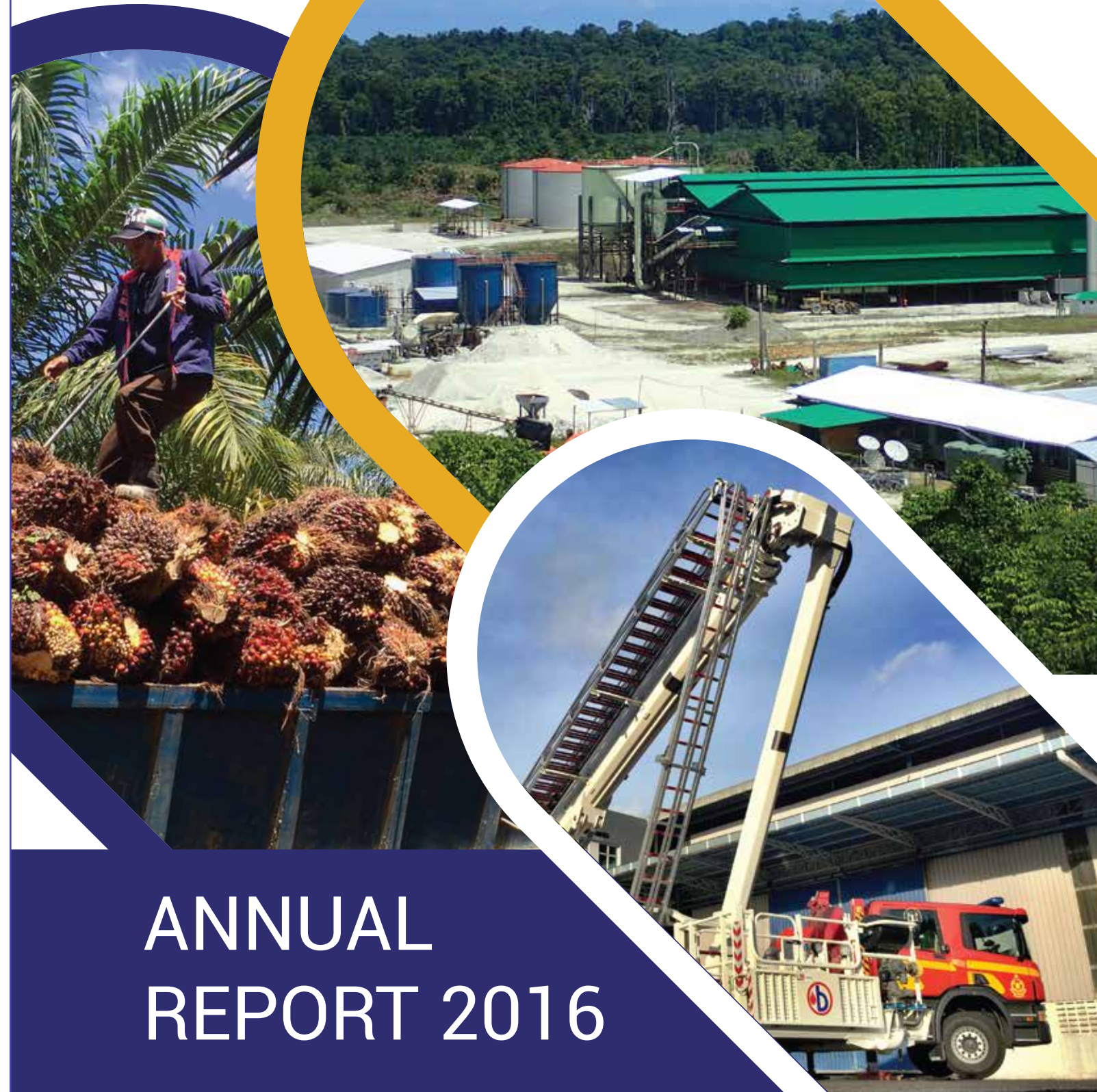




CB INDUSTRIAL PRODUCT HOLDING BERHAD
(428930-H)

Exploring Feasible Opportunities

CB INDUSTRIAL PRODUCT HOLDING BERHAD | Annual Report 2016



CB INDUSTRIAL PRODUCT HOLDING BERHAD
(428930-H)



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Kawasan Perusahaan Telok Panglima Garang,
42500 Telok Panglima Garang,
Selangor, Malaysia.

ANNUAL REPORT 2016

FINANCIAL HIGHLIGHTS

REVENUE

RM578 m

+6.8%

2015: RM541 m

PROFIT BEFORE TAXATION

RM137 m

-3.4%

2015: RM141 m

SHAREHOLDERS' EQUITY

RM725 m

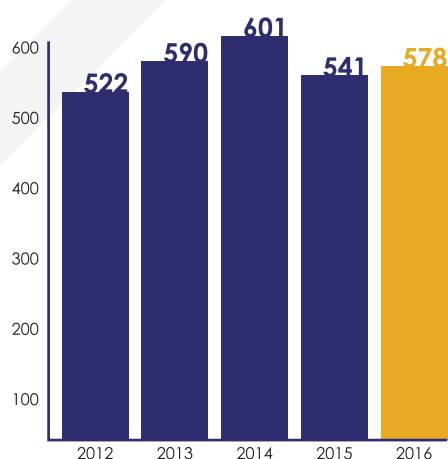
+8.4%

2015: RM669 m

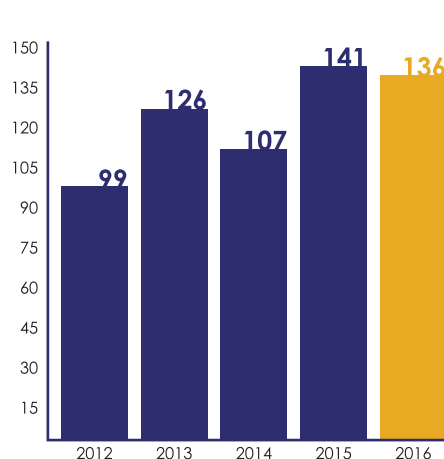
In RM'000	2012	2013	2014	2015	2016
Revenue	521,728	590,441	600,893	541,274	577,883
Profit Before Taxation	99,318	125,609	107,045	141,350	136,584
Profit Attributable To Shareholders	239,619	98,416	91,205	97,985	101,649
Shareholders' Equity	484,161	529,951	598,633	668,822	724,770
Earnings Per Share (Sen)	44.6*	18.5*	17.2	18.5	19.4

* Adjusted for enlarged share capital after bonus issue in year 2012 and 2014

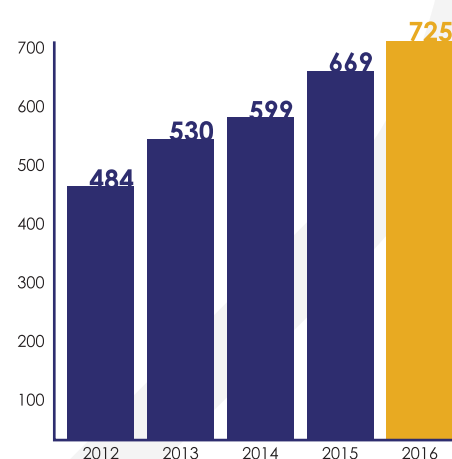
REVENUE (RM Million)



PROFIT BEFORE TAXATION (RM Million)



SHAREHOLDERS' EQUITY (RM Million)



CORPORATE STRUCTURE



CB INDUSTRIAL PRODUCT HOLDING BERHAD

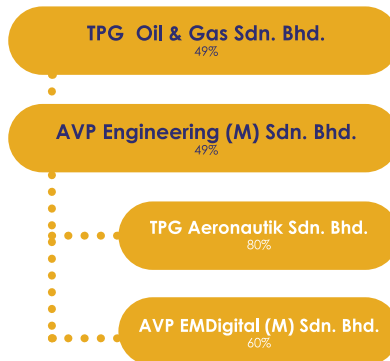
PLANTATION & MILLING



EQUIPMENT & ENGINEERING



SPECIAL PURPOSE VEHICLES & OTHER



Associates and Joint Ventures

20TH ANNUAL GENERAL MEETING

DATE : 30th May 2017

TIME : 10:30 am

VENUE : Saujana Ballroom,
The Saujana Hotel Kuala Lumpur,
Jalan Lapangan Terbang SAAS,
40150 Shah Alam, Selangor Darul Ehsan

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VISION & MISSION

OUR VISION

To be the preferred provider of innovative engineering products and solutions to the global oil palm industry and related sectors

OUR MISSION

LEADER To be the the leading global manufacturer and supplier of technologically advance and cost effective palm oil mills.

INNOVATOR To be reliable, reputable, speedy and competitive provider of quality and innovative engineering products and solutions.

CUSTOMERS To exceed customers expectations through our expertise, focused R&D and strategic collaborations.

WORKFORCE To develop a highly motivated, efficient and creative workforce by providing opportunities for growth and clear career path.

CORPORATE CITIZEN To continue to be a responsible corporate citizen who contributes towards its social and environmental responsibilities.

SHAREHOLDERS To continue to enhance shareholders' value.



Plantation & Milling
Oil palm cultivation and milling



Special Purpose Vehicles
Retrofitting special purpose vehicles



Equipment & Engineering
Manufacturing of palm oil mill equipment and full turnkey construction of palm oil mills



CHAIRMAN'S STATEMENT

"Stronger results in 2016 in spite of challenging environment. The board remains optimistic of the Group's prospects."

TAN SRI DATUK DR. YUSOF BIN BASIRAN

Independent
Non-Executive Chairman



Dear Shareholders,

On behalf of the Board, it is my honour to present CB Industrial Product Holding Berhad's ("CBIP" or "Company") annual report and audited financial statements for the financial year ended 31 December 2016.

2016 In Review

The Company achieved an encouraging revenue of RM577.9 million, profit before taxation of RM136.6 million and profit after taxation attributable to owners of the Company of RM101.6 million. Despite a decline of 3.4% for profit before taxation, the revenue and profit after taxation attributable to owners of the Company increased by 6.8% and 3.7% respectively as compared to the previous financial year. These results were achieved even though the Company was subjected to various external factors particularly the fluctuation of crude palm oil prices which averaged RM2,653 during the year.

Our palm oil equipment and engineering division achieved a revenue of RM416.2 million and profit before taxation of RM104.2 million, a 7.0% decrease in profit before taxation despite a marginal increase in revenue on a year-on-year comparison. It was a particularly challenging year but nevertheless our orderbook closed at RM441 million as at 31 December 2016, representing a year-on-year decrease of 11.6% primarily due to delays in securing targeted projects as a result of fluctuation in crude palm oil prices. Given the circumstances, our palm oil equipment and engineering division has done well to weather the storm during 2016.

Our special purpose vehicles division achieved revenue of RM158.4 million and profit before taxation of RM26.4 million, representing a year-on-year increase of 28.4% and decrease of 8.9% respectively. The profitability in this division decreased despite a strong growth in revenue due to lower margin achieved for 2016. With an orderbook of RM448 million, this division is primed to grow in 2017 as it continues to expand its vehicles portfolio to cater for the market's need in Malaysia but also with a plan to expand its business in the overseas market.

Our plantation and milling division posted a higher loss of RM7.4 million despite an improvement in revenue by 53.9% from RM2.1 million in the previous financial year to RM3.3 million. This division was still loss making because the age profile of the palm trees are still relatively young, thereby generating minimal revenue. The set up and operating costs will continue to be incurred by this division until maturity of the palm oil trees. The management intends to initiate the construction of its first palm oil mill targeted for completion by end 2018/early 2019.

Our plantation associates and joint venture registered strong growth, whereby our share of results improved year-on-year by 92.9% to RM9.0 million, mainly due to increase in prices of palm products. As the age profile of the palm tree in the plantation associates and joint venture is mostly mature, its performance is dependent on the prices of palm products as well as the yield achieved.



Prospects Ahead

Going forward, the global economy is expected to improve moderately. While there are indications of a more sustained growth in the major developed economies in 2017, the downside risks for global growth continue to prevail, arising from the volatility in commodity prices, policy uncertainties and growth prospects of the major developed economies, heightened risk aversions in the global financial markets as well as geopolitical developments.

(Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2016, Bank Negara Malaysia)

With outstanding orderbook as at 31 December 2016 amounting to RM441 million in our palm oil equipment and engineering division and RM448 million in our special purpose vehicles division, the Board remains cautiously optimistic of the prospects of the Group for the financial year ending 31 December 2017.

In our palm oil equipment and engineering division, we will continue to focus on growing our orderbook and increasing our clientele base. In view of the technological advantage of our Modipalm Continuous Sterilization palm oil mills as well as our track record of excellent deliveries, we will continue to, not only expand existing business relationships but also to develop new clientele base with the hope of achieving a sustainable growth path. We will also continue to invest in research and development, as the management is slowly progressing towards the commercialization of the “zero discharge” technology, a new innovation in the field of waste management for palm oil mills.

In our special purpose vehicles division, the management remains cautiously optimistic of securing more new supply and delivery contracts through active marketing of new products, across new geographical markets. We will continue to build on our capabilities to grow our special purpose vehicles division.

In our plantation and milling division, with a landbank of approximately 32,000 hectares, whereby 2,051 hectares were planted in 2016 and 9,399 hectares have been planted in totality, the management remains committed to improve the plantation development based on our plan to drive our Group’s long term growth.





Corporate Exercise

On 23 June 2016, the following subsidiaries of the Company entered into three (3) conditional agreements of sale and purchase of shares with PT Jhonlin Agro Mandiri ("**JAM**") for the disposal of shares in its subsidiaries ("**Disposal of Shares**"), as detailed below:

- i) A conditional agreement of sale and purchase of shares between Midas Portfolio Sdn. Bhd. ("**MPSB**"), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Gumas Alam Subur ("**PT GAS**"), a 94% owned subsidiary of MPSB, together with the receivables of MPSB against PT GAS with an amount of Rp.30,964,999,594 (equivalent to RM9,475,214), for a total cash consideration of Rp.49,201,072,278 (equivalent to RM15,055,408);
- ii) A conditional agreement of sale and purchase of shares between Accent Hectares Sdn. Bhd. ("**AHSB**"), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Kurun Sumber Rezeki ("**PT KSR**"), a 94% owned subsidiary of AHSB, together with the receivables of AHSB against PT KSR with an amount of Rp.31,033,038,596 (equivalent to RM9,496,034), for a total cash consideration of Rp. 49,269,111,280 (equivalent to RM15,076,227);
- iii) A conditional agreement of sale and purchase of shares between Benar Optima Sdn. Bhd. ("**BOSB**"), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Manyangan Jaya ("**PT MJ**"), a 94% owned subsidiary of BOSB, together with the receivables of BOSB against PT MJ with an amount of Rp.6,781,243,757 (equivalent to RM2,074,998), for a total cash consideration of Rp. 25,017,316,441 (equivalent to RM7,655,192).

In consequent thereof, PT GAS, PT KSR and PT MJ shall cease to be subsidiaries of the Company.

Upholding Shareholders' Value

In line with our past practice of distributing cash dividends, we have declared a total cash dividend payout of 6 sen per share for the financial year ended 31 December 2016.

While we have achieved satisfactory results for the financial year ended 31 December 2016, we will continue to explore sustainable growth strategies to further enhance our shareholders' value.

A Word of Appreciation

I wish to take this opportunity to express my heartfelt gratitude and appreciation to our Board of Directors, the management team and our employees for their dedicated effort and unwavering support. Last but not least, I would like to thank our shareholders, customers, vendors and other stakeholders, who have placed their faith in us since our humble beginnings until today.

TAN SRI DATUK DR. YUSOF BIN BASIRAN
Independent Non-Executive Chairman

BOARD OF DIRECTORS



**TAN SRI DATUK
DR. YUSOF BIN BASIRAN**
INDEPENDENT NON-EXECUTIVE
CHAIRMAN



DATUK LIM CHAI BENG
MANAGING DIRECTOR



**Y.D.M. TENGKU DATO'
ARDY ESFANDIARI BIN
TENGKU ABDUL HAMID
SHAH ALHAJ TENGKU SERI
PADUKA SHAHBANDAR
(SELANGOR)**
EXECUTIVE DIRECTOR



MAK CHEE MENG
EXECUTIVE DIRECTOR



LIM CHAI HUAT
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR



WONG CHEE BENG
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR



IRIN TAN SU FERN
INDEPENDENT NON-EXECUTIVE
DIRECTOR



LIM ZEE PING
ALTERNATE DIRECTOR
TO DATUK LIM CHAI BENG

PROFILE OF DIRECTORS

TAN SRI DATUK DR. YUSOF BIN BASIRAN

INDEPENDENT NON-EXECUTIVE CHAIRMAN



TAN SRI DATUK DR. YUSOF BIN BASIRAN, male, aged 68, Malaysian, was appointed to the Board on 20 February 2006.

He is presently holding several important positions which include:-

- Director of Sime Darby Berhad
- Director of Bank Negara Malaysia (with effect from 1 March 2015)

Apart from holding distinguished corporate positions, he is also involved in the following organisations:-

- Senior Fellow and Past President of Academy Sciences Malaysia (ASM)
- Fellow member of Malaysia Scientific Association (MSA)
- Fellow member of Malaysian Oil Scientists' and Technologists' Association (MOSTA)
- Fellow member of the Incorporated Society of Planters

His notable academic achievements are as follows:-

- In 1972, he obtained his Bachelor in Chemical Engineering Degree from the University of Canterbury, New Zealand;
- In 1974, he obtained his Post-Graduate Degree in Rubber Technology (ANCRT) from the United Kingdom; and
- In 1976, he obtained his Masters Degree in Engineering specialising in Industrial Management (M.E.) and also in Business Administration (MBA) from the Catholic University of Leuven in Belgium.

Before he joined Palm Oil Research Institute of Malaysia (PORIM) in 1979, he held the position of Rubber Technologist/Techno-Economist with the Rubber Research Institute (RRI)/Malaysian Rubber Research Development Board (MRRDB).

In 1986, he completed his doctorate with a PhD in Applied Economic and Management Science from the University of Stirling, Scotland. He was later appointed as the Director-General of PORIM in 1992. He held the position for 8 years until April 2000 before assuming the role of the Director-General of Malaysia Palm Oil Board (MPOB), an organisation which existed as a result of a PORIM and Palm Oil Registration and Licensing Authority (PORLA) merger, from 1 May 2000 until 18 January 2006. He was formerly the Chief Executive Officer of the Malaysian Palm Oil Council (MPOC). He is currently an Advisor to the Minister of Plantation Industries Commodities of Malaysia since 1 March 2017.

For all these services, he was conferred the Federal Awards Darjah JOHAN MANGKU NEGARA (J.M.N.), Darjah Yang Mulia PANGLIMA JASA NEGARA (P.J.N.) and Darjah Kebesaran PANGLIMA SETIA MAHKOTA (P.S.M.)

PROFILE OF DIRECTORS



DATUK LIM CHAI BENG
MANAGING DIRECTOR

DATUK LIM CHAI BENG, male, aged 58, Malaysian, was appointed to the Board on 3 February 1999.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. and also the Managing Director of this subsidiary company, a position he holds until today. He is also the Managing Director of the subsidiary companies, Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd. He has vast experience in the engineering industry and the palm oil plantation sector. He is the driving force behind the Group's growth and responsible for the overall management and formulation of the Group's strategic plans and policies. He possesses strong inter-personal and management skills, which inculcates a good rapport with the highly motivated and dedicated workforce.

On 28 July 2009, Datuk Lim was awarded the Outstanding Entrepreneurship Award 2009 by Enterprise Asia.



Y.D.M. TENGGU DATO' ARDY ESFANDIARI BIN TENGGU ABDUL HAMID SHAH ALHAJ TENGGU SERI PADUKA SHAHBANDAR
EXECUTIVE DIRECTOR

Y.D.M. TENGGU DATO' ARDY ESFANDIARI BIN TENGGU ABDUL HAMID SHAH ALHAJ TENGGU SERI PADUKA SHAHBANDAR, male, aged 57, Malaysian, was appointed to the Board on 3 February 1999. He is a member of the Remuneration Committee.

He is an established business entrepreneur with extensive networking and great public relations skills. He was previously the Director/Project Director of Worldwide Holdings Berhad for more than 8 years and was involved in the restructuring exercise of the Company in the year 1990.

He was appointed a director of C.B. Industrial Product Sdn. Bhd. in 1994 and is responsible for the public affairs and government liaison of this subsidiary company. He is also the Managing Director of the subsidiary company, AVP Engineering (M) Sdn. Bhd., principally involved in the fabrication of specialised vehicles.

He was bestowed with the Darjah Kebesaran Dato'- Sultan Sharafuddin Idris Shah (D.S.I.S.) award in conjunction with the 67th birthday of the Sultan of Selangor.



MAK CHEE MENG
EXECUTIVE DIRECTOR

MAK CHEE MENG, male, aged 62, Malaysian, was appointed to the Board on 3 February 1999.

Prior to joining C.B. Industrial Product Sdn. Bhd. in 1994, he was the Manager (Industrial Division) from 1982 to 1989 for Centrimax Engineering Sdn. Bhd., a company principally involved in the supply of palm oil mill equipment and related services, where he was responsible for the sales and marketing division. He is the founder of AV-Ecopalms Sdn. Bhd. and Avecpalm Marketing Resources Sdn. Bhd. He is currently the managing director of the subsidiary company, AV-Ecopalms Sdn. Bhd. He is instrumental in developing the export market in the West African countries, Papua New Guinea and the South American tropical belt countries.

From 2010 to 2012, he was appointed as the Plantation Director of Sachiew Plantations Sdn. Bhd. to oversee the operations of Sachiew Plantations Sdn. Bhd. and Empresa Estate Sdn. Bhd. and Palm Oil Milling. He is currently the Managing Director of the subsidiary company, AV-Ecopalms Sdn. Bhd., managing the green field development of 32,000ha potential landbank for oil palm cultivation in Central Kalimantan, Indonesia.

PROFILE OF DIRECTORS



LIM CHAI HUAT
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

LIM CHAI HUAT, male, aged 56, Malaysian, was appointed to the Board on 3 February 1999. He is the Chairman of the Nomination Committee and also a member of the Audit and Remuneration Committees.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. He joined Chin Beng Engineering Works in 1980 as the Operations Manager. When Chin Beng Engineering Works was incorporated into a private limited company under its present name of C.B. Industrial Product Sdn. Bhd. in 1983, he was promoted to Production Manager due to his vast experience and track record in the manufacturing division. In 1985, he was further promoted to Project Director where he headed the project team and managed the Project Division e.g. the construction of the plant in Telok Panglima Garang which is currently housed as Head Office of CBIP Group. He is currently acts as an advisor for palm oil mill projects and the administration of the factory and Property Division.

He is the Managing Director of Freiberg (Malaysia) Sdn. Bhd. ("Freiberg"), a company which was granted a license from Australia to manufacture environmental office furniture and partitions. He is also Director of Office 2 Go (M) Sdn. Bhd. and Freiberg Properties Private Limited Company which involved in the trading of office furniture and properties leasing businesses.



WONG CHEE BENG
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

WONG CHEE BENG, male, aged 63, Malaysian, was appointed to the Board on 23 May 2002. He is the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee.

He is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He also holds a Master of Business Administration (MBA) from Brunel University, United Kingdom and is a Certified Financial Planner (CFP).

He has more than 30 years of experience in the areas of auditing, accounting, financial management, business entrepreneurship and company secretarial work.



