat, Syarikat perlu memohon Bursa Malaysia Depository Sdn. Bhd. untuk mengemukakan kepada Syarikat Rekod Pendeposit pada 17 Mei 2017 dan hanya pendeposit yang namanya tertera di atas Rekod Pendeposit tersebut layak untuk menghadiri mesyuarat.
9. Menurut Perenggan 8.29A (1) Keperluan Penyenaian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang dinyatakan dalam Notis ini diundi mengikut pungutan suara.

### Nota Penjelasan Untuk Urusan Khas:

#### (i) Perkara 1 pada Agenda

Perkara ini hanyalah untuk perbincangan sahaja. Peruntukan pada Seksyen 340(1), Akta Syarikat 2016 menghendaki bahawa Penyata Kewangan yang telah diaudit berserta Laporan para Pengarah dan Juruaudit mengendainya dibentangkan kepada Syarikat dalam Mesyuarat Agung Tahunan. Oleh itu, perkara pada Agenda ini bukan urusan yang memerlukan usul untuk diundi oleh pemegang saham.

#### (ii) Perkara 5 pada Agenda – Resolusi Biasa 6 dan 7 Yuran Pengarah dan Imbuan yang perlu dibayar

Menurut Seksyen 230 (1) Akta Syarikat 2016, yuran pengarah dan apa-apa imbuan yang perlu dibayar kepada pengarah syarikat tersenarai dan anak-anak syarikatnya, hendaklah diluluskan di mesyuarat agung.

Resolusi Biasa 6 dan 7 yang dicadangkan di bawah perkara 5 adalah menurut Seksyen 230(1)(b) Akta Syarikat 2016, jika diluluskan, akan memberi kuasa untuk pembayaran yuran pengarah dan apa-apa imbuan yang perlu dibayar kepada pengarah Syarikat atas perkhidmatan mereka sebagai pengarah dalam tahun kewangan yang berakhir 31 Disember 2016 dan untuk tempoh kewangan daripada 1 Januari 2017 hingga 30 Jun 2018.

Imbuan Pengarah termasuk elaun dan emolumen lain yang perlu dibayar kepada para pengarah dan dalam menentukan jumlah anggaran, Lembaga telah mengambil kira pelbagai faktor termasuk bilangan mesyuarat Lembaga yang dijadualkan, Jawatankuasa Lembaga Pengarah, mesyuarat Lembaga Pengarah anak-anak syarikat dan meliputi tempoh dari 1 Januari 2017 hingga 30 Jun 2018 (tarikh akhir Mesyuarat Agung Tahunan yang akan datang perlu diadakan).

#### (iii) Perkara 6 pada Agenda – Resolusi Biasa 8 Kuasa untuk memperuntukkan dan menerbitkan saham menurut Seksyen 75 dan 76 Akta Syarikat 2016

Resolusi Biasa 8 yang dicadangkan di bawah perkara 6 adalah pembaharuan bagi Seksyen 75 dan 76, mandat yang diluluskan oleh ahli Syarikat dalam Mesyuarat Agung Tahunan tahun lepas, jika diluluskan, akan memberi kuasa kepada para Pengarah untuk menerbitkan saham dalam Syarikat sehingga satu jumlah yang tidak melebihi 10 peratus (10%) daripada modal terbitan Syarikat bagi mengelak sebarang penangguhan dan kos pembiayaan dalam menjalankan mesyuarat agung untuk meluluskan penerbitan saham-saham berkenaan. Kuasa ini, kecuali dibatalkan atau dipinda pada mesyuarat agung, akan tamat tempohnya pada penggulungan Mesyuarat Agung Tahunan Syarikat yang berikutnya. Para Pengarah tidak memperuntukkan saham atau menerbitkan saham dibawah mandat yang diperolehi pada tahun lepas. Sekiranya mandat dilaksanakan, para Pengarah akan menggunakan perolehan yang dijana untuk kemungkinan pelaksanaan peningkatan dana termasuk tetapi tidak terhad kepada peruntukan tambahan saham bagi tujuan untuk membiayai projek pelaburan semasa dan/atau hadapan, modal kerja dan/atau pengambilalihan.

## PENYATA MENGIRINGI NOTIS MESYUARAT AGUNG TAHUNAN

Tiada individu yang menawarkan diri untuk dipilih pada Mesyuarat Agung Tahunan.

Menurut Perenggan 8.27(2) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad.