IRIN TAN SU FERN
INDEPENDENT NON-EXECUTIVE
DIRECTOR

IRIN TAN SU FERN, female, aged 25, Malaysian, was appointed to the Board on 1 October 2016. She is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

She graduated from University of Reading United Kingdom with a Bachelor of Law (LLB) in 2013. She then pursued her post-graduate professional Certificate in Legal Practice (CLP) (governed by the Legal Professional Act 1976). She read in chambers and was subsequently admitted to the Malaysian Bar as an Advocate and Solicitor in the High Court of Malaya. She was then in active practice in Messrs Shook Lin & Bok, Malaysia as a Legal Associate.

She is also a member of the Malaysian Bar and Association of Women Lawyers.

PROFILE OF DIRECTORS



LIM ZEE PING
ALTERNATE DIRECTOR
TO DATUK LIM CHAI BENG

LIM ZEE PING, male, aged 31, Malaysian, was appointed as an Alternate Director to Datuk Lim Chai Beng, the Managing Director of the Company, on 6 June 2014.

Mr Lim graduated from Monash University of Australia with a Bachelor of Engineering in the field of Mechanical Engineering. He worked in Modipalm Engineering Sdn. Bhd. after his graduation since year 2010. Having spending his time at the production, he is currently involving in the sales & marketing department, where he oversees the development of overseas market such as Africa, Central America and Papua New Guinea.

PROFILE OF KEY SENIOR MANAGEMENT



TAN HOCK YEW
CHIEF FINANCIAL OFFICER

TAN HOCK YEW, male, aged 49, Malaysian.

He joined the Company as the Group Accountant in 1997 and was later promoted as the Chief Financial Officer. Prior to joining the Company, he had worked in a public accounting firm for 4 years. He has more than 20 years of experience in the areas of auditing, accounting and finance.

He graduated with his professional qualification from the Chartered Institute of Management Accountants ("CIMA") in 1993. He was admitted as an associate member of CIMA in 1996. He is also a member of the Malaysian Institute of Accountants since 1997.

He is also the director of several subsidiaries of CBIP in Indonesia.



LIM ZEE YANG
CORPORATE DEVELOPMENT
AND CORPORATE RELATION
MANAGER

LIM ZEE YANG, male, aged 27, Malaysian.

He graduated from University of Melbourne with a Bachelor in Commerce in the field of finance. Prior to joining the Company in 2013, he worked for one and a half years as an analyst in the Corporate Finance Department of Maybank Investment Bank Berhad, where he was involved in various corporate exercises ranging from take-overs, initial public offerings as well as mergers and acquisitions.

He is currently responsible for screening and evaluation of new business initiatives for the Group and also heads the investor relations department, tasked with engaging in active communication with various stakeholders of our Group.



Notes to Directors' and Key Senior Management's Profile:

1. Family Relationships

Mr Lim Chai Huat is the brother to Datuk Lim Chai Beng, a Director and major shareholder of the Company.

Mr Lim Zee Ping and Mr Lim Zee Yang are the sons of Datuk Lim Chai Beng and nephew to Mr Lim Chai Huat, the Directors of the Company.

The other Directors and Key Senior Management do not have any family relationship with any Directors and/or major shareholder of the Company.

2. Conflict of Interest

None of the Directors and Key Senior Management has any conflict of interest with the Company.

3. Conviction of Offences

None of the Directors and Key Senior Management has been convicted for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed on him/her by the relevant regulatory bodies during the financial year 2016.

4. Attendance at Board Meetings

The detail of attendance of the Directors at the Board Meeting are set out on page 46 of this Annual Report.

5. Directors' Shareholdings

The details of the Directors' Interest in the securities of the Company are set out in the Analysis of Shareholdings and Analysis of Warrant Holdings on page 190 and page 193 of this Annual Report.

6. Directorships in Public Companies and Listed Corporation

Save as disclosed herein, none of the directors and key senior management hold other directorship of public companies and listed corporations.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

CB Industrial Product Holding Berhad ("CBIP" or "Group"), a company listed on Bursa Malaysia Securities Berhad in May 1999, is a leading manufacturing and engineering based company specializing in the construction of palm oil mills, manufacturing of palm oil mill equipment, machinery and related parts.

Other main business segments in the Group include retrofitting of special purpose vehicles and development of palm oil plantation and milling.

Our Group vision is to be the preferred provider of innovative engineering products and solutions to the global oil palm industry and related sectors.

Our Group mission is set out as below:

- 1) **Leader:** to be the leading global manufacturer and supplier of technologically advanced and cost effective palm oil mills;
- 2) **Innovator:** to be a reliable, reputable, speedy and competitive provider of quality and innovative engineering products and solutions;
- 3) **Customers:** to exceed customer expectations through our expertise, research & development and strategic collaborations;
- 4) **Workforce:** to develop a highly motivated, efficient and creative workforce by providing opportunities for growth and clear career path;
- 5) **Corporate citizen:** to continue to be a responsible corporate citizen who contributes towards its social and environmental responsibilities; and
- 6) **Shareholders:** to continue to enhance shareholders' value.

The historical five years financial information of CBIP is set out below:

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	521,728	590,441	600,893	541,274	557,883
Profit before taxation	99,318	125,609	107,045	141,350	136,584
Finance costs	871	606	740	1,350	1,462
Profit attributable to owners of parent	239,619	98,416	91,205	97,985	101,649
Shareholders' equity	484,161	529,951	598,633	668,822	724,770
Total assets	667,315	714,206	841,672	975,933	1,020,497
Borrowings	17,970	3,990	22,434	19,728	31,972
Debt/equity (%)	3.71	0.75	3.75	2.95	4.41
*Adjusted earnings per share (sen)	44.6	18.5	17.2	18.5	19.4
*Adjusted net assets per share (RM)	0.91	1.00	1.13	1.27	1.38
*Adjusted dividend per share (sen)	7.50	5	5.50	10.0	6.0

*Adjusted to enlarged share capital after bonus issue in 2012 and 2014

The share performance of CBIP is set as below:

Year high	RM2.35
Year low	RM1.91
Year close	RM1.97
Market capitalization as at 31 December 2016	RM1,032,000,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENTS

1) Palm Oil Equipment and Engineering Division

Our palm oil equipment and engineering division has been equipping palm oil mills globally with high quality processing equipment and parts since the 1970s. Our business model is centred around the supply of machineries and turnkey construction of both the Modipalm Continuous Sterilization and conventional palm oil mills for oil palm plantation companies. We serve a wide array of clientele which includes, but not limited to Sime Darby Plantation, TH Plantations, PT Sinarmas and United Plantations. Besides turnkey construction, we are also involved in the sales of palm oil equipment and spare parts to the milling industry. Our primary products among others, includes, fresh fruit bunch crushers, pressure vessels and threshers.

Geographically, our markets are well established in Indonesia, Malaysia, Papua New Guinea, Thailand, Africa and Central American region. Our suppliers provide us with various raw materials utilized in the process of manufacturing which includes but not limited to mild steel plates, stainless steel plates, pumps and motors.

The historical five years revenue and profit before taxation of the palm oil equipment and engineering division are set out below:

Year	Revenue RM'000	Profit Before Taxation RM'000
2012	341,378	75,740
2013	328,250	79,948
2014	447,383	91,426
2015	415,786	112,017
2016	416,231	104,225

Our strategy for the palm oil equipment and engineering division is to grow our revenue by expanding existing clientele business while developing new ones to achieve a sustainable growth path. We also target to expand our sales of palm oil equipment and spare parts business by creating and expanding our distribution network through fostering of strategic partnership with local dealers.

Continued investment in research & development initiatives remain the core of the overall strategy of the Group. We have invested our resources with the expectation of commercializing the zero discharge technology which is an innovative solution focused on making waste management within palm oil mills a sustainable and environmentally friendly process. We plan to commercialize this technology in the near to the medium term.

Our palm oil equipment and engineering division is exposed to certain factors affecting its business, namely lower crude palm oil prices which affects the capital expenditures of oil palm plantation companies, the depreciation of US Dollars against the Malaysian Ringgit as a portion of our contracts are denominated in US Dollars and also steel prices, being the main major raw material used in the manufacture of palm oil mills and equipment.

2) Special Purpose Vehicles Division

Our special purpose vehicles division is involved in the retrofitting of special purpose vehicles in which we supply various types of specialized vehicles which includes, among others, medium and heavy duty trucks, fire-fighting vehicles and ambulances. Our customer base includes various agencies such as the Ministry of Urban Wellbeing, Housing and Local Government, the Ministry of Health and the National Security Council. Currently our market is only within our country. Our local and foreign suppliers provide us with various work in progress materials such as vehicle chassis and equipment needed to be retrofitted into the vehicles.

The historical five years revenue and profit before taxation of the special purpose vehicles division are set out below:

Year	Revenue RM'000	Profit Before Taxation RM'000
2012	180,350	16,926
2013	261,969	41,671
2014	152,423	20,815
2015	123,356	28,956
2016	158,371	26,380

Our strategy for the special purpose vehicles division is to grow our vehicles portfolio to meet the increasing needs of specialized vehicles by the government bodies. Indeed this strategy will ensure a long term growth pathway as the special purpose vehicles division continues to strengthen and grow its capabilities. Our special purpose vehicles division will also continue to pursue business developments with government bodies not only in Malaysia, but also view a view to establish itself in the overseas market.

MANAGEMENT DISCUSSION AND ANALYSIS

Our special purpose vehicles division is exposed to certain factors affecting its business, namely the depreciation of the Malaysian Ringgit against the Euro Dollars for the purchases of materials as well as the government's budget which will affect the demand of our products.

3) Palm Oil Plantation and Milling Division, Associates and Joint Ventures

Our palm oil plantation and milling division is involved in the cultivation of oil palm in Indonesia and Sarawak. In Indonesia, we have a land bank of approximately 32,000 hectares, of which 9,399 has been planted as at 31 December 2016. Through our associates and joint venture companies, we have interest in approximately 7,000 hectares of mature oil palms in the state of Sarawak. Our suppliers are made up of fertilizer and chemical companies, amongst others.

The historical five years revenue and profit/(loss) before taxation of the palm oil plantation and milling division and the share of results of associates and joint venture are set out below:

Year	Palm Oil Plantation and Milling		Share Results of Associates and Joint Ventures
	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Net of Tax Profit RM'000
2012	-	(3,927)	9,457
2013	222	(4,960)	8,021
2014	1,042	(11,015)	4,889
2015	2,132	(3,967)	4,674
2016	3,281	(7,423)	9,016

Our strategy for the palm oil plantation and milling division is to complete our planting developments in Indonesia with a target of commissioning our first palm oil mill by end 2018/early 2019. With the commissioning of the palm oil mill, we will add another new revenue stream to our Group which has been negligible at present.

OPERATIONS REVIEW

Financial Results

For the financial year ended 31 December 2016, the Group achieved a revenue of RM577.9 million representing a year-on-year growth of 6.8%. The increase in revenue was achieved based on a 28.4% increase in the revenue of the special purpose vehicle division as a result of higher project implementation and billing during the financial year. The palm oil engineering and plantation divisions also posted marginal increases in revenue.

Despite the increase in revenue, the Group's profit before taxation amounting to RM136.6 million, was lower by 3.4% as compared to the previous financial year. The decrease was mainly due to higher production and labour costs. The increase in material costs primary due to higher steel prices has resulted a lower projects gross profit margin. In addition, the administrative and other operating expenses were also higher mainly due to the increase in staff costs, allowance for impairment loss on other receivable and higher fair value loss on short term investment associated with funds placed with an asset management.

The Group's other income was RM35.7 million, an increase by 31.7% as compared to RM27.1 million in the previous financial year. The increase was mainly due to higher gain on foreign exchange and reversal of impairment loss on trade receivables.

The share of results in associates posted a net of tax profit of RM6.5 million, an increase of 33.1 % as compared to the previous financial year of RM4.9 million. The share of results in joint ventures also improved from a loss in the previous financial year to a net of tax profit of RM2.5 million. The improvement in associates and joint ventures was mainly due to increase in prices of palm products.

The Group's profit after taxation increased by 3.8% from RM107.4 million to RM111.5 million in the current financial year. The increase was mainly due to lower income tax expense as a result of overprovision of income tax and deferred tax in the previous financial year.

Liquidity and Capital Resources

The Group's cash and cash equivalents decreased by 14.6% to RM142.5 million from RM166.8 million in the previous financial year. This was mainly due to a special dividend amounting to RM21.0 million in respect of previous financial year that was paid in the current financial year. The Group also spent capital expenditure amounting to RM44.7 million primarily for the oil palm plantation development in Indonesia.

The Group's bank borrowings increased by 62.1% from RM19.7 million at the end of previous financial year to RM32.0 million mainly due to the increase in short term revolving credit financing for its working capital. With the additional borrowings, the Group's debt/equity ratio has increased to 4.4% as compared to 3.0% at the end of previous financial year. The Group remains prudent in managing its capital and financial position to ensure entities within the Group will be able to maintain an optimal capital structure.

MANAGEMENT DISCUSSION AND ANALYSIS

Working Capital Position

As at 31 December 2016, the Group has trade and other receivables of RM175.3 million, an increase of 20.3% as compared to RM145.7 million as at 31 December 2015 mainly due to an increase in accrued billings relating to projects undertaken by the palm oil equipment and engineering division.

As at 31 December 2016, the Group has trade and other payables of RM128.8 million, an increase of 16.4% as compared to RM110.7 million as at 31 December 2015. This was mainly due to increase in trade payables amounting to RM21.6 million relating to a new project undertaken during the current financial year by the special purpose vehicles division.

RISK FACTORS

Social, Political and Economic Risks

As in all other businesses, adverse developments in the economic, political and social conditions in Malaysia and other international markets in which our Group has material operations could materially and adversely affect the business and financial performance of our Group as well and cause a slowdown of the Group's growth plans. These include risks of changes in political leadership, war, expropriation, nationalisation, changes in government policies, global economic downturn, epidemic outbreaks, social unrests, changes in currency exchange rates, interest rates and accounting standards and unfavourable changes in government policies such as introduction of new regulations, interest rate hikes and increase in taxation.

Our Group continues to take measures to mitigate these risks including close monitoring of the Government's masterplan in respect of long term economic and development policies so that we can stay ahead as well as capitalise on any regulatory changes in the industries that our Group operates.

The Management Team and Experienced Personnel

The management team has the breadth and depth of expertise necessary to manage the Company. Together with a large pool of home grown talent, the management team is well-tuned to the domestic, regional, global dynamics and challenges of the industry. Representatives of our major shareholders on our Board bring an invaluable set of expertise and relationships to guide our long-term strategic growth. Moreover, CBIP has one of the best workforce in the industry with positive employee relations and strong employee loyalty.

Our Directors recognize the importance of our Group's ability to attract and retain its key personnel and retain a sufficient number of highly skilled employees. We provide our employees with long-term career prospects within our Group and job rotation opportunities to develop multiple skills. Our productivity driven reward structure motivates our employees to reach our competitive productivity standards and continuously seek for improvements.

Price and Foreign Currency Fluctuation Risks

The price of crude palm oil and palm kernel are based on global prices, which tend to be cyclical and subject to fluctuations. Global prices are in turn affected by the availability of agricultural commodities, of which supply is affected by unpredictable factors such as weather conditions, while demand is affected by factors such as changes in population growth, changes in standard of living, bio-diesel demand and global production of substitute and competitive crops.

The Group is exposed to foreign currency risk on transactions and balances that are dominated in currencies other than Ringgit Malaysia. The foreign currency risk is partially managed through a natural hedge between the sales and purchases in the same currencies, the remaining is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

Competitive Environment

In its operations, CBIP competes with companies of various sizes. There can be no assurances that we will not be affected by our competitors especially those who operate in the palm oil milling and special purpose vehicle. However, we are confident with our competitive advantages and we will adapt through continuous business development and innovation in order to maintain and grow our standing in both market places.

PROSPECT MOVING FORWARD

With crude palm oil prices somewhat stabilizing and a strong orderbook for both the palm oil equipment & engineering and special purpose vehicles division and barring unforeseen circumstances, we are cautiously optimistic of achieving satisfactory results for the financial year ending 31 December 2017.

CORPORATE SOCIAL RESPONSIBILITY

CBIP seeks to be a good corporate citizen in all aspects of operations and activities. We realize that our operations may impact surrounding communities as well as the environment that we operate in. Thus, we believe in structuring a healthy relationship with the surrounding community. Our Corporate Social Responsibility Program binds in closely with our growing concern to create a more green and sustainable environment for our stakeholders. The culture of giving back to the society kept us mindful of our duty as an industry leader in promoting sustainability. This culture has kept us on our tracks as a professional and ethical corporate citizen.

CBIP is committed to adhere to the highest standards of integrity in all its business interactions. We have zero tolerance against any forms of bribery, corruption, extortion and all forms of embezzlement. We conduct business in an ethical and honest manner, and we are committed to professionalism, fairness and integrity in all of our business dealings.

Investor Relations

In accordance with our Group's policy in promoting transparency to our shareholders, we have continuously engage in various initiatives to ensure that dissemination of information in relation to our business operations is done in an accurate and timely manner.

Our Group's official website www.cbip.com.my is an important element, serving as an intermediary between our Group and our shareholders in the dissemination of information. Updated presentation slides surrounding the key statistics as well as other relevant materials in relation to our businesses are promptly uploaded onto our website after the release of each quarterly result and are freely accessible to the public.

Working closely with both the investment community and the press, we also regularly reach out to our investors through a series of roadshows, one-on-one meetings, site visits and group presentations. Over the course of 2016, we have conducted numerous engagements with global fund managers, analysts and retail investors to provide constant updates on the latest developments across all the divisions as well as developments within the business environment that we operate in.

We will continue to innovate and improve on our investor relation initiatives, with the ultimate objective of achieving a positive relationship with our shareholders through two-way communications.

Environment

As the creator of our patented Modipalm Continuous Sterilization milling system, we pride ourselves in our commitment to exhibit exemplary environmental responsibilities to our clients by conducting business in a manner consistent with sustainable environment practices. The Modipalm Continuous Sterilization system benefits the environment by emitting cleaner emissions and providing a much safer environment for employees. More than 100 units of the Modipalm Continuous Sterilization System has been built up to date and the good safety track record of the system is evident. Moreover, we are dedicated to make more environmental friendly improvements as we are still focused on a waste management system that is still under constant improvement. Tests are underway to ensure sustainable management of sludge within palm oil mills, once they are commercialized in the near future.

Community

In line with our culture of giving back to the society, especially to the underprivileged, we scour for opportunities to contribute back to the community. In the pursuit to fulfil our social responsibilities in a fair and consistent manner, CBIP has a donation programme aimed at supporting organisations and institutions involved in health, education, culture, recreation and civic activities designed to enhance the quality of life of the underprivileged.

The donations made are reviewed annually to ensure that the distribution of corporate contributions continues to effectively address the community's changing needs. We made cash donations to multiple organisations such as Persatuan Insan Istimewa Kelantan, whom houses patients with all forms of disabilities. Our donation were used to acquire ten units of lightweight wheelchairs for their patients. Cash donations were also made to UNICEF Malaysia to aid them in providing maternal and child health services for the underprivileged, vulnerable, pregnant mothers and their babies from the rural parts of South Asia and Sub-Saharan Africa. Other cash donations were also made out to Yayasan Veteran Angkatan Tentera Malaysia (ATM), Kelab Sukan Kebajikan & Kebudayaan Ibu Pejabat Jabatan Bomba & Penyelamat Malaysia, Pertubuhan Kebajikan Islam Malaysia (PERKIM) Bahagian Negeri Selangor, and Yayasan Sultan Idris Shah.

We will continue to look for more opportunities to give back to the society, via financial and non-financial aids, to ensure that the community would benefit from our success.

CORPORATE SOCIAL RESPONSIBILITY

Employee

In CBIP, we are committed to ethical conduct and human rights which addresses a range of diversity within our workforce which includes non-discrimination practices, workplace safety, forced labour, adequate working hours, compliant to minimum wage guidelines, freedom of association and data privacy. We strictly comply with the minimum wage guidelines of Malaysia and do not encourage excessive working hours. The company's overtime hours are in accordance with the guidelines of Malaysia's labour law.

CBIP does not withhold employees' identification cards, travel documents or education certificates to ensure that employment with the company is freely chosen. Employment letters with clearly conveyed conditions of employment with the company are given to all employees before commencement of employment with CBIP to ensure that all employees understood their employment obligations.

A multiracial and multicultural workforce is present in all the departments, as CBIP hires local and foreign workers to meet its operation requirements. The right tools are provided to our employees as their safety is our utmost priority. In-house training, external training programmes, team building excursions are done to ensure continuous development of our workforce. This is to ensure that our employees develop both their technical and non-technical skills. In order to strengthen the bond of our employees in and out of the working area and as a form of appreciation, festivities, company outings and annual trips are held throughout the year.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Dr. Yusof Bin Basiran
Independent Non-Executive Chairman

Datuk Lim Chai Beng
Managing Director

Lim Chai Huat
Non-Independent Non-Executive Director

Mak Chee Meng
Executive Director

Y.D.M Tengku Dato' Ardy Esfandiari Bin Tengku
Abdul Hamid Shah Alhaj Tengku Seri Paduka
Shahbandar
Executive Director

Wong Chee Beng
Senior Independent Non-Executive Director

Irin Tan Su Fern
Independent Non-Executive Director

Lim Zee Ping
Alternate Director to Datuk Lim Chai Beng

AUDIT COMMITTEE

Wong Chee Beng
Chairman, Senior Independent Non-Executive
Director

Irin Tan Su Fern
Independent Non-Executive Director

Lim Chai Huat
Non-Independent Non-Executive Director

COMPANY SECRETARIES

Lim Lee Kuan (MAICSA 7017753)
Teo Mee Hui (MAICSA 7050642)

REGISTERED OFFICE

Lot 4, Jalan Waja 15
Kawasan Perusahaan Telok Panglima Garang
42500 Telok Panglima Garang
Selangor Darul Ehsan
Telephone No.: 03-3122 2786
Facsimile No.: 03-3122 1336
E-mail: info@cbip.com.my
Website: www.cbip.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : 03-7841 8000
Facsimile No. : 03-7841 8008

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
AmBank (M) Berhad

AUDITORS

Crowe Horwath
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Telephone No.: 03-2166 0000
Facsimile No.: 03-2166 1000

STOCK EXCHANGE

Main Market
Bursa Malaysia Securities Berhad

STOCK CODE

Shares : 7076
Warrants : 7076 WA

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of CB INDUSTRIAL PRODUCT HOLDING BERHAD will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 May 2017 at 10.30 a.m. for the following purposes:-

AGENDA

- | | |
|--|---|
| <p>1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.</p> | <p>(Please refer to Explanatory Note 1)</p> |
| <p>2. To re-elect the following Directors who retire in accordance with Article 99 of the Constitution of the Company and being eligible, offer themselves for re-election:</p> <p style="margin-left: 20px;">(a) Datuk Lim Chai Beng</p> <p style="margin-left: 20px;">(b) Wong Chee Beng</p> | <p>Ordinary Resolution 1</p> <p>Ordinary Resolution 2</p> |
| <p>3. To re elect Irin Tan Su Fern, who retires in accordance with Article 97 of the Constitution of the Company, and being eligible, offer herself for re-election.</p> | <p>Ordinary Resolution 3</p> |
| <p>4. To approve the payment of Directors' Remuneration amounting to RM701,000 for the financial period from 1 January 2017 until 30 June 2018.</p> | <p>Ordinary Resolution 4</p> |
| <p>5. To re-appoint Messrs. Crowe Horwath as the Auditors of the Company and to authorise the Directors to fix their remuneration.</p> | <p>Ordinary Resolution 5</p> |

AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

NOTICE OF ANNUAL GENERAL MEETING

6. PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY

Ordinary Resolution 6

“THAT, subject always to the Companies Act, 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under a employee share scheme or as purchase consideration or otherwise use the share for purpose as the Minister may order prescribe.

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (“AGM”) at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends or transfer the shares under an employees share scheme or as purchase consideration or otherwise use the share for purpose as the Minister may order prescribe) in accordance with the Constitution of the Company and the requirements and/or guidelines of Main Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities.”

7. **AUTHORITY TO ISSUE AND ALLOT SHARES**

Ordinary Resolution 7

“THAT subject always to the Companies Act, 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act, 2016 to issue and allot not more than ten percent (10%) of the issued capital (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act, 2016 and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.”

8. **PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSAL”)**

Ordinary Resolution 8

“THAT, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions as specified in Section

NOTICE OF ANNUAL GENERAL MEETING

1.3 of the Circular to Shareholders dated 28 April 2017, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out on arm's length basis, in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposal, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

9. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – TAN SRI DATUK DR. YUSOF BIN BASIRAN**

Ordinary Resolution 9

"THAT authority be and is hereby given to Tan Sri Datuk Dr. Yusof Bin Basiran who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company."

NOTICE OF ANNUAL GENERAL MEETING

10. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – WONG CHEE BENG** **Ordinary Resolution 10**

“THAT subject to the passing of Ordinary Resolution 2, authority be and is hereby given to Wong Chee Beng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company.”

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

By Order of the Board

LIM LEE KUAN (MAICSA 7017753)

TEO MEE HUI (MAICSA 7050642)

Company Secretaries

Selangor Darul Ehsan

28 April 2017

Notes:-

- i) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.*
- ii) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.*
- iii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

NOTICE OF ANNUAL GENERAL MEETING

- iv) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- v) *If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.*
- vi) *The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
- vii) *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.*
- viii) *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 69 of the Constitution the Company, a Record of Depositors as at 23 May 2017 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*
- ix) **Explanatory notes on Ordinary and Special Business**

Item 1 of the Agenda

Audited Financial Statements for the financial year ended 31 December 2016

This Agenda is meant for discussion only as the provision of Section 248 and Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

Ordinary Resolutions 4

Directors’ Remuneration of the Company

Pursuant to Section 230(1) of the Companies Act 2016, the fee of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting. In this respect, the Board agreed that the shareholders’ approval shall be sought at the Twentieth Annual General Meeting (“AGM”) on the Directors’ remuneration for the financial period from 1 January 2017 until 30 June 2018.

NOTICE OF ANNUAL GENERAL MEETING

The Directors' remuneration comprises the fee and benefit-in-kind payable to the Directors of the Company as follows:

	Fee (RM)	*Benefit-In-Kind (RM)
Executive Directors	-	145,325
Non-Executive Directors	356,454	199,200
Total	356,454	344,525

Note:

** Inclusive of meeting allowance, travelling allowance and company car, petrol and driver.*

In determining the estimated total amount of the Directors' remuneration, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

Payment of Directors' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed Resolution 4 has been passed at the Twentieth AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the period as stated herein.

Ordinary Resolution 6

Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed resolution, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company.

For further information, please refer to Share Buy-Back Statement dated 28 April 2017.

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Resolution 7

Authority to Issue and Allot Shares

The proposed resolution is primarily to give flexibility to the Board of Directors to issue and allot shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The previous mandate was not utilised and accordingly no proceeds were raised.

Ordinary Resolution 8

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")

The proposed resolution, if passed, will allow the Group enter into the Recurrent Related Party Transactions made on arm's length basis and normal commercial term and which is not prejudice to the minority shareholders.

Further information on the Proposal is set out in the Circular to Shareholders dated 28 April 2017, which is circulated together with the 2016 Annual Report of the Company.

Ordinary Resolutions 9 and 10

Continuing in Office as Independent Non-Executive Directors

The Nomination Committee has assessed the independence of Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue act as an Independent Non-Executive Directors of the Company based on the following justifications:-

- a. they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would able to function as a check and balance, bring an element of objectivity to the Board;
- b. they have been with the Company for more than 9 years and were familiar with the Company's business operations;
- c. they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
- d. they have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Respect Of The Preparations of the Financial Statements

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

In preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2016, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company and of the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Company and of the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group which enable them to ensure that the financial statements comply with the Act.

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

AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) is pleased to present the following Report on the Audit Committee and its activities for the financial year ended 31 December 2016.

COMPOSITION AND MEETINGS

The present Audit Committee comprises three (3) Directors as follows:

Chairman

Wong Chee Beng – Senior Independent Non-Executive Director

Members

Michael Ting Sii Ching – Independent Non-Executive Director (Resigned w.e.f 1/10/2016)

Irin Tan Su Fern – Independent Non-Executive Director (Appointed w.e.f 1/10/2016)

Lim Chai Huat – Non-Independent Non-Executive Director

The Audit Committee met five (5) times during the financial year ended 31 December 2016. The details of the attendance of the Audit Committee are as follows:

		Attendance
Chairman	Wong Chee Beng <i>(Senior Independent Non-Executive Director)</i>	5/5
Members	Michael Ting Sii Ching <i>(Independent Non-Executive Director)</i>	4/4
	Irin Tan Su Fern <i>(Independent Non-Executive Director)</i>	1/1
	Lim Chai Huat <i>(Non-Independent Non-Executive Director)</i>	5/5

Senior Management staff and the group internal auditor were invited to attend the Audit Committee meetings. The agenda of the meetings and relevant information were distributed to the Audit Committee members 7 days before the meeting. The Company Secretary was also present to record the proceedings of the Audit Committee meetings.

AUDIT COMMITTEE REPORT

SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The work carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year were summarised as follows:

Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements required by Bursa Malaysia Securities Berhad ("Bursa Securities") prior to recommendation to the Board for approval. The review focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with Listing Requirements of Bursa Securities and other legal requirements.

The Audit Committee keeps itself abreast of changes in accounting policies and guidelines through regular updates by the external auditors.

External Audit

The Audit Committee discussed with the external auditors on its audit plan, and the report on the audit of the year-end financial statements; reviewed the external auditor's management letter and Management's responses thereto; and reviewed the external auditors' objectivity and independence. In assessing the independence of the external auditors, the Audit Committee reviewed the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year. The Audit Committee ensures that it is able to arrive at an opinion that the auditors' independence has not been compromised and is suitable for re-appointment. The Audit Committee held two (2) private sessions with the external auditors without the presence of the Management during the financial year to seek feedbacks from the external auditors on any issues encountered during the audit; to be notified any major financial and control issues encountered; to seek confirmation on its independency and objectivity and to assess its competency and resources.

Internal Audit

The Audit Committee reviewed the adequacy of the scope of functions and competency of the internal audit function; reviewed the internal audit work and its audit plan; reviewed the major findings during the year and Management's responses thereto; reviewed the progress of action plans implemented by the Management; reviewed the risk management and internal controls of the Group.

Related Party Transactions

The Audit Committee reviewed related party transactions entered into by the Group during the financial year and any conflict of interest situation that may arise within the Group to ensure that all transactions are at arms length's basis.

AUDIT COMMITTEE REPORT

Others

The Audit Committee reviewed the Statement on Risk Management and Internal Control, Audit Committee Report and Statement on Corporate Governance to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The Terms of Reference of the Audit Committee is accessible through the Company's website at <https://www.cbip.com.my/main/index.php/corporate-governance>. The Audit Committee had discharged its function and carried out its duties and works as set out in the Terms of Reference.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Function that reports directly to the Audit Committee. The main role of the Internal Audit Function is to assist the Audit Committee in providing independent assessment on the adequacy and effectiveness of the internal control system of the Group. The activities of the Internal Audit Function during the financial year ended 31 December 2016 were as follows:

- (a) Development of the Internal Audit Plan for 2017 for the Audit Committee's approval.
- (b) Execution of the approved 2016 internal audit plan.
- (c) Presentation of the internal audit and risk management findings at the Audit Committee meetings. All findings raised by internal audit function had been directed to Management for appropriate actions.
- (d) Performance of follow-up reviews to ensure previously established action plans had been adequately implemented by Management within the agreed timelines.

The total cost incurred for the Internal Audit Function for 2016 was RM197,958.

The internal audits conducted did reveal some weaknesses but were not expected to result in material losses, contingencies or uncertainties that would require disclosure in the annual report.

Further details of the Internal Audit Functions are set out in the Statement on Risk Management and Internal Control on pages 52 to 54.

STATEMENT OF CORPORATE GOVERNANCE

The Board is committed to ensure that the principles and best practices on corporate governance are observed and practiced throughout the Group so that the affairs of the Group are conducted with integrity and professionalism in the best interests of the Group and its shareholders.

The Board sets out below how the Group has applied the principles and complied with the recommendations as outlined in the Malaysian Code on Corporate Governance 2012 (“the Code”).

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

The Board’s responsibilities are clearly defined in the Board Charter. The charter defines the Board’s key roles in charting the strategic direction, development and control of the Group which include the reviewing and monitoring of matters relating to strategy to promote sustainability, performance, evaluation, resource allocation, standard of conduct, financial matters, succession planning, corporate disclosure, effectiveness and adequacy of the Group’s system of internal controls and risk management practices.

The Executive Directors are primarily responsible for developing the Group’s business plan and strategies including the relevant Key Performance Indicators or KPIs (which are reviewed and approved by the Board), the implementation of policies and decisions of the Board and overseeing the Group’s operations.

The role of the Independent Non-Executive Directors is to provide objective and independent judgment on the decision making processes of the Board and as such, provide an effective check and balance to the Board’s decision making process.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly or exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Chairman of the Board and the Managing Director (“MD”). The Chairman leads strategic planning at the Board level, while the MD and Executive Directors are responsible for the implementation of the strategies/policies laid down and executive decision-making.

The role of Management is to support the Executive Directors in the day-to-day management and operations of the Company, in accordance with the delegated authority of the Board.

STATEMENT OF CORPORATE GOVERNANCE

The Board Committees, comprising the Audit Committee, Nomination Committee and Remuneration Committee are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, minutes are presented to keep the Board informed. The Chairmen of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

In addition, there is a Risk Management Committee formed for the purpose of managing risks affecting the Group.

The Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the performance of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have full access to Management at all levels and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

Key matters reserved for the Board's approval include the annual business plan and budget, capital management and investment policies, authority limits/levels, risk management practices, new businesses/projects, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

Delegation of authorities have also been put in place to ensure balance between operational efficiency and control over corporate and financial governance. They are reviewed regularly to ensure that it is adhered by the delegates to based on the level of approving authority limits for various aspects of the business by the Board and Management.

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(a) Reviewing and adopting the Company's strategic plans

The Board has in place a strategic planning process whereby the MD presents to the Board the Company's annual budgets, together with the proposed business plans of the individual Business Units for the ensuing year with the view of seeking the Board's approval. The Board will deliberate both Management's and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcome.

(b) Overseeing the conduct of the Company's business

The MD is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory, commercial and operational functions.

STATEMENT OF CORPORATE GOVERNANCE

Management's performance under the leadership of the MD, is assessed by the Board through monitoring the actual performance of the Group against the approved budgets and business plans on a quarterly basis.

The Board determines and approves the level of authority to be delegated to the MD in respect of operating expenditures, capital expenditures and credit facilities.

- (c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

Through the Audit Committee, the Board oversees the risk management practices and internal control system of the Group. The Audit Committee advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee reviews the action plans implemented and make relevant recommendations on risk matters to the Board.

- (d) Succession Planning

The Board has entrusted the Nomination Committee and Remuneration Committee with the responsibility of formulating nomination, selection, remuneration and succession policies for the Group. It is also entrusted to review candidates for the Board and to determine remuneration packages for these appointments.

The Nomination Committee also undertakes yearly evaluation of the performance of the Chief Financial Officer ("CFO") whose remuneration is directly linked to performance based on his score sheet. For this purpose, the performance evaluation for the year 2016 of the CFO was reviewed by the Nomination Committee in February 2017.

The Board, together with the MD and the Management had put in place informal structure and practice to ensure key roles within the Group are supported by competent assistant to reduce the impact of abrupt departure of key personnel. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key personnel within the Group.

- (e) Overseeing the development and implementation of a shareholder communication policy for the Company.

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community.

In order to achieve this objective, the Board strives to provide shareholders and investors with accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

STATEMENT OF CORPORATE GOVERNANCE

The Company has identified Mr. Wong Chee Beng as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses available on the corporate website.

- (f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. The details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

1.3 Business Ethics and Whistleblowing Policy

The Board commits to observe ethical business standards and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

In addition, the Company has adopted a whistleblowing policy whereby all employees are encouraged to report genuine concerns about any unethical behaviour or malpractices. Any such concern should be raised with senior management and an appropriate action will be taken by the Company. The whistleblowing policy is available at the corporate website.

1.4 Strategies promoting sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors.

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

The Company recognises the value of a diversified and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity and age, experiences and perspectives of our workforce, to provide good customer service to the diverse customer base. The Company's commitment to recognise the importance of diversity extends to all areas of its business including recruitment, skills, enhancement, appointment to roles, retention of employees, succession planning and training and development.

STATEMENT OF CORPORATE GOVERNANCE

1.5 Access to information and advice

All Directors are provided with the notice of agenda together with minutes of the previous meeting and other relevant information seven (7) days prior to each coming Board meetings. This is to ensure that all Directors have sufficient time to obtain further explanation, where necessary, in order to be fully informed of the matters to be discussed during the meeting. The Board papers contain all relevant information and reports on financial, operational, corporate, regulatory, market developments and minutes of meetings. These documents are comprehensive and include qualitative and quantitative information to enable the Board members to make informative decisions.

The Directors have individual and independent access to the advice and support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties.

1.6 Qualified and competent company secretary

The Board is regularly updated by the Company Secretary on new regulations issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's quoted securities.

The Company Secretary attends and ensures that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory registers of the Company.

All Directors have direct access to the advice and services of the Company Secretary in discharging their duties effectively.

In delivering the above duties and responsibilities, the Board is supported by suitably qualified and competent Company Secretary who is a member of professional body namely the Malaysian Institute of Chartered Secretaries and Administrators.

STATEMENT OF CORPORATE GOVERNANCE

1.7 Board Charter

The Board has on 18 August 2015 reviewed and updated the Board Charter which sets out the roles, functions, compositions, operation and processes of the Board as well as the code of conduct for Directors.

The Board Charter serves to ensure that all Board members are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with Corporate Governance principles.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available at the corporate website.

2. STRENGTHEN COMPOSITION

2.1 Nomination Committee ("NC")

The NC consists of entirely Non-Executive Directors with majority being Independent Directors. The members of the NC are:

Chairman

Lim Chai Huat – Non-Independent Non-Executive Director

Members

Wong Chee Beng – Senior Independent Non-Executive Director

Michael Ting Sii Ching – Independent Non-Executive Director (Resigned w.e.f. 1/10/2016)

Irin Tan Su Fern – Independent Non-Executive Director (Appointed w.e.f 1/10/2016)

Despite the recommendation 2.1 of the Code wherein the Chairman of the NC needs to be a Senior Independent Director, Mr. Lim Chai Huat remains as the Chairman of the NC due to his invaluable experience and knowledge of the Group Businesses. He is also one of the co-founders of the Company.

The full details of the NC's Terms of Reference are published in the corporate website.

STATEMENT OF CORPORATE GOVERNANCE

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

a) Board appointment process

The NC is responsible for assessing the adequacy and appropriateness of the board composition, identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine the skill matrix to support the strategic direction and needs of the Company.

To guide and facilitate the NC in its annual assessment of the adequacy/appropriateness of the board composition, the NC had developed a matrix of the required profile of the directors including the functional skill areas, industry/sector exposure, strategic management experience and gender (which it reviews periodically for currency) to match against the profile of its existing directors to determine gap(s), if any, and advise the board accordingly.

Management is responsible for engaging and developing a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NC evaluates the qualification and experience of the candidate against the Board's requirements including its gender diversity policy and where appropriate recommends to the Board for appointment.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Constitution of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Constitution also state that one-third (1/3) of the Board members shall retire from office at an Annual General Meeting ("AGM") and shall be eligible for re-election at the same AGM.

STATEMENT OF CORPORATE GOVERNANCE

All new Director(s) duly appointed by the Board are subsequently recommended for re-election at the coming AGM.

The Company shall, then provide orientation and on-going education to the Board.

In making the selection, the Board is assisted by the NC to consider the following aspects:

- Integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary qualification and experience, skills, ability and commitment to carry out the role.

b) Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Self Assessment and an Assessment of Independence of the Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual Self Assessment, the assessment criteria include contribution to interaction, quality of input, understanding of role and time commitment.

The results of the assessment would form the basis of the NC's recommendation to the Board for the re-election of the retiring Directors at the next AGM.

In addition, the NC reviews and evaluates the performance of the CFO through performance evaluation form completed by him on an annual basis.

Based on the above assessments, the NC was satisfied with the existing Board composition and was of the view that the Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. All assessments and evaluations carried out by the NC in the discharge of all its functions were properly documented.

c) Diversity in Gender, Ethnicity and Age

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy. Hence, the Board had always been in support of the Company's policy of non-discrimination on the basis of race, age, religion and gender. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

In response to the Code, the Company has recruited one (1) female director during the financial year.

STATEMENT OF CORPORATE GOVERNANCE

d) Continuous Education/ Development

The Nomination Committee shall from time to time identify suitable orientation, educational and training programmes for continuous development of directors and ensure all directors receive appropriate continuous training programmes in order to keep abreast with developments in the industry and with changes in the relevant statutory and regulatory requirements.

e) Activities of NC

The NC has worked to ensure that the right balance of skills, knowledge, experience and diversity is reflected in the composition of the Board. The NC assisted the Board in assessing the contributions of each individual Director including that of the CFO, who is primarily responsible for the financial management of the Company. During the financial year ended 31 December 2016, the NC held two (2) meetings to assess the nomination of new board candidate prior to the appointment as director and performance of the Board Committees and individual Directors. The NC, in discharging its functions and duties, carried out the following activities during the financial year:-

- evaluated the balance of skills, knowledge, experience and diversity on the Board and recommended the nomination of new board candidate to the Board;
- reviewed and recommended candidates to fill the seats of Board Committees;
- assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- reviewed and assessed the character, experienced, integrity, competence and time commitment of each Director and the CFO;
- reviewed the re-election and re-appointment of retiring Directors; and
- assessed and evaluated the level of independence of Independent Directors.

2.3 Remuneration Committee (“RC”)

The RC consists of one (1) Executive Director and three (3) Non-Executive Directors. The members of the RC are:

Chairman

Wong Chee Beng – Senior Independent Non-Executive Director (Appointed as Chairman w.e.f 1/10/2016)

Michael Ting Sii Ching – Independent Non-Executive Director (Resigned w.e.f 1/10/2016)

STATEMENT OF CORPORATE GOVERNANCE

Members

Y.D.M Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah – Executive Director

Lim Chai Huat – Non-Independent Non-Executive Director

Irin Tan Su Fern – Independent Non-Executive Director (Appointed w.e.f. 1/10/2016)

The RC and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

The RC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year and their achievement of the goals and/or quantified organisational targets set at the beginning of each year.

The KPIs of the Executive Directors are tailored to their specific business segments. To ensure that the Executives Directors also work together to contribute towards the success of the overall group, their KPIs also include some of the group's KPIs.

The Board as a whole determines the Director's fee of the Non-Executive Directors and recommends the same for shareholders' approval.

The remuneration package of the Executive Directors consists of monthly salary, allowance, bonus and benefits-in-kind such as company car and coverage under the Directors and Officers Liability Insurance in respect of any significant liability arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

Details of the Directors' remuneration (including benefits-in-kind) during the financial year 2016 are as follows:

STATEMENT OF CORPORATE GOVERNANCE

(a) Total Remuneration

Categories of Remuneration	Group		Company	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	138	238	-	238
Salaries, Bonuses and Other Benefits	2,184	113	86	113
Defined Contribution Benefits	237	-	-	-
Total:	2,559	351	86	351

(b) Directors' remuneration by bands

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	1
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	1	-
RM450,001 to RM500,000	1	-
RM600,001 to RM650,000	1	-
RM1,250,001 to RM1,300,000	1	-

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board, through the NC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the assessment in the financial year 2016, the Board is satisfied that the Independent Directors have been able to discharge their responsibilities in an independent manner.

STATEMENT OF CORPORATE GOVERNANCE

3.2 Tenure of Independent Directors

The Board has adopted the Code's nine (9) years tenure recommendation for Independent Non-Executive Directors as one of the criteria to assess the continuing independence of its Independent Non-Executive Directors.

3.3 Shareholders' approval for the Continuance Office as Independent Directors

The NC will assess the continuing independence of the Independent Directors based on the assessment criteria (which includes the Code's nine (9) years tenure recommendation) developed by the NC and submit its recommendation to the Board for review and endorsement prior to the Board's submission to the shareholders for approval. Justification for the Board's recommendation is provided to the shareholders.

During the financial year 2016, Mr. Michael Ting Sii Ching has resigned and was replaced by Ms. Irin Tan Su Fern to resume as a new Independent Director of the Company. In the absence of Mr. Michael Ting Sii Ching, currently, there are only two (2) long serving Independent Non-Executive Directors, Tan Sri Datuk Dr. Yusof Bin Basiran and Mr. Wong Chee Beng, whose tenure are more than nine (9) years. With the inclusion of Ms. Irin Tan Su Fern, the Board, on the review and recommendation made by the NC, is unanimous in its opinion that the three (3) Independent Directors, have remains fulfilled the criteria under the definition of an Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements "(MMLR)" of Bursa Securities. The Board believes that the independence of the three Directors remains unimpaired and their judgment over business dealings of the Company were not influenced by the interest of the other Directors or Substantial Shareholders.

As for the two (2) long serving directors, the Board recommends to the shareholders for approval at the forthcoming AGM for Tan Sri Datuk Dr. Yusof Bin Basiran and Mr. Wong Chee Beng to continue acting as Independent Directors of the Company.

3.4 Separation of the Positions of the Chairman and the MD

The positions of the Chairman and the MD are held by two different individuals. Tan Sri Datuk Dr. Yusof Bin Basiran, an Independent Non-Executive Director is the Chairman whereas Datuk Lim Chai Beng is the MD.

The distinct and separate roles of the Chairman and MD with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

3.5 Composition of the Board

The Board currently comprises eight (8) members of whom three (3) are Independent Non-Executive Directors, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Alternate Director to the MD. The three (3) Independent Non-Executive Directors fulfill the criteria of independence as defined in the MMLR of Bursa Securities. The

STATEMENT OF CORPORATE GOVERNANCE

Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

The Board composition meets both the MMLR of Bursa Securities and the Code's recommendation for a balance board with Independent Directors constituting more than one-third of the Board.

The Independent Non-Executive Directors are of the caliber necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure the long-term interest of the Company and its shareholders, employees, customers and other stakeholders.

The eight (8) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of business strategy and planning, marketing and sales, accountancy, business operations and development, finance and risk management, amongst others.

The MD is accountable to the Board over the daily management and development of the Company.

The profile of each of the member of the Board is presented on the pages 9 to 12 of this Annual Report.

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings during the financial year 2016, as set out in the table.