Kuasa untuk memperuntukkan dan menerbitkan saham menurut Seksyen 75 dan 76 Akta Syarikat 2016.

Sila rujuk kepada perkara (iii) Nota Penjelasan untuk Urusan Khas pada halaman 136.

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Saya/Kami \_\_\_\_\_  
(Nama Penuh Pada K.P.)

No. Syarikat/No. K.P. (Baru) \_\_\_\_\_ (Lama) \_\_\_\_\_  
beralamat di \_\_\_\_\_  
(Alamat Penuh)

adalah ahli GOLDEN PHAROS BERHAD dengan ini melantik \_\_\_\_\_

No. K.P. (Baru) \_\_\_\_\_ (Lama) \_\_\_\_\_ atau sebagai penggantinya  
\_\_\_\_\_ No. K.P. (Baru) \_\_\_\_\_ (Lama) \_\_\_\_\_  
beralamat di \_\_\_\_\_  
(Alamat Penuh)

atau sebagai penggantinya Pengerusi mesyuarat sebagai proksi saya/kami untuk pengundian saya/kami dan bagi pihak saya/kami di Mesyuarat Agung Tahunan Syarikat Ke 30, yang akan diadakan di **Gamelan 2, Primula Beach Hotel, Jalan Persinggahan, 20400 Kuala Terengganu, Terengganu Darul Iman** pada **Khamis, 25 Mei 2017** jam **10:30 pagi** dan pada sebarang penangguhannya.

Nama Proksi	No K.P.	Jumlah saham yang diwakili oleh proksi	%
1.			
2.			

(Di mana dua (2) proksi dilantik, sila nyatakan jumlah peratusan saham yang diwakili oleh setiap proksi)

Proksi saya/kami akan mengundi dengan memangkah "X" seperti di bawah:

Jika tiada arahan khusus tentang pengundian diberikan, proksi akan mengundi atau tidak mengundi atas budi bicaranya.

RESOLUSI BIASA		SETUJU	TIDAK SETUJU
1.	Untuk melantik semula Haji Jusoh bin Ali sebagai Pengarah Syarikat.		
2.	Untuk melantik semula Dato' Haji Muhammad Pehimi bin Yusof sebagai Pengarah Syarikat.		
3.	Untuk melantik semula Zainudin bin Abu Bakar sebagai Pengarah Syarikat.		
4.	Untuk melantik semula Dato' Haji A. Rahman bin Yahya sebagai Pengarah Syarikat.		
5.	Untuk melantik semula Tetuan Ernst & Young sebagai Juruaudit Syarikat dan memberi kuasa kepada para Pengarah untuk menetapkan bayaran mereka.		
6.	Untuk meluluskan pembayaran Yuran Pengarah bagi tahun kewangan berakhir 31 Disember 2016.		
7.	Untuk meluluskan pembayaran Imbuan Pengarah (tidak termasuk Yuran Pengarah) yang perlu dibayar untuk tempoh kewangan daripada 1 Januari 2017 hingga 30 Jun 2018.		
8.	Untuk memberi kuasa kepada para Pengarah menerbitkan saham menurut Seksyen 75 dan 76 Akta Syarikat 2016.		

Bertarikh \_\_\_\_\_ haribulan \_\_\_\_\_ 2017

Bilangan saham yang dipegang	*CDS Akaun No.