STATEMENT OF CORPORATE GOVERNANCE

Name of Director	Designation	No. of meetings attended
Tan Sri Datuk Dr. Yusof Bin Basiran	Independent Non-Executive Chairman	5/5
Datuk Lim Chai Beng (Alternate Director: Lim Zee Ping)	Managing Director	5/5
Y.D.M Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	Executive Director	5/5
Mak Chee Meng	Executive Director	5/5
Wong Chee Beng	Senior Independent Non-Executive Director	5/5
Michael Ting Sii Ching (Resigned w.e.f. 1/10/2016)	Independent Non-Executive Director	4/4
Irin Tan Su Fern (Appointed w.e.f. 1/10/2016)	Independent Non-Executive Director	1/1
Lim Chai Huat	Non-Independent Non-Executive Director	5/5

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively, the Directors must not hold directorships in more than five (5) public listed companies ("PLCs") and shall notify the Chairman before accepting any new directorship in PLCs.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year as well as the tentative closed periods for dealings in securities by Directors based on the targeted dated of announcements of the Company's quarterly results.

4.2 Trainings

All Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge to discharge their duties and responsibilities as Directors.

STATEMENT OF CORPORATE GOVERNANCE

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

In addition, members of the Board are encouraged to evaluate their own training needs on a continuous basis and to determine on the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board.

During the financial year ended 31 December 2016, the Directors have attended the following training, seminars, conferences and exhibitions to keep themselves abreast with changes in laws and regulation, business environment and corporate governance development:-

Tan Sri Datuk Dr. Yusof Bin Basiran

Date	Name of Training Program
26 November 2016	<ul style="list-style-type: none"> CG Breakfast Series with Directors: "Board Reward & Recognition"

Datuk Lim Chai Beng

Date	Name of Training Program
14 July 2016	<ul style="list-style-type: none"> OCBC Global Treasury Economic and Business Forum, Singapore
12-13 October 2016	<ul style="list-style-type: none"> Malaysia Palm Oil Trade Fair & Seminar (POTS KL) 2016
19-20 October 2016	<ul style="list-style-type: none"> Oil & Fats International Congress (OFIC) 2016
21 October 2016	<ul style="list-style-type: none"> Palm Oil Refiners Association of Malaysia (PORAM) Annual Forum 2016
2 December 2016	<ul style="list-style-type: none"> Klang Chinese Chamber of Commerce and Industry (KCCCI) – Opening of 4th Malaysia Klang International Expo (MKIE)

Y.D.M Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah

Date	Name of Training Program
7-10 September 2016	<ul style="list-style-type: none"> DX Korea 2016 Defence Expo, Korea
2-5 November 2016	<ul style="list-style-type: none"> Indo Defence 2016 Expo & Forum, Jakarta

STATEMENT OF CORPORATE GOVERNANCE

Wong Chee Beng

Date	Name of Training Program
28-29 May 2016	<ul style="list-style-type: none"> • Financial Planning Course – Wealth of Life
5 November 2016	<ul style="list-style-type: none"> • Offshore Investment & Offshore Centers
3 December 2016	<ul style="list-style-type: none"> • SME Financing Options – Funding Societies Malaysia

Lim Zee Ping

Date	Name of Training Program
12-13 October 2016	<ul style="list-style-type: none"> • Malaysian Palm Oil Trade Fair & Seminar (POTS KL) 2016
19-20 October 2016	<ul style="list-style-type: none"> • Oils and Fats International Congress (OFIC) 2016

Mr. Mak Chee Meng, an Executive Director and Mr. Lim Chai Huat, a Non-Independent Non Executive Director were not able to attend any training due to their busy work schedule during the financial year 2016.

Ms. Irin Tan Su Fern, an Independent Non-Executive Director, was appointed to the Board on 1 October 2016 and she had attended the Mandatory Accreditation Programme on 20 and 21 February 2017.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the Audit Committee to oversee and scrutinise the process and quality of the financial reporting including the reviewing and monitoring of the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the financial report, as well as in compliance with the relevant accounting standards.

STATEMENT OF CORPORATE GOVERNANCE

5.2 Assessment of suitability and independence of external auditors

The Audit Committee is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors (“EAs”) are reviewed by the Audit Committee prior to submission to the Board for approval.

As part of its annual assessment of the EAs’ independence, the AC engaged the EA team at a face-to-face meeting on this matter and noted the EAs’ compliance with the ethical requirements regarding independence in the Company’s audit in accordance with the relevant international and local professional ethics, conduct and practice. Further, the AC took note of the EAs’ internal policy that none of its team members have any individual dealings or interests in the Company’s securities.

The Audit Committee has reviewed the provision of non-audit services by the EAs’ during the year and concluded that the provision of these services did not compromise the EAs’ independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the EAs’

Having satisfied itself with Messrs Crowe Horwath’s performance, the Audit Committee recommended their re-appointment to the Board, upon which the shareholders’ approval will be sought at the AGM.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group’s system of internal controls and risk management practices.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group’s Risk Management Framework, assessing its effectiveness and reviewing any major/significant risk facing the Group.

The Audit Committee oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee also reviews the action plans implemented and make relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to safeguard its assets and businesses.

STATEMENT OF CORPORATE GOVERNANCE

6.2 Internal Audit Function

A sound system of internal control is in place for the day to day operations of the Group. The internal audit function has an independent reporting channel to the Audit Committee and is authorised to conduct independent audits of all the departments and offices within the Group and reports its findings to the Audit Committee at the end of each quarter.

The Audit Committee reviews, deliberates and decides on the next course of action and evaluates the effectiveness and efficiency of the Internal Control systems in the organisation.

The Statement on Risk Management and Internal Control as included on pages 52 to 54 of this Annual Report provides the overview of the Internal Control Framework adopted by the Company during the financial year ended 31 December 2016.

7. ENSURE TIMELY AND QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy and Procedures

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The MD and CFO are responsible for determining materiality of information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of necessary announcement.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

7.2 Leverage on information technology for effective dissemination of information and feedbacks

The Company's website provides all relevant corporate information and it is accessible by the public. The Company's website includes share price information, all announcements made by the Company, Annual Reports, financial results, corporate calendar as well as the corporate governance statement of the Company.

The stakeholders are able to direct queries to the Company through the Company's website by an e-mail address: info@cbip.com.my.

STATEMENT OF CORPORATE GOVERNANCE

8. STRENGTHEN SHAREHOLDERS' RELATIONSHIP

8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman together with the Senior Independent Director ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

The Company encloses the 2016 Annual Report together with the notice of AGM and Circular to shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which is in line with the MMLR of Bursa Securities, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings.

8.2 Encourage poll voting

At the 19th AGM of the Company held on 26 May 2016, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

Nevertheless, pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities which effective on 1 July 2016, any resolution set out in the notice of general meeting is to be voted by poll and the Recommendation 8.2 of the Code also states that the Board should encourage poll voting.

In view thereof, the Board will adopt poll voting for future general meetings to facilitate greater shareholder participation, to more fairly reflect shareholders' views and to ensure accurate and efficient outcomes of the voting process.

8.3 Effective communication and proactive engagement

At the 19th AGM, all the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2016 complied with the principles and recommendations of the Code except where it was specifically stated otherwise.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed towards ensuring that a sound risk of management framework and system of internal control exists in order to safeguard the Group's assets and minimise its losses and liabilities.

The Board is pleased to provide this statement on the state of risk management and internal control of the Group prepared in accordance with paragraph 15.26(b) of the MMLR of Bursa Securities, Statement on Risk Management and Internal Control – Guidance for Directors of Listed Issuers and the Code.

BOARD RESPONSIBILITIES

The Board affirms its responsibility for establishing and maintaining a sound system of risk management and internal control practices as well as reviewing the adequacy and integrity of the internal control system. The Board has delegated the above mentioned responsibilities to the Audit Committee. Through the Audit Committee, the Board is kept informed of all significant issues on risk management and internal control brought to the attention of the Audit Committee by Management, the internal audit function and the external auditor.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

1. Control Environment

- **Organisation Structure & Authorisation Procedures**

The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations.

- **Periodic Performance Review**

Actual performance of the Group is monitored against plans to identify and to address significant variances during every quarterly meeting.

The MD and the CFO, to the best of their knowledge and belief, provide assurance to the Board that the Group's risk management and internal control system are operating adequately and effectively.

- **Group Policies and Procedures**

The Group has documented policies and procedures that are reviewed and updated periodically to ensure that these are effective and efficient and continue to support the Group's business activities at all times as the Group continues to grow.

- **Site Visits and Operational Meetings**

Factory/site visits are conducted by members of the Management team, the internal auditor and the Audit Committee.

2. Risk Management Framework and its Implementation

Risk management is regarded by the Board to be an integral part of managing business operations. There is a Risk Management Committee comprising of the respective Heads of Subsidiaries who are responsible for managing risks related to their functions on a day-to-day basis with the responsibility at the group level by the MD. The Board through the Audit Committee obtained the assurance that the risk management committee is functioning effectively.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. It is at these meetings that key risks and corresponding controls implemented are communicated amongst the Management team. Significant risks identified are subsequently brought to the attention of the Board at their scheduled meetings.

The abovementioned practices and initiatives by Management serve as an ongoing process used to identify, assess and manage key business, operational and financial risks faced by the Group.

In addition, the internal auditor updates the Audit Committee quarterly on the status of implementation of previously identified management action plans to mitigate significant business/operating risks of the Group.

These processes have been in place for the financial year under review and the Board has given approval for this statement to be included in the annual report.

3. Internal Audit Function

The Group's in-house internal audit function is independent from the day-to-day operations of the Group. The duties of the internal auditor is performed with professional care and without prejudice which provide the Audit Committee and the Board with an assurance and independent assessment in respect of the adequacy, efficiency and effectiveness of the risk management practices and system of internal control.

The internal auditor reports directly to the Audit Committee and the internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage. The internal auditor assesses the Group's internal control based on the following four interrelated control elements:

- a. Control environment;
- b. Risk assessment;
- c. Control and monitoring review; and
- d. Information and communication.

This is documented in the Audit Committee Report on pages 30 to 32 of this Annual Report.

On a quarterly basis, the Group's internal auditor tables the results of their review of the business processes of different operating units to the Audit Committee. The status of the implementation of corrective actions to address control weaknesses are also followed up by the internal auditor to ensure that these actions have been satisfactorily implemented.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses or liabilities that would require a separate disclosure in this annual report.

4. Information and Communication

Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Management's attention are highlighted for review, deliberation and decision on a timely basis.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

5. Monitoring and Review

- **Business Planning and Budgeting Review**

The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group. Business plan and annual budget prepared by Management are tabled to the Board for their review and approval.

- **Financial and Operational Review**

The quarterly financial statements containing key financial results and operational performance results are monitored against budgets/plans to identify and address significant variances quarterly and these are appropriately presented to the Board for their review, consideration and approval.

- **Review of the Statement on Risk Management and Internal Control by EAs**

Pursuant to Paragraph 15.23 of the MMLR of Bursa Securities, the EAs have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2016 Annual Report. Their review was performed in accordance with recommended Practice Guide (RPG) 5 (revised 2015): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

The Board is of the view that the Group's system of risk management and internal control is adequate and effective to safeguard the Group's assets and minimise its losses and liabilities. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will continue to put in place appropriate action plans and controls to further enhance the risk management and internal control system of the Group.

ADDITIONAL COMPLIANCE INFORMATION

1. Audit and Non-Audit Fees

Audit fees paid and payable to the external auditors for the financial year ended 31 December 2016 were RM376,000 for the Group and RM68,000 for the Company.

Non-audit fees paid and payable to the external auditors for the financial year ended 31 December 2016 were RM8,000 for the Group and for the Company.

2. Material Contracts involving Directors' and Major Shareholders' Interests

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests during the financial year except for the related party transactions specified in the Circular to Shareholders dated 28 April 2017 seeking the shareholder's mandate.

3. Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the financial year.

4. Recurrent Related Party Transactions ("RRPT") of Revenue or Trading Nature

There was no Shareholders' Mandate obtained in respect of RRPT of Revenue or Trading Nature during the financial year end.

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Profit after taxation for the financial year	111,457	83,675
Attributable to:-		
Owners of the Company	101,649	83,675
Non-controlling interests	9,808	-
	<u>111,457</u>	<u>83,675</u>

DIVIDENDS

The details of the dividends declared (paid and payable) by the Company during the financial year were as follows:-

	RM'000
<u>In respect of financial year ended 31 December 2015:-</u>	
A special interim dividend of 4 sen per ordinary share, paid on 15 March 2016	20,987
<u>In respect of financial year ended 31 December 2016:-</u>	
First interim dividend of 3 sen per ordinary share, paid on 20 July 2016	15,726
Second interim dividend of 3 sen per ordinary share, payable on 20 January 2017	15,724
	<u>52,437</u>

The directors do not recommend the payment of any final dividend for the current financial year.

DIRECTORS' REPORT

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM269,124,176 to RM269,124,343 comprising 538,248,685 ordinary shares of RM0.50 each by way of an issuance of 333 new ordinary shares of RM0.50 at a price of RM2.40 per ordinary share pursuant to the exercise of 333 Warrant 2014/2019; and
- (c) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company purchased 1,493,400 units of its issued ordinary shares from the open market at an average buy-back price of approximately RM2.05 per ordinary share. The total consideration paid for acquisition of the shares was RM3,066,288 and was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia and are presented as a deduction from equity.

As at 31 December 2016, the Company held 14,125,127 repurchased shares as treasury shares out of its total issued and paid-up share capital of 538,248,685 ordinary shares of RM0.50 each. The treasury shares are held at a carrying amount of RM35,099,638. Relevant details on the treasury shares are disclosed in Note 24 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

WARRANTS

On 12 November 2014, the Company issued 88,409,815 warrants to the shareholders of the Company on the basis of 1 free warrant for every 3 existing ordinary shares of RM0.50 each held in the Company. The warrants were listed on the Main Market of Bursa Malaysia Securities Berhad.

As at the end of the reporting period, a total of 87,399,049 warrants remained unexercised.

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 44 to the financial statements. At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES (CONT'D)

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

CHANGE OF CIRCUMSTANCES

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.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Tan Sri Datuk Dr. Yusof Bin Basiran
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah
Datuk Lim Chai Beng
Lim Chai Huat
Mak Chee Meng
Wong Chee Beng
Irin Tan Su Fern (Appointed on 1.10.2016)
Lim Zee Ping (Alternate to Lim Chai Beng)
Michael Ting Sii Ching (Resigned on 1.10.2016)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	← Number of Ordinary Shares of RM0.50 Each →			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<i>Direct Interests in the Company</i>				
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	3,360,000	-	-	3,360,000
Datuk Lim Chai Beng	169,713,720	11,000	(5,400,000)	164,324,720
Lim Chai Huat	22,170,000	-	-	22,170,000
Lim Zee Ping	3,684,000	-	-	3,684,000
Mak Chee Meng	15,876,660	-	-	15,876,660

Indirect Interests in the Company

Tan Sri Datuk Dr. Yusof Bin Basiran [#]	800,000	-	-	800,000
Datuk Lim Chai Beng*	9,375,000	-	-	9,375,000

	← Number of Warrants →			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<i>Direct Interests in the Company</i>				
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	560,000	-	-	560,000
Datuk Lim Chai Beng	29,120,175	480,400	-	29,600,575
Lim Chai Huat	3,695,000	-	-	3,695,000
Lim Zee Ping	280,666	-	-	280,666
Mak Chee Meng	2,479,443	-	-	2,479,443

Indirect Interests in the Company

Tan Sri Datuk Dr. Yusof Bin Basiran [#]	133,333	-	-	133,333
Datuk Lim Chai Beng*	729,165	-	-	729,165

Note:-

- # - Deemed interest through spouse's shareholding in the Company.
- * - Deemed interest through children's shareholding in the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

By virtue of his interest in shares in the Company, Lim Chai Beng is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance to Section 6A of the Companies Act 1965.

The other directors holding office at the end of the financial year had no interest in shares and options over shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 45 to the financial statements.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 47 to the financial statements.

DIRECTORS' REPORT**AUDITORS**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 APRIL 2017**

**Tengku Dato' Ardy Esfandiari Bin
Tengku A. Hamid Shah**

Datuk Lim Chai Beng

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

We, Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah and Datuk Lim Chai Beng, being two of the directors of CB Industrial Product Holding Berhad, state that, in the opinion of the directors, the financial statements set out on pages 72 to 187 are drawn up in accordance with 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 of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 52 on page 188, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 18 APRIL 2017**

**Tengku Dato' Ardy Esfandiari Bin
Tengku A. Hamid Shah**

Datuk Lim Chai Beng

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

I, Tan Hock Yew, being the officer primarily responsible for the financial management of CB Industrial Product Holding Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 187 are, to the best of my knowledge and belief, 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
Tan Hock Yew, at Klang in the state of
Selangor Darul Ehsan on this
18 April 2017

Tan Hock Yew

Before me
Azmi Bin Ishak (No. B413)
Commissioner Of Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of CB Industrial Product Holding Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 187.

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 financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

Key Audit Matters

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

<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Revenue recognition on construction contracts (Refer to Note 17 to the financial statements)</u></p> <p>The Group has significant long-term construction contracts. The recognition of revenue on construction contracts is in accordance with the accounting policies as set out in Note 4(aa)(i) to the financial statements.</p> <p>Revenue on construction contracts is a key risk for our audit because of the judgement involved in preparing suitable estimates of the budgeted contract cost. An error in the budgeted cost could result in a material variance in the amount of profit or loss recognised in the financial statements.</p> <p>Kindly refer to Note 4(a)(i) (Critical Accounting Estimates and Judgements).</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ◦ We assessed whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards. ◦ We challenged the management's judgement by obtaining and assessing relevant information to support the budget assumptions. ◦ We evaluated the selected samples of budget costs for reasonableness by reviewing the bases of their calculation, which include supplier quotes, forecast estimates and supplier contracts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

Key Audit Matters (Cont'd)

<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of trade and other receivables (Refer to Notes 16 and 18 to the financial statements)</u></p> <p>The Group carries significant trade and other receivables and is subject to major credit risk exposures.</p> <p>The assessment of recoverability of trade and other receivables involved judgement and estimation of uncertainty in analysing potential bad debts, customers' concentration, customers' creditworthiness, current economic trends, changes in laws regulating the industry and customers' past payment history.</p> <p>Kindly refer to Note 4(a)(ii) (Critical Accounting Estimates and Judgements).</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ◦ We obtained an understanding of:- <ul style="list-style-type: none"> ◦ the Group's control over the trade and other receivables collection process; ◦ how the Group identified and assessed the impairment of trade and other receivables; and ◦ how the Group established the accounting estimates for impairment. ◦ We reviewed subsequent collections for major trade and other receivables and overdue amounts. ◦ We inquired the management regarding the action plans made to recover overdue amounts. ◦ We assessed and challenged management's view on the recoverability of overdue amounts against historical patterns of collections. ◦ We evaluated the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Requirements

The supplementary information set out in Note 52 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING 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.

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Kuala Lumpur

18 April 2017

Ong Beng Chooi
Approval No : 3155/05/17 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	35,443	33,251
Investments in associates	6	97,237	90,714	49,430	49,430
Investments in joint ventures	7	26,264	23,771	20,187	20,187
Property, plant and equipment	8	111,451	90,034	1,073	607
Amount owing by subsidiaries	9	-	-	126,143	126,143
Other investments	10	9,503	9,503	-	-
Goodwill	11	16,341	16,341	-	-
Deferred tax assets	12	903	248	-	-
Plantation development expenditure	13	238,676	226,143	-	-
Product development expenditure	14	-	2,281	-	-
		500,375	459,035	232,276	229,618
CURRENT ASSETS					
Inventories	15	32,144	38,364	-	-
Trade receivables	16	136,596	117,276	-	-
Amount due from contract customers	17	59,292	76,148	-	-
Other receivables, deposits and prepayments	18	38,692	28,427	4,977	2,451
Amount owing by subsidiaries	9	-	-	248,950	194,782
Amount owing by related parties	19	11,990	1,844	-	-
Short-term investments	20	72,897	86,861	33,843	52,158
Current tax assets		1,986	1,201	106	100
Deposits with licensed banks	21	22,723	17,786	-	-
Cash and bank balances		102,863	131,032	813	16,006
		479,183	498,939	288,689	265,497
Assets of disposal group classified as held for sale	22	40,939	17,959	-	-
		520,122	516,898	288,689	265,497
TOTAL ASSETS		1,020,497	975,933	520,965	495,115

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	23	269,124	269,124	269,124	269,124
Treasury shares	24	(35,100)	(32,033)	(35,100)	(32,033)
Share premium	25	1,920	1,920	1,920	1,920
Foreign exchange translation reserve	26	10,739	942	-	-
Fair value reserve	27	(89)	(89)	-	-
Retained profits	28	478,176	428,958	106,423	75,185
Equity attributable to owners of the Company		724,770	668,822	342,367	314,196
Non-controlling interests	5	48,436	38,459	-	-
TOTAL EQUITY		773,206	707,281	342,367	314,196
NON-CURRENT LIABILITIES					
Hire purchase payables	29	560	58	350	-
Term loan	30	12,313	14,563	-	-
Deferred tax liabilities	12	715	2,065	-	-
		13,588	16,686	350	-
CURRENT LIABILITIES					
Trade payables	31	98,126	66,022	-	-
Amount due to contract customers	17	59,889	104,705	-	-
Other payables and accruals	32	30,718	44,651	2,621	602
Amount owing to subsidiaries	9	-	-	146,719	164,539
Amount owing to directors	33	33	7,534	-	-
Amount owing to related parties	19	4,916	4	-	-
Hire purchase payables	29	235	320	100	-
Term loan	30	2,250	2,250	-	-
Revolving credits	34	16,614	2,537	13,084	-
Dividend payable	35	15,724	15,778	15,724	15,778
Current tax liabilities		5,198	8,165	-	-
		233,703	251,966	178,248	180,919
TOTAL LIABILITIES		247,291	268,652	178,598	180,919
TOTAL EQUITY AND LIABILITIES		1,020,497	975,933	520,965	495,115

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

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
REVENUE	36	577,883	541,274	65,176	65,041
COST OF SALES		(415,244)	(363,912)	-	-
GROSS PROFIT		162,639	177,362	65,176	65,041
OTHER INCOME		35,659	27,070	25,547	10,516
		198,298	204,432	90,723	75,557
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(69,268)	(66,406)	(6,687)	(4,477)
FINANCE COSTS		(1,462)	(1,350)	(271)	(67)
SHARE OF RESULTS IN ASSOCIATES, NET OF TAX	6	6,523	4,898	-	-
SHARE OF RESULTS IN JOINT VENTURES, NET OF TAX	7	2,493	(224)	-	-
PROFIT BEFORE TAXATION	37	136,584	141,350	83,765	71,013
INCOME TAX EXPENSE	38	(25,127)	(33,968)	(90)	(89)
PROFIT AFTER TAXATION		111,457	107,382	83,675	70,924
OTHER COMPREHENSIVE INCOME/(EXPENSES)					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Fair value changes of available- for-sale financial assets		-	(151)	-	-
Foreign currency translations differences		9,780	16,006	-	-
		9,780	15,855	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		121,237	123,237	83,675	70,924

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

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
PROFIT AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		101,649	97,985	83,675	70,924
Non-controlling interests		9,808	9,397	-	-
		111,457	107,382	83,675	70,924
TOTAL COMPREHENSIVE					
INCOME ATTRIBUTABLE TO:-					
Owners of the Company		111,446	112,543	83,675	70,924
Non-controlling interests		9,791	10,694	-	-
		121,237	123,237	83,675	70,924
EARNINGS PER SHARE (SEN)	39				
Basic		19.4	18.5		
Diluted		19.4	18.5		

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

	NON-DISTRIBUTABLE					DISTRIBUTABLE			TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	FOREIGN EXCHANGE TRANSLATION RESERVE RM'000	FAIR VALUE RESERVE RM'000	RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON- CONTROLLING INTERESTS RM'000	
THE GROUP									
Balance at 1.1.2015	269,124	(21,385)	1,920	(13,767)	62	362,679	598,633	29,767	628,400
Profit after taxation for the financial year	-	-	-	-	-	97,985	97,985	9,397	107,382
Other comprehensive income/(expenses) for the financial year:									
- Fair value changes of available-for-sale financial assets	-	-	-	-	(151)	-	(151)	-	(151)
- Foreign currency translation differences	-	-	-	14,709	-	-	14,709	1,297	16,006
Total comprehensive income/(expenses) for the financial year	-	-	-	14,709	(151)	97,985	112,543	10,694	123,237
Contributions by and distributions to owners of the Company:									
- Purchase of treasury shares	-	(10,648)	-	-	-	-	(10,648)	-	(10,648)
- Acquisition of subsidiaries	-	-	-	-	-	-	-	290	290
- Dividends:									
- by the Company	-	-	-	-	-	(31,706)	(31,706)	-	(31,706)
- by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	(2,292)	(2,292)
Total transactions with owners	-	(10,648)	-	-	-	(31,706)	(42,354)	(2,002)	(44,356)
Balance at 31.12.2015/1.1.2016	269,124	(32,033)	1,920	942	(89)	428,958	668,822	38,459	707,281

NOTE

THE GROUP

Balance at 1.1.2015

Profit after taxation for the financial year

Other comprehensive income/(expenses) for the financial year:

- Fair value changes of available-for-sale financial assets
- Foreign currency translation differences

Total comprehensive income/(expenses) for the financial year

Contributions by and distributions to owners of the Company:

- Purchase of treasury shares 40
- Acquisition of subsidiaries
- Dividends: 35
 - by the Company
 - by a subsidiary to non-controlling interests

Total transactions with owners

Balance at 31.12.2015/1.1.2016

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

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

	NOTE	NON-DISTRIBUTABLE			DISTRIBUTABLE			NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
		TREASURY SHARES RM'000	SHARE PREMIUM RM'000	FOREIGN EXCHANGE TRANSLATION RESERVE RM'000	FAIR VALUE RESERVE RM'000	RETAINED PROFITS RM'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000		
THE GROUP									
Balance at 31.12.2015/1.1.2016		(32,033)	1,920	942	(89)	428,958	668,822	38,459	707,281
Profit after taxation for the financial year		-	-	-	-	101,649	101,649	9,808	111,457
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	9,797	-	-	9,797	(17)	9,780
Total comprehensive income for the financial year		-	-	9,797	-	101,649	111,446	9,791	121,237
Balance carried forward		(32,033)	1,920	10,739	(89)	530,607	780,268	48,250	828,518

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

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

	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	SHARE PREMIUM RM'000	NON-DISTRIBUTABLE			DISTRIBUTABLE			ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
				FOREIGN EXCHANGE RESERVE RM'000	FAIR VALUE RESERVE RM'000	RETAINED PROFITS RM'000	RETAINED PROFITS RM'000	RETAINED PROFITS RM'000				
THE GROUP												
Balance brought forward	269,124	(32,033)	1,920	10,739	(89)	530,607	530,607	780,268	48,250	828,518		
Contributions by and distributions to owners of the Company:												
- Issuance of shares	@	-	#	-	-	-	-	^	-	^		
- Purchase of treasury shares	-	(3,067)	-	-	-	-	-	(3,067)	-	(3,067)		
- Dividends:												
- by the Company	-	-	-	-	-	(52,437)	(52,437)	(52,437)	-	(52,437)		
- by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(2,969)	(2,969)		
Issuance of new shares by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	561	561		
Changes in subsidiaries ownership interests that do not result in a loss of control	@	(3,067)	#	-	-	(52,437)	(52,437)	(55,504)	(2,408)	(57,912)		
Total transactions with owners	-	-	-	-	-	6	6	6	2,594	2,600		
Balance at 31.12.2016	269,124	(35,100)	1,920	10,739	(89)	478,176	478,176	724,770	48,436	773,206		

Note:-

- @ - Denotes RM167.
- # - Denotes RM632.
- ^ - Denotes RM799.

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

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

	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	NON- DISTRIBUTABLE		TOTAL EQUITY RM'000
				SHARE PREMIUM RM'000	DISTRIBUTABLE RETAINED PROFITS RM'000	
THE COMPANY						
Balance at 1.1.2015		269,124	(21,385)	1,920	35,967	285,626
Profit after taxation/Total comprehensive income for the financial year		-	-	-	70,924	70,924
Contributions by and distributions to owners of the Company:						
- Purchase of treasury shares		-	(10,648)	-	-	(10,648)
- Dividends	35	-	-	-	(31,706)	(31,706)
Total transactions with owners		-	(10,648)	-	(31,706)	(42,354)
Balance at 31.12.2015/1.1.2016		269,124	(32,033)	1,920	75,185	314,196
Profit after taxation/Total comprehensive income for the financial year		-	-	-	83,675	83,675
Contributions by and distributions to owners of the Company:						
- Issuance of shares		@	#	-	-	^
- Purchase of treasury shares		-	(3,067)	-	-	(3,067)
- Dividends	35	-	-	-	(52,437)	(52,437)
Total transactions with owners		@	(3,067)	-	(52,437)	(55,504)
Balance at 31.12.2016		269,124	(35,100)	1,920	106,423	342,367

Note:-

@ - Denotes RM167.

- Denotes RM632.

^ - Denotes RM799.

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

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		136,584	141,350	83,765	71,013
Adjustments for:-					
Amortisation of plantation development expenditure		1,597	1,389	-	-
Depreciation of property, plant and equipment		5,699	5,160	128	171
Fair value loss on short-term investment		3,929	2,021	3,929	2,021
Allowance for impairment loss of:					
- other receivable		16,339	-	-	-
- trade receivables		1,978	18,966	-	-
Interest expense		1,064	1,089	258	64
Written off:					
- trade receivables		240	1,508	-	-
- deposits and prepayments		-	473	-	-
- product development expenditure		2,699	-	-	-
Dividend income from:					
- subsidiaries		-	-	(65,060)	(62,507)
- an associate		-	-	-	(2,489)
- other investments		(1,127)	-	-	-
Gain on disposal of:					
- non-current assets held for sale		-	(805)	-	-
- plant and equipment		(338)	(182)	(105)	-
- partial interest in subsidiaries that does not involve loss of control		-	-	(1,792)	-
Interest income		(3,024)	(8,175)	(4,828)	(10,432)
Reversal of allowance for impairment loss on trade receivables		(9,571)	(932)	-	-
Reversal of inventories written down		(34)	-	-	-
Reversal of provision of warranty cost		(2,520)	-	-	-
Share of results, net of tax of:					
- associates		(6,523)	(4,898)	-	-
- joint ventures		(2,493)	224	-	-
Unrealised gain on foreign exchange		(1,151)	(15,239)	(17,445)	-
Operating profit/(loss) before working capital changes		143,348	141,949	(1,150)	(2,159)
Decrease/(Increase) in inventories		6,254	(4,247)	-	-
Net (decrease)/increase in amount due to contract customers		(27,960)	53,469	-	-
(Increase)/Decrease in trade and other receivables		(36,071)	(56,744)	(2,526)	4,748
Increase/(Decrease) in trade and other payables		20,691	(6,311)	2,019	(271)
Net increase in amount owing by related parties		(5,375)	(1,844)	-	-
CASH FROM/(FOR) OPERATIONS		100,887	126,272	(1,657)	2,318
Interest paid		(1,064)	(1,089)	(258)	(64)
Income tax (paid)/refunded		(30,832)	(28,073)	(96)	67
NET CASH FROM/(FOR) OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD		68,991	97,110	(2,011)	2,321

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

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
BALANCE BROUGHT FORWARD		68,991	97,110	(2,011)	2,321
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Dividends received from:					
- subsidiaries		-	-	65,060	62,507
- an associate		-	2,489	-	2,489
- other investments		1,127	-	-	-
Interest received		3,024	8,175	4,828	10,432
Acquisition of a subsidiary		-	-	-	@
Acquisition of additional equity interests in an existing subsidiary		-	-	(3,000)	-
Advances to subsidiaries		-	-	(36,723)	(62,522)
Investment in redeemable preference shares		-	(9,000)	-	-
Net cash outflow from acquisition of subsidiaries	40	(1,151)	(5,403)	-	-
Proceeds from disposal of short-term investments		14,387	-	14,387	-
Proceeds from disposal of partial interest in subsidiaries that does not involve loss of control		2,600	-	2,600	-
Proceeds from disposal of non-current assets held for sale		-	997	-	-
Proceeds from disposal of property, plant and equipment		601	220	105	-
Plantation development expenditure incurred		(35,885)	(41,520)	-	-
Purchase of property, plant and equipment	41	(8,864)	(6,338)	(94)	(7)
Purchase of short-term other investments		-	(14,958)	-	(14,958)
Product development expenditure incurred		(418)	(24)	-	-
(Increase)/Decrease in fixed deposits pledged		(5,956)	30,243	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(30,535)	(35,119)	47,163	(2,059)
BALANCE CARRIED FORWARD		38,456	61,991	45,152	262

Note:-

@ - Denotes RM2.

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

	NOTE	THE GROUP		THE COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
BALANCE BROUGHT FORWARD		38,456	61,991	45,152	262
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Dividends paid to:					
- owners of the Company	35	(52,491)	(31,868)	(52,491)	(31,868)
- non-controlling interests		(2,969)	(2,292)	-	-
Purchase of treasury shares		(3,067)	(10,648)	(3,067)	(10,648)
(Repayment to)/advances from subsidiaries		-	-	(17,820)	40,198
Proceeds from issuance of ordinary shares		@	-	@	-
Proceeds from issuance of shares by a subsidiary to non-controlling interests		561	-	-	-
Advances from/(Repayment to) related parties		141	(1,894)	-	-
(Repayment to)/Advances from directors		(7,501)	5,841	-	(1,659)
Increase/(Decrease) in revolving credits		14,077	(1)	13,084	-
Repayment of hire purchase obligations		(298)	(455)	(50)	(70)
Repayment of term loan		(2,250)	(2,250)	-	-
NET CASH FOR FINANCING ACTIVITIES		(53,797)	(43,567)	(60,344)	(4,047)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(15,341)	18,424	(15,192)	(3,785)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		166,776	145,345	16,028	19,813
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(8,953)	3,007	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	42	142,482	166,776	836	16,028

Note:-

@ - Denotes RM167.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia.

The registered office and principal place of business are Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 18 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

FRSs and/or IC Interpretations (Including The Consequential Amendments)

FRS 14 Regulatory Deferral Accounts

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

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

Amendments to FRS 101: Disclosure Initiative

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

Amendments to FRS 127: Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 - 2014 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

FRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
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FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
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IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
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Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
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Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018*
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Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
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Amendments to FRS 107: Disclosure Initiative	1 January 2017
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

3.2 FRSs and/or IC Interpretations (Including The Consequential Amendments) (Cont'd)	Effective Date
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 - 2016 Cycles:	1 January 2017
<ul style="list-style-type: none"> • Amendments to FRS 12: Clarification of the Scope of Standard 	
Annual Improvements to FRS Standards 2014 - 2016 Cycles:	1 January 2018
<ul style="list-style-type: none"> • Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value 	
<p>* <i>Entities that meet the specific criteria in FRS 4.20B may choose to defer the application of FRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.</i></p>	

As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards Framework for the annual period beginning on or after 1 January 2018. Therefore, the FRSs which are effective for annual periods beginning on or after 1 January 2018 above will not be applicable to the Group. The adoption of the above other accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

Amendments to FRS 107: Disclosure Initiative

The amendments to FRS 107 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. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

- 3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called "transitioning entities").

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) *Construction Contracts*

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion. In making the judgement, the management used experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract. The management estimates the profitability of the contract on an individual basis at any particular time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(ii) *Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(iii) *Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) *Amortisation of Plantation Development Expenditure*

Plantation development expenditure is amortised on a straight-line method over the expected useful life of oil palm trees. Significant management judgement is required to determine the expected useful life of oil palm trees, taking into account factors such as soil condition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(v) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(vi) *Impairment of Available-for-sale Financial Assets*

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(vii) *Impairment of Non-financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(viii) *Write-down of Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(ix) *Classification of Leasehold Land*

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(x) *Impairment of Goodwill*

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(xi) *Fair Value Estimates for Certain Financial Assets and Liabilities*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations from 1 January 2011 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Business combinations before 1 January 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations from 1 January 2011 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

Business combinations before 1 January 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

Interests in Associates and Joint Ventures

In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currencies

(i) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(ii) *Foreign Currency Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) *Foreign Operations*

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currencies (Cont'd)

(iii) Foreign Operations (Cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in associates and joint ventures that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in associates and joint ventures that includes a foreign operation while retaining significant influence and joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

(e) Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

◦ *Financial Assets at Fair Value through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

◦ *Financial Assets at Fair Value through Profit or Loss (Cont'd)*

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

◦ *Held-to-maturity Investments*

As at the end of the reporting period, there were no financial assets classified under this category.

◦ *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) *Financial Assets (Cont'd)*

◦ *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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.

(ii) *Financial Liabilities*

◦ *Financial Liabilities at Fair Value through Profit or Loss*

As at the end of the reporting period, there were no financial liabilities classified under this category.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(ii) *Financial Liabilities (Cont'd)*

◦ *Other Financial Liabilities*

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities 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.

(iii) *Equity Instruments*

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

◦ *Ordinary Shares*

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

◦ *Treasury Shares*

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(iii) *Equity Instruments (Cont'd)*

◦ Treasury Shares (Cont'd)

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

(iv) *Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investments in Associates

Associates are entities in which the Group and the Company have a long-term equity interest and where they exercise significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investments in associates are accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associates made up to the end of the reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the associates are included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influences commence up to the effective date on which significant influences cease or when the investments are classified as held for sale. The Group's interest in the associates are carried in the consolidated statements of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investments include transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains or losses on transactions between the Group and the associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments in Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

Investments in joint ventures are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investments in a joint ventures are accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the joint ventures made up to the end of the reporting period. The Group's share of the post acquisition profits and other comprehensive income of the joint ventures are included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, up to the effective date when the investments cease to be a joint venture or when the investments are classified as held for sale. The Group's interests in the joint ventures are carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investments include transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments in Joint Ventures (Cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

(i) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Long leasehold land	over the lease periods of 81 to 99 years
Buildings	1% - 5%
Factory equipment and machinery	10% - 20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for commercial use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Property, Plant and Equipment (Cont'd)

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

Capital work-in-progress is stated at cost, and will be transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

(j) Plantation Development Expenditure

Plantation development expenditure comprises cost of land use rights held for plantation development activities, infrastructure cost such as roads and bridges attached on the plantation estate, cost of planting and development of the oil palm estate.

Plantation development expenditure is stated at cost less accumulated amortisation and impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Plantation Development Expenditure (Cont'd)

Cost of preparation of agriculture land, planting, replanting and upkeep of trees, together with a portion of indirect overheads including general and administrative expenses, are capitalised as immature plantations and transferred to mature plantations account when the trees have matured and meet the criteria for commercial production. Mature plantations are amortised over the estimated productive life of the trees which yield was determined by vegetative growth and management estimation.

Amortisation is calculated on the straight-line method to write off the cost over their estimated useful lives. Amortisation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully amortised. The principal annual rates of amortisation are:-

Estate access road	5%
Land use rights	the unexpired term of the leases

The amortisation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plantation development expenditure.

An item of plantation development expenditure is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Product Development Expenditure

Product development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its intention to complete and ability to use or sell the developed assets; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised product development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Product development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The product development expenditure is amortised on a straight-line method over a period of 3 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the product development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

(l) Borrowing Costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment

(i) *Impairment of Financial Assets*

All financial assets and contract assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates and joint ventures), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment (Cont'd)

(ii) *Impairment of Non-financial Assets*

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows 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 it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements as equipment and the corresponding obligations are treated as hire purchase payables. The equipment capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost are determined on the first-in, first-out and weighted average cost method and comprise the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(p) Amount Due From/To Contract Customers

The amounts due by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and provision for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Non-current Assets Held For Sale

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates and joint ventures ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Provisions (Cont'd)

A provision for warranties is recognised based on the best estimated liabilities to repair or replace products when the underlying products or services are sold. The estimated liabilities are based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

(t) Employee Benefits

(i) *Short-term Benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(ii) *Defined Contribution Plans*

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(u) Income Taxes

(i) *Current Tax*

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Income Taxes (Cont'd)

(ii) *Deferred Tax*

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Income Taxes (Cont'd)

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

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which is not recoverable from the taxation authorities, the GST is included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables respectively.

(v) Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Related Parties (Cont'd)

- (b) (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

(w) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Operating Segments

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

(y) Earnings Per Ordinary Share

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

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants.

(z) Fair Value Measurements

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Fair Value Measurements (Cont'd)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(aa) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(i) Construction Contracts

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts will only be recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(ii) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(aa) Revenue and Other Income (Cont'd)

(iii) *Services*

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iv) *Dividend Income*

Dividend income from investment is recognised when the right to receive dividend payment is established.

(v) *Interest Income*

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

(vi) *Rental Income*

Rental income is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2016 RM'000	2015 RM'000
<u>Unquoted shares in Malaysia, at cost:-</u>		
At 1 January	33,251	33,251
Addition during the financial year	3,000	@
Partial disposals during the financial year	(808)	-
At 31 December	35,443	33,251

Note:-

@ - Denotes RM2.

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016	2015	
		%	%	
Modipalm Engineering Sdn. Bhd. ("MESB")	Malaysia	100	100	Manufacturer of palm oil mill equipment and related spare parts, providing services for engineering support, mechanical fabrication, commissioning and other contracting work for palm oil mills.
AVP Engineering (M) Sdn. Bhd. ("AVPSB") ^	Malaysia	49	51	Retrofitting special purpose vehicles.
Advance Boilers Sdn. Bhd.	Malaysia	100	100	Manufacturing and servicing boilers.
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	80	100	Trading of palm oil mill processing equipment and its related spare parts.
Admiral Potential Sdn. Bhd. ("APSB")	Malaysia	100	100	Investment holding.
AV-Ecopalms Sdn. Bhd. ("AVESB")	Malaysia	100	100	Investment holding.
Accent Hectares Sdn. Bhd. ("AHSB")	Malaysia	100	100	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016 %	2015 %	
Benar Optima Sdn. Bhd. ("BOSB")	Malaysia	100	100	Investment holding.
C.B. Industrial Product Sdn. Bhd. ("CBIPSB")	Malaysia	100	100	Investment holding.
Great Enchant Sdn. Bhd.	Malaysia	100	100	Investment holding.
Midas Portfolio Sdn. Bhd. ("MPSB")	Malaysia	100	100	Investment holding.
Steam-Mech Engineering Sdn. Bhd. ("SMESB")	Malaysia	100	100	Investment holding.
Magview Machinery Sdn. Bhd.	Malaysia	71	71	Constructing mills, factories, buildings, composting effluent plants and contracting works.
Palmit Process Engineering Sdn. Bhd.	Malaysia	100	100	Dormant.
PalmitEco Engineering Sdn. Bhd.	Malaysia	100	100	Manufacturer of palm oil mill equipment and related spare parts, providing services for engineering support, mechanical fabrication, commissioning and other contracting work for palm oil mills.
TPG Oil & Gas Sdn. Bhd. ^ ("TPGSB")	Malaysia	49	49	Providing product supports and supplies for oil and gas industry.
<u>Subsidiaries of CBIPSB</u> PT CB Polaindo #	Indonesia	95	95	Providing engineering support and contracting works for palm oil mills.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016 %	2015 %	
<u>Subsidiaries of CBIPSB</u>				
<u>(Cont'd)</u>				
CBIP (PNG) Limited #	Papua New Guinea	100	100	Providing engineering support and contracting works for palm oil mills.
<u>Subsidiaries of AVPSB</u>				
TPG Aeronautik Sdn. Bhd.	Malaysia	80	80	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	60	60	Dormant.
<u>Subsidiary of SMESB</u>				
PT Sawit Lamandau Raya #	Indonesia	85	85	Cultivation of oil palm.
<u>Subsidiary of APSB</u>				
PT Jaya Jadi Utama #	Indonesia	94	94	Cultivation of oil palm.
<u>Subsidiaries of AVESB</u>				
PT Berkala Maju Bersama #	Indonesia	94	94	Cultivation of oil palm.
PT CBI Ecopalms Group #*	Indonesia	95	-	Dormant.
<u>Subsidiary of MPSB</u>				
PT Gumas Alam Subur #	Indonesia	94	94	Cultivation of oil palm.
<u>Subsidiary of AHSB</u>				
PT Kurun Sumber Rezeki #	Indonesia	94	94	Cultivation of oil palm.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016 %	2015 %	
<u>Subsidiary of BOSB</u> PT Manyangan Jaya #	Indonesia	94	94	Cultivation of oil palm.

Notes:-

- these subsidiaries were audited by firms other than Crowe Horwath.

^ - although the Group owns less than half of the voting power in AVPSB and TPGSB, the directors have determined that the Group has control over AVPSB and TPGSB.

* - the remaining 5% is held by SMESB which is also a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:-

	EFFECTIVE EQUITY INTEREST		THE GROUP	
	2016 %	2015 %	2016 RM'000	2015 RM'000
AVP Engineering (M) Sdn. Bhd.	51	49	46,727	38,632
Other individually immaterial subsidiaries			1,709	(173)
			48,436	38,459

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	AVP ENGINEERING (M) SDN. BHD. AND ITS SUBSIDIARIES	
	2016 RM'000	2015 RM'000
<u>At 31 December</u>		
Non-current assets	25,367	25,148
Current assets	127,738	127,515
Non-current liabilities	(2)	(936)
Current liabilities	(59,701)	(72,886)
Net assets	93,402	78,841
<u>Financial Year Ended 31 December</u>		
Revenue	158,330	123,284
Profit for the financial year	19,741	20,143
Total comprehensive income	19,741	20,143
Total comprehensive income attributable to non-controlling interests	10,068	9,870
Dividend paid to non-controlling interests	2,940	2,205
Net cash flows from/(for) operating activities	49,843	(6,723)
Net cash flows (for)/from investing activities	(20,465)	25,257
Net cash flows for financing activities	(14,012)	(4,660)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	49,430	49,430	49,430	49,430
Share of post-acquisition profits	47,807	41,284	-	-
	97,237	90,714	49,430	49,430

The details of the associates are as follows:-

Name of Associate	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2016	2015	
		%	%	
Bahtera Bahagia Sdn. Bhd. #@	Malaysia	30	30	Cultivation of oil palm.
Kumpulan Kris Jati Sdn. Bhd. #@	Malaysia	30	30	Cultivation of oil palm and production of crude palm oil and palm kernel.

Notes:-

- these associates were audited by firms other than Crowe Horwath.