Tandatangan Pemegang Saham / Meterai

\*Berkaitan dengan saham dibawah akaun calon sahaja

**Nota-Nota:**

- Seorang ahli berhak menghadiri dan mengundi dalam mesyuarat ini berhak melantik tidak lebih daripada dua (2) proksi atau sekiranya pelantik adalah sebuah perbadanan, berhak melantik seorang wakil untuk menghadiri dan mengundi bagi pihak dirinya.
- Seorang proksi tidak semestinya seorang ahli Syarikat.
- Di mana ahli Syarikat adalah nomini yang dibenarkan sebagaimana definisi dibawah Akta Industri Sekuriti (Depositori Pusat), 1991, beliau boleh melantik tidak lebih dari dua (2) proksi bagi setiap akaun sekuriti yang dipegangnya dengan saham biasa Syarikat berada dalam kedudukan kredit dalam akaun sekuriti tersebut. Di mana ahli Syarikat adalah nomini berkecuali yang dibenarkan di mana memegang saham biasa Syarikat untuk beberapa pemunya dalam satu (1) akaun sekuriti ("akaun omnibus"), tiada had kepada bilangan proksi yang akan dilantik oleh nomini berkecuali yang dibenarkan ke atas setiap akaun omnibus yang dipegangnya. Di mana nomini yang dibenarkan melantik dua (2) proksi atau di mana nomini berkecuali yang dibenarkan melantik dua (2) atau lebih proksi untuk hadir mesyuarat yang sama, nomini yang dibenarkan atau nomini berkecuali yang dibenarkan perlu menyatakan kadar pegangan sahamnya yang diwakili oleh setiap proksi.
- Dalam setiap notis memanggil mesyuarat Syarikat akan tertera satu pernyataan bahawa ahli yang layak untuk hadir dan mengundi berhak untuk melantik tidak lebih dari dua (2) orang proksi untuk hadir dan mengundi bagi pihak dirinya. Jika ahli melantik dua (2) proksi untuk hadir mesyuarat yang sama, maka ahli perlu menyatakan kadar pegangan sahamnya yang diwakili oleh setiap proksi. Proksi yang dilantik untuk hadir dan mengundi di mesyuarat Syarikat akan mempunyai hak yang sama sebagai ahli untuk bercakap di mesyuarat.
- Suratcara pelantikan proksi hendaklah dibuat secara bertulis oleh pelantik atau wakil kuasa yang dilantik secara bertulis atau sekiranya pelantik adalah sebuah perbadanan, ia mestilah dimeterai atau ditandatangani oleh pegawai atau wakil kuasa yang telah diberi kuasa sewajarnya.
- Sebarang pembetulan ke atas surat pelantikan proksi hendaklah diparap.
- Surat pelantikan proksi mesti diserahkan ke 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, atau sebagai alternatif, Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur tidak lewat dari 48 jam sebelum waktu yang ditetapkan bagi mengadakan mesyuarat tersebut atau sebarang penundaannya atau dalam kes pungutan suara, tidak kurang daripada dua puluh empat jam sebelum masa yang ditetapkan untuk membuat pungutan suara dan jika gagal, suratcara proksi tidak boleh dikira sebagai sah.
- Bagi tujuan untuk menentukan ahli yang layak untuk hadir dan mengundi di Mesyuarat, Syarikat perlu memohon Bursa Malaysia Depository Sdn. Bhd. untuk mengemukakan kepada Syarikat Rekod Pendeposit pada 17 Mei 2017 dan hanya pendeposit yang namanya tertera di atas Rekod Pendeposit tersebut layak untuk menghadiri mesyuarat.
- Menurut Perenggan 8.29A (1) Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad, semua resolusi yang dinyatakan dalam Notis ini diundi mengikut pungutan suara.

LIPAT DI SINI

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SETEM

**Golden Pharos Berhad**

Unit 32-01, Level 32 Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur

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LIPAT DI SINI



## Company Directory Direktori Syarikat

### Head Office Ibu Pejabat

Golden Pharos Berhad  
66-2, Taman Seri Intan, Jalan Sultan Omar,  
20300 Kuala Terengganu,  
Terengganu Darul Iman,  
Malaysia  
Tel : (609) 630 1330  
Fax : (609) 631 0617

### Subsidiaries Syarikat-syarikat Subsidiari

#### **Kumpulan Pengurusan Kayu-Kayan Terengganu Sdn. Bhd. (56141-K)**

Jalan Kalsium Bandar Bukit Besi,  
23200 Dungun,  
Terengganu Darul Iman,  
Malaysia  
Tel : (609) 833 7245  
Fax : (609) 833 7023

#### **Golden Pharos Glass Sdn. Bhd. (265409-W)**

Lot 7, Jalan Perak, Kawasan Perusahaan,  
42500 Teluk Panglima Garang,  
Kuala Langat,  
Selangor Darul Ehsan,  
Malaysia  
Tel : (603) 3122 6115  
Fax : (603) 3122 6117

#### **Golden Pharos Doors Sdn. Bhd. (223569-A)**

66-2, Taman Seri Intan, Jalan Sultan Omar,  
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#### **GP Dynamic Venture Sdn. Bhd. (1170502-H)**

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#### **Pesama Timber Corporation Sdn. Bhd. (16330-U)**

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#### **Pesaka Trengganu Berhad (6267-H)**

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#### **Permint Plywood Sdn. Bhd. (70007-K)**

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