@ - the Group recognised its share of results in the associates based on the unaudited financial statements for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised unaudited financial information for each associate that is material to the Group is as follows:-

	BAHTERA BAHAGIA SDN. BHD.	
	2016 RM'000	2015 RM'000
<u>At 31 December</u>		
Non-current assets	27,021	29,513
Current assets	75,284	62,050
Non-current liabilities	(6,339)	(6,947)
Current liabilities	(4,233)	(5,236)
Net assets	91,733	79,380
<u>Financial Year Ended 31 December</u>		
Revenue	37,985	35,669
Profit for the financial year	12,354	11,540
Total comprehensive income	12,354	11,540
Group's share of profit for the financial year	3,706	3,462
Dividend received	-	2,489
	3,706	2,489
<u>Reconciliation of Net Assets to Carrying Amount</u>		
Group's share of net assets above	27,520	23,814
Goodwill	25,642	25,642
Carrying amount of the Group's interests in this associate	53,162	49,456

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised unaudited financial information for each associate that is material to the Group is as follows (Cont'd):-

	KUMPULAN KRIS JATI SDN. BHD.	
	2016 RM'000	2015 RM'000
<u>At 31 December</u>		
Non-current assets	201,556	210,389
Current assets	28,408	25,247
Non-current liabilities	(83,764)	(105,215)
Current liabilities	(89,064)	(82,673)
Net assets	57,136	47,748
<u>Financial Year Ended 31 December</u>		
Revenue	93,052	32,924
Profit for the financial year	9,388	4,788
Total comprehensive income	9,388	4,788
Group's share of profit for the financial year	2,817	1,436
<u>Reconciliation of Net Assets to Carrying Amount</u>		
Group's share of net assets above	17,141	14,324
Goodwill	26,934	26,934
Carrying amount of the Group's interests in this associate	44,075	41,258

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INVESTMENTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	20,187	20,187	20,187	20,187
Share of post-acquisition profits	6,077	3,584	-	-
	26,264	23,771	20,187	20,187

The details of the joint ventures are as follows:-

Name of Joint Venture	Principal Place of Business/Country of Incorporation	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Pride Palm Oil Mill Sdn. Bhd. ("PPOMSB") # @	Malaysia	50	50	Investment holding.
<u>Subsidiary of PPOMSB</u> Solar Green Sdn. Bhd. # @	Malaysia	50	50	Cultivation of oil palm and production of crude palm oil and palm kernel.

Notes:-

- these joint ventures were audited by other firms of Chartered Accountants.

@ - the Group recognised its share of results in the joint ventures based on the unaudited financial statements for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

The summarised unaudited financial information for the joint venture that is material to the Group is as follows:-

	PRIDE PALM OIL MILL SDN. BHD. AND ITS SUBSIDIARY	
	2016 RM'000	2015 RM'000
<u>At 31 December</u>		
Non-current assets	88,289	92,467
Current assets	27,593	18,656
Non-current liability	(6,250)	(17,296)
Current liabilities	(52,978)	(43,559)
Net assets	56,654	50,268
<u>Financial Year Ended 31 December</u>		
Revenue	83,178	32,740
Profit/(Loss) for the financial year	4,987	(448)
Total comprehensive expenses	4,987	(448)
<u>Other Information</u>		
Cash and bank balances	15,870	4,795
Non-current financial liability	6,250	17,296
Current financial liability (excluding trade and other payables and provisions amounting to approximately RM8,816,000 (2015 - RM9,723,000))	44,162	33,836
Depreciation and amortisation	6,125	3,648
Interest income	6	31
Interest expense	2,475	2,021
Income tax expense	1,277	556
Group's share of profit/(loss) for the financial year	2,493	(224)
<u>Reconciliation of Net Assets to Carrying Amount</u>		
Group's share of net assets above	28,327	25,134
Gain on bargain purchase	(1,363)	(1,363)
Carrying amount of the Group's interests in this joint venture	26,964	23,771

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	AT	ADDITIONS	DISPOSALS	TRANSFER	REINSTATEMENT# (NOTE 22)	DEPRECIATION CHARGES	EFFECT OF	AT
	1.1.2016						MOVEMENTS IN	31.12.2016
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	EXCHANGE RATES	RM'000
NET BOOK VALUE								
Freehold land and buildings	12,889	-	-	1	17,842	(30)	-	30,702
Long leasehold land	7,406	-	-	-	-	(127)	-	7,279
Buildings	44,669	959	-	209	-	(1,667)	391	44,561
Factory equipment and machinery	13,802	2,382	(13)	(1)	-	(2,535)	638	14,273
Furniture, fittings and office equipment	2,361	412	-	-	-	(641)	28	2,160
Motor vehicles	6,134	3,281	(250)	-	-	(1,762)	176	7,579
Renovation	1,917	410	-	-	117	(458)	-	1,986
Capital work-in progress	856	2,135	-	(209)	-	-	129	2,911
	90,034	9,579	(263)	-	17,959	(7,220)	1,362	111,451

Notes:-

- reinstatement of assets previously classified as non-current assets held for sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

THE GROUP	AT 1.1.2015 RM'000	ADDITIONS RM'000	DISPOSALS RM'000	TRANSFER RM'000	CLASSIFIED AS HELD FOR SALE (NOTE 22) RM'000	DEPRECIATION CHARGES RM'000	EFFECT OF MOVEMENTS IN EXCHANGE RATES RM'000	AT 31.12.2015 RM'000
2015								
NET BOOK VALUE								
Freehold land and buildings	29,802	24	-	905	(17,842)	-	-	12,889
Long leasehold land	7,533	-	-	-	-	(127)	-	7,406
Buildings	43,958	296	-	1,912	-	(1,523)	26	44,669
Factory equipment and machinery	13,234	2,175	(28)	72	-	(2,526)	875	13,802
Furniture, fittings and office equipment	2,712	290	(4)	2	-	(683)	44	2,361
Motor vehicles	5,474	1,891	(6)	-	-	(1,500)	275	6,134
Renovation	2,443	-	-	-	(117)	(409)	-	1,917
Capital work-in progress	1,996	1,662	-	(2,891)	-	-	89	856
	107,152	6,338	(38)	-	(17,959)	(6,768)	1,309	90,034

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

THE GROUP	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
2016			
Freehold land and buildings	30,732	(30)	30,702
Long leasehold land	7,849	(570)	7,279
Buildings	51,183	(6,622)	44,561
Factory equipment and machinery	31,033	(16,760)	14,273
Furniture, fittings and office equipment	7,228	(5,068)	2,160
Motor vehicles	15,779	(8,200)	7,579
Renovation	3,948	(1,962)	1,986
Capital work-in-progress	2,911	-	2,911
	150,663	(39,212)	111,451

2015			
Freehold land and buildings	12,889	-	12,889
Long leasehold land	7,849	(443)	7,406
Buildings	49,451	(4,782)	44,669
Factory equipment and machinery	27,835	(14,033)	13,802
Furniture, fittings and office equipment	6,704	(4,343)	2,361
Motor vehicles	13,398	(7,264)	6,134
Renovation	3,422	(1,505)	1,917
Capital work-in-progress	856	-	856
	122,404	(32,370)	90,034

THE COMPANY	AT 1.1.2016 RM'000	ADDITION RM'000	DEPRECIATION CHARGES RM'000	AT 31.12.2016 RM'000
2016				
NET BOOK VALUE				
Buildings	599	-	(7)	592
Furniture, fittings and office equipment	8	-	(2)	6
Motor vehicles	-	594	(119)	475
	607	594	(128)	1,073

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

THE COMPANY	AT 1.1.2015 RM'000	ADDITION RM'000	DEPRECIATION CHARGES RM'000	AT 31.12.2015 RM'000
2015				
NET BOOK VALUE				
Buildings	606	-	(7)	599
Furniture, fittings and office equipment	5	7	(4)	8
Motor vehicles	160	-	(160)	-
	771	7	(171)	607

2016	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
Buildings	655	(63)	592
Furniture, fittings and office equipment	195	(189)	6
Motor vehicles	1,029	(554)	475
Renovation	299	(299)	-
	2,178	(1,105)	1,073

2015			
Buildings	655	(56)	599
Furniture, fittings and office equipment	197	(189)	8
Motor vehicles	839	(839)	-
Renovation	299	(299)	-
	1,990	(1,383)	607

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Included in the property, plant and equipment at the end of the reporting period were the following assets acquired under hire purchase terms:-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At net book value:-				
Motor vehicles	912	904	587	-

Included in the property, plant and equipment at the end of the reporting period were the following assets pledged as security for banking facilities granted to certain subsidiaries:-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At net book value:-				
Freehold land and building	12,073	12,073	-	-
Buildings	20,350	20,790	-	-

Depreciation of property, plant and equipment charged for the financial year is allocated as follows:-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Charged to profit or loss	5,699	5,160	128	171
Capitalised in plantation development expenditure (Note 13)	1,521	1,608	-	-
	<u>7,220</u>	<u>6,768</u>	<u>128</u>	<u>171</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	INTEREST CHARGED		NOTE	THE COMPANY	
	2016	2015		2016 RM'000	2015 RM'000
Amount Owing by Subsidiaries					
<u>Non-current</u>					
- interest bearing	3.7%	4.5%	(i)	126,143	126,143
<u>Current</u>					
- interest bearing	3.7%	4.5%	(ii)	178,523	112,521
- non-interest bearing	-	-	(iii)	70,427	82,261
				248,950	194,782
Amount Owing To Subsidiaries					
	-	-	(iii)	(146,719)	(164,539)

- (i) These are long-term advances and the settlement is neither planned nor likely to occur in the foreseeable future.
- (ii) The amount owing is non-trade in nature and unsecured and is in respect of payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.
- (iii) The amount owing is non-trade in nature and unsecured and is in respect of interest-free advances and payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

10. OTHER INVESTMENTS

	THE GROUP	
	2016 RM'000	2015 RM'000
At cost:-		
Unquoted shares in Malaysia	9,000	9,000
At fair value:-		
Quoted shares in Malaysia	32	32
Golf club membership	471	471
	9,503	9,503

Other investments of the Group are designated as available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. GOODWILL

	THE GROUP	
	2016 RM'000	2015 RM'000
Carrying amounts:-		
At 1 January/31 December	16,341	16,341

The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Equipment and engineering segment	1,076	1,076
Plantation and milling segment	15,265	15,265
	16,341	16,341

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the cash generating unit ("CGU"). The recoverable amount of CGUs in plantation and milling segment is determined based on value in use calculation using cash flow projections from the financial budgets and forecast approved by the management covering a period of twenty one years (estimated productive life of the plantation).

Key assumptions used in the value in use calculations are as follows:-

- (i) the discount rates used are pre-tax and reflect specific risks relating to the segment;
- (ii) the growth rate used for CGU which is involved in the cultivation of oil palm plantation is determined based on the management's estimate of commodity prices, oil palm yields, as well as the cost of production; and
- (iii) profit margins are projected based on the management's estimation of targeted future profit margins which may vary due to the locality, size and condition of each of the plantation area.

The values assigned to the key assumptions represent the management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

No impairment testing is done on cash-generating units in equipment and engineering segment which are considered immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. GOODWILL (CONT'D)

The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amount to exceed its recoverable amount.

12. DEFERRED TAX ASSETS/(LIABILITIES)

	THE GROUP	
	2016 RM'000	2015 RM'000
At 1 January	(1,817)	(2,327)
Recognised in profit or loss (Note 38)	1,953	462
Currency translation differences	52	48
	188	(1,817)
Disclosed as:		
- Deferred tax assets	903	248
- Deferred tax liabilities	(715)	(2,065)
	188	(1,817)
In respect of deductible/(taxable) temporary differences of:		
- employment benefit obligation	886	248
- provision for staff bonuses	177	133
- trade receivables	5,357	15,498
- property, plant and equipment	(1,196)	(9,471)
- unrealised gain on foreign exchange	(5,036)	(8,225)
	188	(1,817)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. PLANTATION DEVELOPMENT EXPENDITURE

	THE GROUP	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 January	229,862	159,818
Addition during the financial year	35,885	41,520
Arising from acquisition of subsidiaries (Note 40)	-	5,693
Capitalisation of depreciation of property, plant and equipment (Note 8)	1,521	1,608
Classified as non-current asset held for sale (Note 22)	(40,396)	-
	(2,990)	48,821
Effect of movements in exchange rates	17,442	21,223
At 31 December	244,314	229,862
Accumulated amortisation:-		
At 1 January	(3,719)	(2,025)
Amortisation during the financial year	(1,597)	(1,389)
Effect of movements in exchange rates	(322)	(305)
At 31 December	(5,638)	(3,719)
	238,676	226,143

Plantation development expenditure comprised mainly cost of land use rights held for plantation development activities, immature plantation, roads and bridges.

14. PRODUCT DEVELOPMENT EXPENDITURE

	THE GROUP	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 January	2,281	2,257
Addition during the financial year	418	24
Written off during the financial year	(2,699)	-
At 31 December	-	2,281

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. INVENTORIES

	THE GROUP	
	2016 RM'000	2015 RM'000
Raw materials and goods held for resale	14,488	16,471
Work-in-progress	1,988	7,892
Finished goods	10,298	9,945
Estate consumables and fertilisers	5,370	4,056
	32,144	38,364
Recognised in profit or loss:-		
Inventories recognised as cost of sales	45,107	182,127
Amount written down to net realisable value	-	335,846
Reversal of inventories previously written down	(34)	-
	(34)	-

The reversal of write-down was in respect of inventories previously written down but sold above their carrying amounts during the financial year.

16. TRADE RECEIVABLES

	THE GROUP	
	2016 RM'000	2015 RM'000
Trade receivables	116,691	136,156
Accrued billings	35,180	10,364
Allowance for impairment losses	(15,275)	(29,244)
	136,596	117,276
Allowance for impairment losses:-		
At 1 January	(29,244)	(28,109)
Addition during the financial year	(1,978)	(18,966)
Reversal during the financial year	9,571	932
Bad debts written off	6,376	16,899
	(15,275)	(29,244)
At 31 December	(15,275)	(29,244)

The Group's normal trade credit terms range from 30 to 90 (2015 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	THE GROUP	
	2016 RM'000	2015 RM'000
Costs incurred on contracts to date	421,625	613,363
Attributable profits	95,030	198,171
	516,655	811,534
Progress billings	(517,252)	(840,091)
Net amount due to contract customers	(597)	(28,557)
Disclosed as:-		
Amount due from contract customers	59,292	76,148
Amount due to contract customers	(59,889)	(104,705)
	(597)	(28,557)

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	45,849	16,266	4,957	2,434
Allowance for impairment loss	(16,339)	-	-	-
	29,510	16,266	4,957	2,434
Deposits	3,432	9,362	10	10
Prepayments	5,750	2,799	10	7
	38,692	28,427	4,977	2,451
Allowance for impairment loss on other receivable:-				
At 1 January	-	-	-	-
Addition during the financial year	(16,339)	-	-	-
At 31 December	(16,339)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. AMOUNTS OWING BY/(TO) RELATED PARTIES

	NOTE	THE GROUP	
		2016 RM'000	2015 RM'000
Amount owing by related parties:			
- trade balances	(i)	11,990	1,844
Amount owing to related parties:			
- trade balances	(i)	(4,771)	-
- non-trade balances	(ii)	(145)	(4)
		<u>(4,916)</u>	<u>(4)</u>

Related parties are in respect of companies in which certain directors have substantial financial interests.

- (i) The trade balance is subject to the normal trade credit terms ranging from 30 to 180 (2015 - 30 to 180) days. The amount owing is to be settled in cash.
- (ii) The non-trade balance represents unsecured interest-free advances and payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

20. SHORT-TERM INVESTMENTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Investment in asset management, at fair value	33,820	52,136	33,820	52,136
Investment in money market fund, at fair value (Note 42)	39,077	34,725	23	22
	<u>72,897</u>	<u>86,861</u>	<u>33,843</u>	<u>52,158</u>

Short-term investments of the Group and of the Company are designated as financial asset at fair value through profit or loss.

The investment in money market fund is redeemable on demand and has insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. DEPOSITS WITH LICENSED BANKS

The interest rates of the deposits at the end of the reporting period range from 2.65% to 3.30% (2015 - 2.75% to 3.30%) per annum. The deposits have maturity periods ranging from 1 month to 12 months (2015 - 1 month to 12 months).

Included in the fixed deposits with licensed banks at the end of the reporting period were fixed deposits amounting to RM22,723,441 (2015 - RM16,767,692) which have been pledged to licensed banks as security for banking facilities granted to the Group.

22. NON-CURRENT ASSETS HELD FOR SALE

During the financial year, the Company has entered into an agreement to dispose part of the investments in subsidiaries to a third party as disclosed in Note 46(ii).

The assets of the disposal group are as follows:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Assets		
Property and equipment:		
- Freehold land and building	-	17,842
- Electrical installation	-	117
Plantation development expenditure	40,396	-
Other receivables, deposits and prepayments	1	-
Cash and bank balances	542	-
	40,939	17,959
Assets of disposal group classified as held for sale	40,939	17,959

As the estimated fair value less costs to sell is higher than the carrying amount of the non-current assets held for sale, no impairment loss is recognised by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. SHARE CAPITAL

	THE GROUP/THE COMPANY			
	NUMBER OF SHARES			
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised				
Ordinary shares of RM0.50 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and Fully Paid-Up				
Ordinary shares of RM0.50 each:-				
At 1 January	538,248	538,248	269,124	269,124
Issuance of ordinary shares pursuant to the exercise of warrants during the financial year	@	-	#	-
At 31 December	<u>538,248</u>	<u>538,248</u>	<u>269,124</u>	<u>269,124</u>

Note:-

@ - Denotes 333.

- Denotes RM167.

Warrants

The Company had on 12 November 2014, issued 88,409,815 warrants to the shareholders of the Company on the basis of 1 free warrant for every 3 existing ordinary shares of RM0.50 each held in the Company. The warrants were listed on the Main Market of Bursa Malaysia Securities Berhad. The warrants are constituted under a Deed Poll executed on 17 October 2014, and each warrant entitles the registered holder the right at any time during the exercise period from 12 November 2014 to 11 November 2019 to subscribe in cash for one new ordinary share of RM0.50 each of the Company at an exercise price of RM2.40 each.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. SHARE CAPITAL (CONT'D)

Warrants (Cont'd)

As at the end of the reporting period, 87,399,049 warrants remained unexercised.

The ordinary shares issued from the exercise of warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions, rights, allotments and/or any other forms of distribution where the entitlement date precedes the relevant date of the allotment and issuance of the new shares arising from the exercise of warrants.

The main features of the warrants are as follows:-

- (i) Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share of par value of RM0.50 each in the Company at an exercise price of RM2.40 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;
- (ii) The warrants may be exercised at any time on or before the maturity date falling (5) years from the date of issue of the warrants on 12 November 2014. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;
- (iii) The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distributions, the entitlement date of which is before the allotment and issuance of the new shares; and
- (iv) The persons to whom the warrants have been granted are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until/and unless warrant holders exercise their warrant for new shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 26 May 2016, granted their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company purchased 1,493,400 units of its issued ordinary shares from the open market at an average buy-back price of approximately RM2.05 per ordinary share. The total consideration paid for acquisition of the shares was RM3,066,288 and was financed by internally generated funds. The shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia and are presented as a deduction from equity.

As at 31 December 2016, the Company held 14,125,127 repurchased shares as treasury shares out of its total issued and paid-up share capital of 538,248,685 ordinary shares of RM0.50 each. The treasury shares are held at a carrying amount of RM35,099,638.

25. SHARE PREMIUM

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

26. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. FAIR VALUE RESERVE

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

28. RETAINED PROFITS

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends distributed to the shareholders are not subject to tax.

29. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum hire purchase payments:				
- not later than 1 year	266	368	112	-
- later than 1 year and not later than 5 years	631	65	394	-
	897	433	506	-
Less: Future finance charges	102	55	56	-
	795	378	450	-
Present value of hire purchase payables				
<u>Current:-</u>				
not later than 1 year	235	320	100	-
<u>Non-Current:-</u>				
later than 1 year and not later than 5 years	560	58	350	-
	795	378	450	-

- (a) The hire purchase payables of the Group and of the Company are secured by the Group's and the Company's motor vehicles acquired under finance lease as disclosed in Note 8 to the financial statements.
- (b) The hire purchase payables of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 2.32% to 3.45% (2015 - 2.32% to 3.45%). The interest rates are fixed at the inception of the hire purchase arrangements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. TERM LOAN

	THE GROUP	
	2016 RM'000	2015 RM'000
<u>Current:-</u>		
Not later than 1 year	2,250	2,250
<u>Non-current:-</u>		
Later than 1 year and not later than 2 years	2,250	2,250
Later than 2 years and not later than 5 years	6,750	6,750
Later than 5 years	3,313	5,563
	12,313	14,563
	14,563	16,813

- (a) The term loan is secured by way of:-
- (i) a first party open charge over the Group's freehold land and building; and
 - (ii) a corporate guarantee issued by the Company.
- (b) The term loan bore floating interest rate of 4.35% (2015 - 4.45%) per annum.

31. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 (2015 - 30 to 120) days.

32. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	13,761	18,372	2,386	179
Accruals	11,380	17,638	235	423
Provision for warranties	5,572	8,636	-	-
Refundable deposit received	5	5	-	-
	30,718	44,651	2,621	602

The provision is provided for the after sale warranty of the special purpose vehicles.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. AMOUNT OWING TO DIRECTORS

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

34. REVOLVING CREDITS

- (a) The revolving credits of the Group are secured by a corporate guarantee issued by the Company.
- (b) The revolving credits of the Group at the end of the reporting period bore interest rate of 5.20% - 6.20% (2015 - 6.50%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. DIVIDEND PAYABLE

	THE GROUP/THE COMPANY 2016 RM'000	2015 RM'000
<u>Paid:-</u>		
<u>In respect of the financial year ended</u>		
<u>31 December 2014:-</u>		
Second interim single tier tax-exempt dividend of 3 sen per ordinary share of RM0.50 each, paid on 30 January 2015	-	15,940
<u>In respect of the financial year ended</u>		
<u>31 December 2015:-</u>		
First interim single tier tax-exempt dividend of 3 sen per ordinary share of RM0.50 each, paid on 2 July 2015	-	15,928
Second interim single tier tax-exempt dividend of 3 sen per ordinary share of RM0.50 each, paid on 6 January 2016	15,778	-
Special interim single tier tax-exempt dividend of 4 sen per ordinary share of RM0.50 each, paid on 15 March 2016	20,987	-
<u>In respect of the financial year ended</u>		
<u>31 December 2016:-</u>		
First interim single tier tax-exempt dividend of 3 sen per ordinary share of RM0.50 each, paid on 20 July 2016	15,726	-
	52,491	31,868
<u>Payable:-</u>		
<u>In respect of the financial year ended</u>		
<u>31 December 2015:-</u>		
Second interim single tier tax-exempt dividend of 3 sen per ordinary share of RM0.50 each, paid on 6 January 2016	-	15,778
<u>In respect of the financial year ended</u>		
<u>31 December 2016:-</u>		
Second interim single tier tax-exempt dividend of 3 sen per ordinary share of RM0.50 each, paid on 20 January 2017	15,724	-
	15,724	15,778

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. REVENUE

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Contract revenue	530,988	465,229	-	-
Sale of goods and services	46,895	76,045	-	-
Dividend income	-	-	65,131	64,996
Management fee income	-	-	45	45
	<u>577,883</u>	<u>541,274</u>	<u>65,176</u>	<u>65,041</u>

37. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortisation of plantation development expenditure	1,597	1,389	-	-
Auditors' remuneration:				
- Crowe Horwath:				
- audit fees:				
- current financial year	256	228	68	60
- underprovision in the previous financial year	13	8	5	8
- non-audit fees	8	-	8	-
- other audit firms:				
- audit fees	120	108	-	-
Depreciation of property, plant and equipment	5,699	5,160	128	171
Directors' remuneration:				
- fee	376	380	238	227
- other emoluments	2,534	2,368	199	205
Fair value loss on short-term investment	3,929	2,021	3,929	2,021
Allowance for impairment loss of:				
- other receivable	16,339	-	-	-
- trade receivables	1,978	18,966	-	-
Interest expense on financial liabilities not at fair value through profit or loss:				
- hire purchase	40	69	6	9
- revolving credits	325	218	252	55
- term loan	699	802	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. PROFIT BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental expense on:				
- equipment	4	-	-	-
- premises	128	91	-	-
Staff costs:				
- salaries, wages, bonuses and allowances	25,731	22,524	706	622
- defined contribution benefits	1,857	1,546	84	74
Written off:				
- deposits and prepayments	-	473	-	-
- product development expenditure	2,699	-	-	-
- trade receivables	240	1,508	-	-
Dividend income from:				
- subsidiaries	-	-	(65,060)	(62,507)
- an associate	-	-	-	(2,489)
- other investments	(1,127)	-	-	-
Gain on disposal of:				
- assets of disposal group classified as held for sale	-	(805)	-	-
- plant and equipment	(338)	(182)	(105)	-
- partial interest in subsidiaries that does not involve loss of control	-	-	(1,792)	-
(Gain)/loss on foreign exchange:				
- realised	(14,927)	(781)	(1,294)	248
- unrealised	(1,151)	(15,239)	(17,445)	-
Interest income:				
- bank accounts	(2,157)	(7,271)	(1,083)	(5,613)
- fixed deposits	(867)	(904)	-	-
- subsidiaries	-	-	(3,745)	(4,819)
Management fee income	-	-	(45)	(45)
Rental income	(22)	(21)	(12)	(12)
Reversal of allowance for impairment loss on trade receivables	(9,571)	(932)	-	-
Reversal of inventories written down	(34)	-	-	-
Reversal of provision of warranty cost	(2,520)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax:				
- Malaysian tax	34,088	32,340	90	95
- foreign tax	1,508	1,685	-	-
	<u>35,596</u>	<u>34,025</u>	<u>90</u>	<u>95</u>
- overprovision in the previous financial year	(8,785)	(85)	-	(6)
	<u>26,811</u>	<u>33,940</u>	<u>90</u>	<u>89</u>
Withholding tax	269	490	-	-
	<u>27,080</u>	<u>34,430</u>	<u>90</u>	<u>89</u>
Deferred tax (Note 12):				
- reversal and origination of temporary differences	(892)	392	-	-
- effect of change in corporate income tax rate from 25% to 24%	(36)	-	-	-
- overprovision in previous financial year	(1,025)	(854)	-	-
	<u>(1,953)</u>	<u>(462)</u>	<u>-</u>	<u>-</u>
	<u>25,127</u>	<u>33,968</u>	<u>90</u>	<u>89</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. INCOME TAX EXPENSE (CONT'D)

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

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	136,584	141,350	83,765	71,013
Tax at statutory tax rate of 24% (2015 - 25%)	32,780	35,338	20,104	17,753
Tax effects of:-				
Share of results in:				
- associates	(1,566)	(1,225)	-	-
- joint ventures	(598)	56	-	-
Tax-exempt dividend income	-	(268)	(15,614)	(16,517)
Tax savings arising from pioneer status	-	(5,068)	-	-
Non-taxable income	(5,075)	(4,296)	(5,876)	(2,433)
Non-deductible expenses	12,078	12,586	1,476	1,292
Deferred tax assets not recognised during the financial year	1,024	1,047	-	-
Utilisation of deferred tax assets previously not recognised	(3,935)	(3,753)	-	-
Effect of change in corporate income tax rate from 25% to 24%	(36)	-	-	-
Withholding tax	269	490	-	-
Reversal of accelerated tax on project near to completion	(4)	-	-	-
Overprovision in the previous financial year:				
- current tax	(8,785)	(85)	-	(6)
- deferred tax	(1,025)	(854)	-	-
Income tax expense for the financial year	25,127	33,968	90	89

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 - 25%) of the estimated assessable profit for the financial year.

Taxes in foreign jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

A subsidiary of the Company, PalmitEco Engineering Sdn. Bhd. is not subject to tax as it has been granted pioneer status, which qualifies the said subsidiary for the incentive under the Promotion of Investments Act 1986. The said subsidiary will enjoy 70% exemption from income tax on its statutory income from pioneer activities for a period of 5 years, which will expire in the year of 2021.

No deferred tax assets are recognised in respect of the following items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary difference can be utilised.

	THE GROUP	
	2016 RM'000	2015 RM'000
Accerelated depreciation	3,354	961
Provision for warranty costs	5,573	8,619
Unutilised tax losses	28,263	24,177
Unabsorbed capital allowances	15	25
Trade receivables	8,633	24,185
	45,838	57,967

39. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated net profit after taxation attributable to owners of the Company for the financial year divided by the weighted average number of ordinary shares of RM0.50 each in issue during the financial year excluding the treasury shares held by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. EARNINGS PER SHARE (CONT'D)

	THE GROUP	
	2016	2015
Profit attributable to owners of the Company (RM'000)	101,649	97,985
Weighted average number of ordinary shares in issued:-		
Ordinary shares at beginning of the financial year ('000)	538,248	538,248
Effects of purchase of own shares and held as treasury shares held ('000)	(13,788)	(8,625)
Effect of conversion of warrants ('000)	@	-
Weighted average number of ordinary shares at 31 December ('000)	524,460	529,623
Basic earnings per share (sen)	19.4	18.5
Weighted average number of ordinary shares for basic earnings per share ('000)	524,460	529,623
Effects of dilution on conversion of warrants ('000)	-	-
Weighted average number of ordinary shares for diluted earnings per share computation	524,460	529,623
Diluted earnings per share (sen)	19.4	18.5

The potential conversion of warrants is anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of warrants has been ignored in the calculation of diluted earnings per share.

Notes:-

@ - Denotes RM246.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

40. SUMMARY OF EFFECTS OF ACQUISITION OF SUBSIDIARY

The following summarises the major classes of consideration transferrable, and the recognised amount of asset acquired at the date of acquisition:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Plantation development expenditure - land use rights	-	5,693
Other receivables	1,151	-
	<hr/>	<hr/>
Net identifiable assets acquired	1,151	5,693
Less: Non-controlling interests, measured at the proportion share of the fair value of the net identifiable assets	-	290
	<hr/>	<hr/>
	1,151	5,403
	<hr/>	<hr/>
Total purchase consideration, to be satisfied by cash	1,151	5,403
Less: Cash and bank balances of subsidiary acquired	-	-
	<hr/>	<hr/>
Net cash outflow on acquisition of subsidiary	1,151	5,403
	<hr/>	<hr/>

The acquired subsidiary has contributed the following results to the Group:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Revenue	-	-
Loss after taxation	(4)	(2,247)
	<hr/>	<hr/>

There is no pre-acquisition results of the subsidiary acquired therefore, if the acquisition had taken place at the beginning of the financial year, the Group's revenue and profit after taxation will remain unchanged as reported.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost of property, plant and equipment purchased	9,579	6,338	594	7
Amount financed through hire purchase	(715)	-	(500)	-
Cash disbursed for purchase of property, plant and equipment	<u>8,864</u>	<u>6,338</u>	<u>94</u>	<u>7</u>

42. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term investments (Note 20)	39,077	34,725	23	22
Deposits with licensed banks	22,723	17,786	-	-
Cash and bank balances	102,863	131,032	813	16,006
Cash and bank balances classified as held for sale (Note 22)	542	-	-	-
	<u>165,205</u>	<u>183,543</u>	<u>836</u>	<u>16,028</u>
Less: Deposits pledged to licensed banks (Note 21)	22,723	16,767	-	-
	<u>142,482</u>	<u>166,776</u>	<u>836</u>	<u>16,028</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

- a) The key management personnel compensation during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Directors of the Company</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fee	138	153	-	-
- salaries, bonuses and other benefits	2,184	2,152	86	87
	2,322	2,305	86	87
Defined contribution benefits	237	205	-	-
	2,559	2,510	86	87
<i>Non-executive Directors</i>				
Short-term employee benefits:				
- fee	238	227	238	227
- other benefits	113	118	113	118
	351	345	351	345
	2,910	2,855	437	432

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Company were approximately RM129,000 and RM51,000 (2015 - RM96,000 and RM55,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

- a) The key management personnel compensation during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Directors of the Subsidiaries</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fee	228	192	-	-
- salaries, bonuses and other benefits	2,393	1,911	-	-
	2,621	2,103	-	-
Defined contribution benefits	264	213	-	-
	<u>2,885</u>	<u>2,316</u>	<u>-</u>	<u>-</u>

- b) The key management personnel compensation during the financial year are as follows:-

	2016	2015
	Number of Directors	
Executive Directors		
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	1	-
RM450,001 - RM500,000	1	-
RM500,001 - RM550,000	-	1
RM600,001 - RM650,000	1	-
RM650,001 - RM700,000	-	1
RM1,200,001 - RM1,250,000	-	1
RM1,250,001 - RM1,300,000	1	-
Non-executive Directors		
Below RM50,000	1	-
RM50,001 - RM100,000	3	3
RM100,001 - RM150,000	1	1
	<u>9</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

44. CONTINGENT LIABILITY

	THE COMPANY	
	2016 RM'000	2015 RM'000
Corporate guarantees given to financial institutions for facilities granted to subsidiaries	15,563	19,350

45. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, subsidiaries, associates, joint ventures, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	THE COMPANY	
	2016 RM'000	2015 RM'000
Administrative and accounting fee received from subsidiaries	24	72
Advances to subsidiaries	3,027	9,943
Advances from subsidiaries	55,195	100,198
Dividends received and receivable from subsidiaries	65,131	62,507
Dividend received from an associate	-	2,489
Interest income received from subsidiaries	3,744	4,819
Loan to subsidiaries	60,120	56,206
Management fee received from subsidiaries	93	45
Payment on behalf of subsidiaries	9,816	-
Rental income received from subsidiaries	12	12

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

45. RELATED PARTY DISCLOSURES (CONT'D)

- (b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (Cont'd):-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Advances to a related party	43	-	-	-
Progress billing raised to a related party	17,500	-	-	-
Purchases from related parties	9,252	5,164	-	-
Rental of premises paid to a related party	13	-	-	-
Sales to related parties	3,484	3,009	-	-
Key management personnel compensation: - short-term employees benefits	2,910	2,855	437	432

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

- (i) two wholly-owned subsidiaries of the Company, AV-Ecopalms Sdn. Bhd. and Steam-Mech Engineering Sdn. Bhd. subscribed for 10,000 ordinary shares of Rupiah 345,000 each, representing 100% of the equity interest in PT CBI Ecopalms Group, for a total consideration of RM1,151,494;
- (ii)
 - (a) a subsidiary of the Company, Accent Hectares Sdn. Bhd. entered into a conditional sale and purchase agreement to dispose 74% of the equity interest in its subsidiary, PT Kurun Sumber Rezeki, comprising 29,600 shares of Rupiah 1,000,000 each together with the amount owing to a third party for a total cash consideration of approximately RM15,076,227;
 - (b) a subsidiary of the Company, Benar Optima Sdn. Bhd. entered into a conditional sale and purchase agreement to dispose 74% of the equity interest in its subsidiary, PT Manyangan Jaya, comprising 29,600 shares of Rupiah 1,000,000 each together with amount owing to a third party for a total cash consideration of approximately RM7,655,192;
 - (c) a subsidiary of the Company, Midas Portfolio Sdn. Bhd. entered into a conditional sale and purchase agreement to dispose 74% of the equity interest in its subsidiary, PT Gumas Alam Subur, comprising 29,600 shares of Rupiah 1,000,000 each together with amount owing to a third party for a total cash consideration of approximately RM15,055,408;

As at the end of the reporting period, the said disposals are not completed as they are pending the fulfillment of certain terms and conditions of the said agreements.

- (iii) the Company disposed of 20% of equity interest in Avecpalm Marketing Resources Sdn. Bhd. comprising 10,000 ordinary shares of RM1 each of the company for a cash consideration of RM1,200,000;
- (iv) the Company disposed of 2% of equity interest in AVP Engineering (M) Sdn. Bhd. comprising 60,000 ordinary shares of RM1 each of the company for a cash consideration of RM1,400,000. Consequently, the Company retained 49% equity interest in the said subsidiary; and
- (v) the Company subscribed for an additional 2,999,998 ordinary shares of RM1 each in a subsidiary of the Company, PalmitEco Engineering Sdn. Bhd. for a cash consideration RM2,999,998.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

47. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par or nominal value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

48. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Approved and contracted for</u>				
Purchase of product development expenditure	-	459	-	459
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Contracted but not provided for</u>				
Purchase of plant and equipment	570	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Management Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following main reportable segments:-

Plantation and Milling	Cultivation of oil palm and production of crude palm oil and palm kernel.
Equipment and Engineering	Manufacture of palm oil equipment and related products, commissioning and contracting works for palm oil mills and trading of palm oil mill processing equipment.
Special Purpose Vehicles	Retrofitting special purpose vehicles.
Investing	Investment holding.

- (a) The Management Committee assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- (b) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

49.1 BUSINESS SEGMENTS	PLANTATION AND MILLING RM'000	EQUIPMENT AND ENGINEERING RM'000	SPECIAL PURPOSE VEHICLES RM'000	INVESTING RM'000	GROUP RM'000
2016					
REVENUE					
External revenue	3,281	416,231	158,371	-	577,883
Inter-segment revenue	-	29,234	-	65,176	94,410
	3,281	445,465	158,371	65,176	672,293
Consolidation adjustments					(94,410)
Consolidated revenue					577,883

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.1 BUSINESS SEGMENTS (CONT'D)

2016

RESULTS

Results before following adjustments
Consolidation adjustments

	PLANTATION AND MILLING RM'000	EQUIPMENT AND ENGINEERING RM'000	SPECIAL PURPOSE VEHICLES RM'000	INVESTING RM'000	GROUP RM'000
	(6,633)	112,263	25,370	62,444	193,444
	12	569	54	(65,260)	(64,625)
	(6,621)	112,832	25,424	(2,816)	128,819
Interest income	373	1,105	462	1,083	3,024
Other material items of income	906	16,737	1,250	11,638	30,531
Amortisation of plantation development expenditure	(1,597)	-	-	-	(1,597)
Product development expenditure written off	-	(2,699)	-	-	(2,699)
Depreciation of property, plant and equipment	(376)	(4,438)	(756)	(128)	(5,699)
Other material items of expenses	(108)	(19,312)	-	(3,929)	(23,349)
Segment results	(7,423)	104,225	26,380	5,848	129,030
Finance costs					(1,462)
Share of results of associates, net of tax					6,523
Share of results of joint ventures, net of tax					2,493
Income tax expense					(25,127)
Consolidated profit after taxation					111,457

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.1 BUSINESS SEGMENTS (CONT'D)

2016

ASSETS

Segment assets

Unallocated assets:-

- investments in associates

- investments in joint ventures

- deferred tax assets

- current tax assets

- assets of disposal group classified as held for sale

Consolidated total assets

Additions to non-current assets other than financial instruments are:-

Property, plant and equipment

Plantation development expenditure

Product development expenditure

LIABILITIES

Segment liabilities

Unallocated liabilities:-

- current tax liabilities

- deferred tax liabilities

Consolidated total liabilities

	PLANTATION AND MILLING RM'000	EQUIPMENT AND ENGINEERING RM'000	SPECIAL PURPOSE VEHICLES RM'000	INVESTING RM'000	GROUP RM'000
Segment assets	293,900	385,530	133,026	40,712	853,168
Unallocated assets:-					
- investments in associates					97,237
- investments in joint ventures					26,264
- deferred tax assets					903
- current tax assets					1,986
- assets of disposal group classified as held for sale					40,939
Consolidated total assets					<u>1,020,497</u>
Additions to non-current assets other than financial instruments are:-					
Property, plant and equipment	2,198	5,811	975	595	9,579
Plantation development expenditure	35,885	-	-	-	35,885
Product development expenditure	-	418	-	-	418
Segment liabilities	11,972	138,292	59,234	31,880	241,378
Unallocated liabilities:-					
- current tax liabilities					5,198
- deferred tax liabilities					715
Consolidated total liabilities					<u>247,291</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.1 BUSINESS SEGMENTS (CONT'D)

2015	PLANTATION AND MILLING RM'000	EQUIPMENT AND ENGINEERING RM'000	SPECIAL PURPOSE VEHICLES RM'000	INVESTING RM'000	GROUP RM'000
REVENUE					
External revenue	2,132	415,786	123,356	2,489	543,763
Inter-segment revenue	-	20,142	-	62,553	82,695
	2,132	435,928	123,356	65,042	626,458
Consolidation adjustments					(85,184)
Consolidated revenue					541,274

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.1 BUSINESS SEGMENTS (CONT'D)

2015	PLANTATION AND MILLING RM'000	EQUIPMENT AND ENGINEERING RM'000	SPECIAL PURPOSE VEHICLES RM'000	INVESTING RM'000	GROUP RM'000
RESULTS					
Results before following adjustments	7,075	125,877	28,666	67,876	229,494
Consolidation adjustments	(17,781)	(361)	22	(69,945)	(88,065)
	(10,706)	125,516	28,688	(2,069)	141,429
Interest income	350	1,246	966	5,613	8,175
Other material items of income	7,873	18,710	95	-	26,678
Amortisation of plantation development expenditure	(1,389)	-	-	-	(1,389)
Depreciation of property, plant and equipment	(95)	(4,101)	(793)	(171)	(5,160)
Other material items of expenses	-	(29,354)	-	(2,353)	(31,707)
Segment results	(3,967)	112,017	28,956	1,020	138,026
Finance costs					(1,350)
Share of results of associates, net of tax					4,898
Share of results of joint ventures, net of tax					(224)
Income tax expense					(33,968)
Consolidated profit after taxation					107,382

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.1 BUSINESS SEGMENTS (CONT'D)

2015

ASSETS

Segment assets
 Unallocated assets:
 - investments in associates
 - investments in joint ventures
 - deferred tax assets
 - current tax assets
 - assets of disposal group classified as held for sale

Consolidated total assets

Additions to non-current assets other than financial instruments are:-
 Property, plant and equipment
 Plantation development expenditure
 Product development expenditure

	PLANTATION AND MILLING RM'000	EQUIPMENT AND ENGINEERING RM'000	SPECIAL PURPOSE VEHICLES RM'000	INVESTING RM'000	GROUP RM'000
	275,864	348,680	146,274	71,222	842,040
					90,714
					23,771
					248
					1,201
					17,959
					<u>975,933</u>
	1,068	4,667	596	7	6,338
	41,520	-	-	-	41,520
	-	24	-	-	24
	9,062	164,315	68,662	605	258,422
					8,165
					<u>2,065</u>
					<u>268,652</u>

LIABILITIES

Segment liabilities

Unallocated liabilities:
 - current tax liabilities
 - deferred tax liabilities

Consolidated total liabilities

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.1 BUSINESS SEGMENTS (CONT'D)

Other material items of income consist of the following:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Dividend income	1,127	-
Gain on disposal of non-current assets held for sale	-	805
Net gain on disposal of plant and equipment	406	182
Realised gain on foreign currency exchange	15,660	9,520
Reversal of allowance for impairment loss on trade receivables	9,571	932
Reversal of inventories written down	34	-
Reversal of provision for warranty costs	2,520	-
Unrealised gain on foreign currency exchange	1,213	15,239
	30,531	26,678

Other material items of expenses consist of the following:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Allowance for impairment losses on trade receivables	1,978	18,966
Allowance for impairment loss on other receivable	16,339	-
Bad debts written off	240	1,508
Deposits and prepayments written off	-	473
Fair value loss on short-term investment	3,929	2,021
Loss on disposal of property, plant and equipment	68	-
Realised loss on foreign currency exchange	733	8,739
Unrealised loss on foreign currency exchange	62	-
	23,349	31,707

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

49. OPERATING SEGMENTS (CONT'D)

49.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the operations are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments (but including investments in associates) and deferred tax assets.

GROUP	REVENUE		NON-CURRENT ASSETS	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Indonesia	44,409	55,596	241,429	259,084
Malaysia	522,741	482,395	213,463	189,921
Papua New Guinea	10,733	3,283	647	279
	577,883	541,274	455,539	449,284

49.3 MAJOR CUSTOMERS

During the current financial year, there is one major customer with revenue exceeding 10% of the Group's total revenue amounting to RM81,969,445 (2015 - Nil). This customer is from the special purpose vehicles segment.

50. FOREIGN CURRENCY RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	THE GROUP	
	2016 RM	2015 RM
Euro	4.72	4.69
Indonesian Rupiah ('000)	0.333	0.311
Pound Sterling	5.51	-
Kina	1.45	1.47
Thai Baht	0.13	0.12
United States Dollar	4.49	4.29

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

51.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risks

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily Euro, Indonesian Rupiah, Kina, Thai Baht, United States Dollar and Pound Sterling. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

		<i>Foreign Currency Exposure</i>							
THE GROUP		EURO RM'000	INDONESIAN RUPIAH RM'000	KINA RM'000	THAI BAHT RM'000	UNITED STATES DOLLAR RM'000	POUND STERLING RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
2016									
Financial Assets									
Other investments		-	-	-	-	-	-	9,503	9,503
Trade receivables		1,179	14,310	6,381	-	72,925	-	41,801	136,596
Other receivables		-	18,022	1,294	-	141	-	10,053	29,510
Short-term investments		-	-	-	-	-	-	72,897	72,897
Amount owing by related parties		-	-	-	-	9,387	-	2,603	11,990
Deposits with licensed banks		-	4,134	-	-	-	-	18,589	22,723
Cash and bank balances		9,669	4,480	2,091	-	12,350	-	74,273	102,863
		10,848	40,946	9,766	-	94,803	-	229,719	386,082

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

THE GROUP	EURO RM'000	INDONESIAN RUPIAH RM'000	KINA RM'000	THAI BAHT RM'000	UNITED STATES DOLLAR RM'000	POUND STERLING RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
2016								
<u>Financial Liabilities</u>								
Trade payables	19,462	8,175	2,730	11	4,734	4	63,010	98,126
Other payables and accruals	-	6,029	2,728	-	-	-	16,384	25,141
Amount owing to directors	-	-	-	-	-	-	33	33
Amount owing to a related party	-	-	-	-	-	-	4,916	4,916
Hire purchase payables	-	14	-	-	-	-	781	795
Term loan	-	-	-	-	-	-	14,563	14,563
Revolving credits	-	-	-	-	-	-	16,614	16,614
Dividend payable	-	-	-	-	-	-	15,724	15,724
	19,462	14,218	5,458	11	4,734	4	132,025	175,912
Net financial (liabilities)/assets	(8,614)	26,728	4,308	(11)	90,069	(4)	97,694	210,170
Less: Net financial assets denominated in the respective entities' functional currencies	-	(26,204)	(4,308)	-	-	-	(97,694)	(128,206)
Currency Exposure	(8,614)	524	-	(11)	90,069	(4)	-	81,964

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

THE GROUP	EURO RM'000	INDONESIAN RUPIAH RM'000	KINA RM'000	THAI BAHT RM'000	UNITED STATES DOLLAR RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
2015							
Financial Assets							
Other investments	-	-	-	-	-	9,503	9,503
Trade receivables	3,756	10,118	4,184	-	70,030	29,188	117,276
Other receivables	-	5,381	282	-	-	10,603	16,266
Short-term investments	-	-	-	-	-	86,861	86,861
Amount owing by a related party	-	-	-	-	-	1,844	1,844
Deposits with licensed banks	1,749	6,246	-	-	-	11,540	17,786
Cash and bank balances	-	10,655	223	-	33,269	85,136	131,032
	5,505	32,400	4,689	-	103,299	234,675	380,568

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(i) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

THE GROUP	EURO RM'000	INDONESIAN RUPIAH RM'000	KINA RM'000	THAI BAHT RM'000	UNITED STATES DOLLAR RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
2015							
<u>Financial Liabilities</u>							
Trade payables	3,495	5,139	2,860	148	2,676	51,704	66,022
Other payables and accruals	-	7,096	918	-	-	27,996	36,010
Amount owing to directors	-	-	-	-	-	7,534	7,534
Amount owing to a related party	-	-	-	-	-	4	4
Hire purchase payables	-	134	-	-	-	244	378
Term loan	-	-	-	-	-	16,813	16,813
Revolving credit	-	-	-	-	-	2,537	2,537
Dividend payable	-	-	-	-	-	15,778	15,778
	3,495	12,369	3,778	148	2,676	122,610	145,076
Net financial assets/(liability)	2,010	20,031	911	(148)	100,623	112,065	235,492
Less: Net financial assets denominated in the respective entities' functional currencies	-	(19,377)	(911)	-	-	(112,065)	(132,353)
Currency Exposure	2,010	654	-	(148)	100,623	-	103,139

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

THE COMPANY	INDONESIAN RUPIAH RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
2016			
<u>Financial Assets</u>			
Other receivables	-	4,957	4,957
Amount owing by subsidiaries	180,621	194,472	375,093
Short-term investments	-	33,843	33,843
Cash and bank balances	-	813	813
	180,621	234,085	414,706
<u>Financial Liabilities</u>			
Other payables and accruals	-	2,621	2,621
Amount owing to subsidiaries	-	146,719	146,719
Hire purchase payable	-	450	450
Revolving credit	-	13,084	13,084
Dividend payable	-	15,724	15,724
	-	178,598	178,598
Net financial assets	180,621	55,487	236,108
Less: Net financial assets denominated in the Company's functional currency	-	(55,487)	(55,487)
Currency Exposure	180,621	-	180,621

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(i) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

THE COMPANY	INDONESIAN RUPIAH RM'000	KINA RM'000	RINGGIT MALAYSIA RM'000	TOTAL RM'000
2015				
<u>Financial Assets</u>				
Other receivables	-	-	2,434	2,434
Amount owing by subsidiaries	1,892	-	319,033	320,925
Short-term investments	-	-	52,158	52,158
Cash and bank balances	-	-	16,006	16,006
	1,892	-	389,631	391,523
<u>Financial Liabilities</u>				
Other payables and accruals	-	-	602	602
Amount owing to subsidiaries	-	3,500	161,039	164,539
Dividend payable	-	-	15,778	15,778
	-	3,500	177,419	180,919
Net financial assets/(liability)	1,892	(3,500)	212,212	210,604
Less: Net financial assets denominated in the Company's functional currency	-	-	(212,212)	(212,212)
Currency Exposure	1,892	(3,500)	-	(1,608)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Effects on Profit After Taxation		
Euro/Ringgit Malaysia:		
- strengthened by 5%	(327)	75
- weakened by 5%	327	(75)
Indonesian Rupiah/Ringgit Malaysia:		
- strengthened by 5%	20	25
- weakened by 5%	(20)	(25)
Thai Baht/Ringgit Malaysia:		
- strengthened by 5%	(@)	(6)
- weakened by 5%	@	6
United States Dollar/Ringgit Malaysia:		
- strengthened by 5%	3,423	3,773
- weakened by 5%	(3,423)	(3,773)
Pound Sterling/Ringgit Malaysia:		
- strengthened by 5%	(#)	-
- weakened by 5%	#	-

Note:-

@ - Denotes RM418.

- Denotes RM152.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis (Cont'd)

	THE COMPANY	
	2016 RM'000	2015 RM'000
Effects on Profit After Taxation		
Indonesian Rupiah/Ringgit Malaysia:		
- strengthened by 5%	6,864	71
- weakened by 5%	(6,864)	(71)
Kina/Ringgit Malaysia:		
- strengthened by 5%	-	(131)
- weakened by 5%	-	131

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's deposits with licensed banks and fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined FRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 51.1(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risks (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity Price Risk Sensitivity Analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	THE GROUP	
	2016 RM'000	2015 RM'000
Africa	1,425	1,100
Central America	20,774	-
Ghana	95	-
Indonesia	55,565	66,500
Malaysia	28,193	26,519
Papua New Guinea	16,014	15,290
South America	12,503	1,013
Thailand	-	5,888
United Kingdom	69	-
Others	1,958	966
	136,596	117,276

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of trade receivables recognised in the statements of financial position of the Group after deducting allowance for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(i) Credit Risk (Cont'd)

Ageing Analysis

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

The Group	Gross Amount RM'000	Individual Impairment RM'000	Net Carrying Amount RM'000
2016			
Not past due	55,837	-	55,837
Past due:			
- less than 3 months	30,567	-	30,567
- 3 to 6 months	8,808	-	8,808
- more than 6 months	56,659	(15,275)	41,384
	151,871	(15,275)	136,596

The Group	Gross Amount RM'000	Individual Impairment RM'000	Net Carrying Amount RM'000
2015			
Not past due	39,643	-	39,643
Past due:			
- less than 3 months	40,277	(660)	39,617
- 3 to 6 months	23,760	(6,956)	16,804
- more 6 months	42,840	(21,628)	21,212
	146,520	(29,244)	117,276

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

Ageing Analysis (Cont'd)

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	CONTRACTUAL INTEREST RATE	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	MORE THAN 5 YEARS RM'000
2016	%					
Trade payables	-	98,126	98,126	98,126	-	-
Other payables and accruals	-	25,141	25,141	25,141	-	-
Amount owing to directors	-	33	33	33	-	-
Amount owing to related parties	-	4,916	4,916	4,916	-	-
Hire purchase payables	2.32 - 3.45	795	897	266	631	-
Term loan	4.35	14,563	16,895	2,883	10,555	3,457
Revolving credits	5.20 - 6.20	16,614	16,614	16,614	-	-
Dividend payable	-	15,724	15,724	15,724	-	-
		175,912	178,346	163,703	11,186	3,457

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

THE GROUP	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	MORE THAN 5 YEARS RM'000
2015						
Trade payables	-	66,022	66,022	66,022	-	-
Other payables and accruals	-	36,010	36,010	36,010	-	-
Amount owing to directors	-	7,534	7,534	7,534	-	-
Amount owing to a related party	-	4	4	4	-	-
Hire purchase payables	2.32 - 3.45	378	433	368	65	-
Term loan	4.45	16,813	19,816	3,015	10,991	5,810
Revolving credit	6.50	2,537	2,537	2,537	-	-
Dividend payable	-	15,778	15,778	15,778	-	-
		145,076	148,134	131,268	11,056	5,810

THE COMPANY	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000
2016					
Other payables and accruals	-	2,621	2,621	2,621	-
Amount owing to subsidiaries	-	146,719	146,719	146,719	-
Hire purchase payable	2.51	450	506	112	394
Revolving credit	6.50	13,084	13,084	13,084	-
Dividend payable	-	15,724	15,724	15,724	-
		178,598	178,654	178,260	394

2015					
Other payables and accruals	-	602	602	602	-
Amount owing to subsidiaries	-	164,539	164,539	164,539	-
Dividend payable	-	15,778	15,778	15,778	-
		180,919	180,919	180,919	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to its shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interests.

There was no change in the Group's approach to capital management during the financial year.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

The Group is also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Group has complied with these requirements.

51.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets				
<u>Available-for-sale Financial Assets</u>				
Other investments	9,503	9,503	-	-
<u>Fair value through Profit or Loss</u>				
Short-term investments	72,897	86,861	33,843	52,158

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets (Cont'd)				
<u>Loans and Receivables</u>				
<u>Financial Assets</u>				
Trade receivables	136,596	117,276	-	-
Other receivables	29,510	16,266	4,957	2,434
Amount owing by related parties	11,990	1,844	-	-
Amount owing by subsidiaries	-	-	375,093	320,925
Deposits with licensed banks	22,723	17,786	-	-
Cash and bank balances	102,863	131,032	813	16,006
	<u>303,682</u>	<u>284,204</u>	<u>380,863</u>	<u>339,365</u>
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Trade payables	98,126	66,022	-	-
Other payables and accruals	25,141	36,010	2,621	602
Amount owing to subsidiaries	-	-	146,719	164,539
Amount owing to directors	33	7,534	-	-
Amount owing to related parties	4,916	4	-	-
Hire purchase payables	795	378	450	-
Term loan	14,563	16,813	-	-
Revolving credits	16,614	2,537	13,084	-
Dividend payable	15,724	15,778	15,724	15,778
	<u>175,912</u>	<u>145,076</u>	<u>178,598</u>	<u>180,919</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

Fair Value of Financial Instruments Carried at Fair Value

The following table sets out the fair value profile of financial instruments that are carried at fair value at the end of the reporting period:-

THE GROUP	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE			TOTAL FAIR VALUE RM'000	CARRYING AMOUNT RM'000
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000		
2016					
<u>Financial Assets</u>					
<i>Fair value through profit or loss:</i>					
- short-term investments	-	72,897	-	72,897	72,897
<i>Available-for-sale:</i>					
- other investments:					
- quoted investments	32	-	-	32	32
- golf club membership	-	471	-	471	471
- redeemable preference share	-	-	-	#	9,000
<hr/>					
2015					
<u>Financial assets</u>					
<i>Fair value through profit or loss:</i>					
- short-term investments	-	86,861	-	86,861	86,861
<i>Available-for-sale:</i>					
- other investments:					
- quoted investments	32	-	-	32	32
- golf club membership	-	471	-	471	471
- redeemable preference share	-	-	-	#	9,000
<hr/>					

Note:-

- The fair value cannot be reliably measured using valuation techniques due to lack of marketability of the unquoted shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

51. FINANCIAL INSTRUMENTS (CONT'D)

51.4 FAIR VALUE INFORMATION (CONT'D)

Fair Value of Financial Instruments Carried at Fair Value (Cont'd)

THE COMPANY	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE			TOTAL FAIR VALUE RM'000	CARRYING AMOUNT RM'000
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000		
2016					
<i>Financial Assets</i>					
<i>Fair value through profit or loss:</i>					
- short-term investments	-	33,843	-	33,843	33,843
<i>Loans and receivables:</i>					
- amount owing by subsidiaries	-	126,143	-	126,143	126,143
<hr/>					
2015					
<i>Financial Assets</i>					
<i>Fair value through profit or loss:</i>					
- short-term investments	-	52,158	-	52,158	52,158
<i>Loans and receivables:</i>					
- amount owing by subsidiaries	-	126,143	-	126,143	126,143
<hr/>					

Fair Value of Financial Instruments not Carried at Fair Value

The fair value of the Group's term loan that carry floating interest rate approximated its carrying amount as it is repriced to market interest rate on or near the reporting date.

The fair values of hire purchase payables and revolving credits that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair values are determined by discounting the relevant cash flows using current market interest rates for similar instruments ranging from 2.48% to 2.71% (2015 - 2.80% to 2.84%) and the fair values are within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

52. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of the Company and its subsidiaries:				
- realised	513,961	460,289	106,423	75,185
- unrealised	13,965	9,957	-	-
	527,926	470,246	106,423	75,185
Total share of retained profits/ (accumulated losses) of associates:				
- realised	54,158	46,791	-	-
- unrealised	(6,351)	(5,507)	-	-
Total share of retained profits/ (accumulated losses) of joint ventures:				
- realised	6,952	3,718	-	-
- unrealised	(875)	(134)	-	-
	581,810	515,114	106,423	75,185
Less: Consolidation adjustments	104,917	86,156	-	-
At 31 December	476,893	428,958	106,423	75,185

LIST OF PROPERTIES AS AT 31 DECEMBER 2016

Location	Description Of Property/Usage	Tenure	Year Of Acquisition /Revaluation (if any)	Land Area (Sq. M)	Net Carrying Amount (RM'000)	Approximate Age Of Building (Years)
Lot No. 4 Jalan Waja 15, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/Expiring on 9 September 2103	1998	22,286	8,609	18
Lot No. 3 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with factory building	Leasehold for 99 years/Expiring on 9 September 2103	2003	24,654	6,365	10
Lot No. 4 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/Expiring on 9 September 2103	2006	20,369	8,368	10
H.S.(D) 9207 P.T. No.3845 (Lot 8026) and H.S.(D) 9208 P.T. No.3846 (Lot 8027), Mukim of Damansara, District of Petaling, Selangor	1 unit office lot/Rented out	Freehold	1996	117	325	18
Lot TPA/1, D'25 at Meranti Puchong, Taman Meranti Jaya, Mukim Dengkil, Daerah Sepang, Selangor	1 ½ storey semi-detached industrial building	Freehold	2010	1,078	2,366	5
No.1C, 3C & 5C, 3 rd Floor, Block 2, Pusat Perniagaan Worldwide, Shah Alam, Selangor	3 units office lot	Leasehold for 99 years/ Expiring on 25 March 2102	2008	360	592	20
Lot 1115, Jalan Pandamaran, Batu 3 ½, Kampung Pandamaran, 41200 Klang, Selangor	Industrial land with 10 single-storey open factory buildings and 2 office buildings	Freehold	2011	37,940	16,884	2
GRN45731, Lot 6074, Mukim Kapar, Daerah Klang, Selangor	Industrial land with a 3 storey office building and 2 single-storey factory buildings	Freehold	2013	40,494	32,815	15 - 18
Kecamatan Lamandau, Kabupaten Lamandau, Kalimantan Tengah, Indonesia	Plantation land with estate buildings and oil palm plantation	Leasehold for 35 years/ Expiring on 23 October 2049	2014	5,898 (Hectares)	19,820	5

ANALYSIS OF SHAREHOLDINGS AS AT 22 MARCH 2017

CLASS OF SHARES	: Ordinary shares
ISSUED SHARE CAPITAL	: 524,123,558 ordinary shares (excluding Treasury Shares of 14,125,127)
VOTING RIGHTS	: One vote per ordinary share
NUMBER OF SHAREHOLDERS	: 5,478

DISTRIBUTION OF TABLE A ACCORDING TO THE NUMBER OF SECURITIES HELD IN RESPECT OF ORDINARY SHARES AS AT 22 MARCH 2017

Size of Shareholdings	No. of holders	No. of Shares	Percentage (%)
Less than 100	149	2,684	0.00
100 - 1,000	558	371,117	0.07
1,001 - 10,000	2,949	14,951,935	2.85
10,001 - 100,000	1,505	45,711,272	8.72
100,001 – 26,206,176 ¹	316	396,027,798	75.56
26,206,177 ² and above	1	67,058,752	12.79
Total:	5,478	524,123,558 ³	100.00

Notes:

- 1 *Less than 5% of issued shares*
- 2 *5% and above of issued shares*
- 3 *Excluding Treasury Shares of 14,125,127*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names	Direct		Indirect	
	No. of shares	%	No. of shares	%
Datuk Lim Chai Beng	162,324,720	30.97	9,375,000 ¹	1.79

LIST OF DIRECTORS' SHAREHOLDINGS

Names	Direct		Indirect	
	No. of shares	%	No. of shares	%
Datuk Lim Chai Beng	162,324,720	30.97	9,375,000 ¹	1.79
Lim Chai Huat	22,170,000	4.23	-	-
Mak Chee Meng	15,876,660	3.03	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	3,360,000	0.64	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	800,000 ²	0.15
Wong Chee Beng	-	-	-	-
Irin Tan Su Fern	-	-	-	-
Lim Zee Ping (Alternate Director to Datuk Lim Chai Beng)	3,684,000	0.70	-	-

Notes

- 1 *Deemed interested via his children's shareholdings* No. of shares
9,375,000
- 2 *Deemed interested via his spouse's shareholdings* No. of shares
800,000

ANALYSIS OF SHAREHOLDINGS AS AT 22 MARCH 2017

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

Name	No. of shares held	Percentage (%)
1. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	67,058,752	12.79
2. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (562106643140)	24,516,583	4.68
3. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For AIA Bhd	24,452,300	4.67
4. Lim Chai Guan	23,874,120	4.56
5. Mak Chee Meng	15,876,660	3.03
6. Lim Chai Huat	15,550,920	2.97
7. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An For Deutsche Bank AG Singapore (Maybank SG PWM)	13,810,364	2.63
8. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	13,152,900	2.51
9. HSBC Nominees (Asing) Sdn Bhd TNTC For Kuroto Fund LP	10,783,115	2.06
10. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	10,466,604	2.00
11. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (76401601350A)	9,543,417	1.82
12. Koperasi Permodalan Felda Malaysia Berhad	8,882,800	1.69
13. Tan Yu Hwa	8,631,600	1.65
14. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (M02)	7,702,700	1.47
15. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (007158456)	6,773,400	1.29
16. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)	6,472,000	1.23
17. Kumpulan Wang Persaraan (Diperbadankan)	6,412,900	1.22
18. Lim Chye Ooi	6,082,280	1.16

ANALYSIS OF SHAREHOLDINGS AS AT 22 MARCH 2017

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

Name	No. of shares held	Percentage (%)
19. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (7001398)	6,000,000	1.14
20. Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	5,342,240	1.02
21. Lim Chai Tiong	4,862,340	0.93
22. Lim Zee Yang	3,882,600	0.74
23. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston For Grandeur Peak Emerging Markets Opportunities Fund	3,838,800	0.73
24. HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-ASING)	3,798,320	0.72
25. Lim Zee Ping	3,684,000	0.70
26. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	3,591,700	0.69
27. Lim Chai Huat	3,565,680	0.68
28. Teh Huat Seng	3,412,000	0.65
29. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An For Deutsche Bank AG London (Prime Brokerage)	3,385,300	0.65
30. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A. Hamid Shah (E-SS2)	3,360,000	0.64

ANALYSIS OF WARRANT HOLDINGS AS AT 22 MARCH 2017

TYPED OF SECURITIES : Warrants 2014/2019
 DATE OF EXPIRY : 6 November 2019
 EXERCISE RIGHT : Each Warrant carries the entitlement to subscribe for one (1) new Ordinary Shares in the Company at an exercise price of RM2.40

VOTING RIGHTS : The holder of Warrants is not entitled to any voting rights.

DISTRIBUTION TABLE A ACCORDING TO THE NUMBER OF SECURITIES HELD IN RESPECT OF WARRANTS AS AT 22 MARCH 2017

Category	No. of holders	No. of Warrants	Percentage (%)
Less than 100	447	17,329	0.02
100 - 1,000	1,266	761,873	0.87
1,001 - 10,000	1,348	4,802,736	5.50
10,001 - 100,000	419	12,904,806	14.77
100,001 – 4,369,951 ⁽¹⁾	86	51,969,719	59.46
4,369,952 ⁽²⁾ and above	2	16,942,586	19.39
Total:	3,568	87,399,049	100.00

Notes:

- 1 *Less than 5% of issued warrants*
- 2 *5% and above of issued warrants*

LIST OF DIRECTORS' WARRANT HOLDINGS

Names	Direct		Indirect	
	No. of warrants	%	No. of warrants	%
Datuk Lim Chai Beng	29,600,575	33.87	729,165 ⁽¹⁾	0.83
Lim Chai Huat	3,695,000	4.23	-	-
Mak Chee Meng	2,479,443	2.84	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	560,000	0.64	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	133,333 ⁽²⁾	0.15
Wong Chee Beng	-	-	-	-
Irin Tan Su Fern	-	-	-	-
Lim Zee Ping (Alternate Director to Datuk Lim Chai Beng)	280,666	0.32	-	-

Notes

- 1 *Deemed interested via his children's warrant holdings* No. of shares
729,165
- 2 *Deemed interested via his spouse's warrant holdings* No. of shares
133,333

ANALYSIS OF WARRANT HOLDINGS AS AT 22 MARCH 2017

LIST OF THIRTY (30) LARGEST WARRANT ACCOUNT HOLDERS

Name	No. of warrant held	Percentage (%)
1. Lim Chai Beng	12,457,103	14.25
2. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	4,485,483	5.13
3. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For AIA Bhd	4,087,466	4.68
4. Lim Chai Guan	3,979,020	4.55
5. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	2,794,434	3.20
6. HSBC Nominees (Asing) Sdn Bhd TNTC For Kuroto Fund LP	2,661,825	3.05
7. Lim Chai Huat	2,591,820	2.97
8. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (562106643140)	2,500,000	2.86
9. Mak Chee Meng	2,479,443	2.84
10. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An For Deutsche Bank AG Singapore (Maybank SG PWM)	2,301,727	2.63
11. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (007158456)	2,274,133	2.60
12. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (M02)	1,850,450	2.12
13. Tan Yu Hwa	1,465,000	1.68
14. Lim Chye Ooi	1,013,713	1.16
15. Tang Boon Siang	1,000,000	1.14
16. Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	890,373	1.02
17. Lim Chai Tiong	810,390	0.93
18. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (LIM4845C)	803,912	0.92

ANALYSIS OF WARRANT HOLDINGS AS AT 22 MARCH 2017

LIST OF THIRTY (30) LARGEST WARRANT ACCOUNT HOLDERS (CONT'D)

Name	No. of warrant held	Percentage (%)
19. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Teng Hock	719,800	0.82
20. Lim Eng Hu	707,666	0.81
21. Teh Huat Seng	616,666	0.71
22. Lim Chai Huat	594,280	0.68
23. Ting Hoe Hwa	589,300	0.67
24. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A. Hamid Shah (E-SS2)	560,000	0.64
25. HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)	501,132	0.57
26. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Khoo Gee San (Margin)	490,000	0.56
27. HSBC Nominees (Asing) Sdn Bhd Exempt An For JPMorgan Chase Bank, National Association (JPMelh Ucits)	462,156	0.53
28. Ho Keen Meng	461,770	0.53
29. Tan Kian Hin	437,766	0.50
30. Tan Ah Wah	422,500	0.48



CB INDUSTRIAL PRODUCT HOLDING BERHAD

(Company No: 428930-H)

(Incorporated in Malaysia under the Companies Act, 2016)

FORM OF PROXY

*I/We*NRIC/ Passport/ Company No.....

of

being a member(s) of **CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)** hereby appoints

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
*And/or (delete as appropriate)			

or failing *him/her, THE CHAIRMAN OF THE MEETING, as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf at the **TWENTIETH ANNUAL GENERAL MEETING** of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 May 2017 at 10.30 a.m. and at any adjournment thereof.

If you wish to appoint other person / persons to be your proxy / proxies, kindly delete the words "or failing him / her, THE CHAIRMAN OF THE MEETING" and insert the name / names of the person / persons desired.

Please indicate with an "X" in the space provided, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two (2) proxies, please specify the proportions of holdings to be represented by each proxy.

My/our proxy/proxies is/are to vote as indicated below:

Ordinary Resolutions		For	Against
1	To re-elect Datuk Lim Chai Beng as Director		
2	To re-elect Wong Chee Beng as Director		
3	To re-elect Irin Tan Su Fern as Director		
4	To approve the payment of Directors' Remuneration for the financial period from 1 January 2017 until 30 June 2018		
5	To re-appoint Messrs Crowe Horwath as Auditors of the Company		
6	To approve the Proposed Renewal of Authority for Purchase of Own Shares by the Company		
7	To approve the Authority to Issue and Allot Shares		
8	To approve the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9	To approve the continuing in office for Tan Sri Datuk Dr. Yusof Bin Basiran as an Independent Non-Executive Director.		
10	To approve the continuing in office for Wong Chee Beng as an Independent Non-Executive Director.		

*** Delete if not applicable**

Dated this day of..... 2017

.....

Signature/Common Seal of Shareholder

Number of shares held:-	
CDS account no.:-	
Telephone no.:-	

Notes:-

- i) *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.*
- ii) *A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.*
- iii) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- iv) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- v) *If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.*
- vi) *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.*
- vii) *The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or adjournment thereof.*
- viii) *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 69 of the Constitution of the Company, a Record of Depositors as at 23 May 2017 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*