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# DIVERSIFIED GROWTH

THROUGH INNOVATION & TECHNOLOGY

Annual Report 2017





## VISION

- To be a global driving force in bringing cutting edge technology to enhance the quality of life

## MISSION

- Provide engineering and creative solutions through innovation and technology

## CORE VALUES

- **F**orefront in engineering
- **I**nnovative in meeting business challenges
- **T**echnology driven management and workforce – talent
- **T**raining the team to meet future challenges
- **E**xceptional returns for stakeholders
- **R**esearch emphasis towards delivery of reliable services
- **S**ocial responsibility at the centre of the business model



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## CORPORATE PROFILE

### DIVERSIFIED GROWTH THROUGH INNOVATION & TECHNOLOGY

FITTERS Diversified Berhad Group commenced its business operations as a fire protection and prevention solutions provider in the 1970s. On 4 October 1994, FITTERS Diversified Berhad gained official listing on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") and was subsequently promoted to the Main Board of Bursa Securities on 4 July 2007.

FITTERS continue to remain as Malaysia's premier "one-stop" fire protection specialist and is involved in the manufacturing, trading and specialised installation of fire-fighting equipment as well as the supply of fire safety protection products and services.

Over the years, with a clear vision and strategic planning, FITTERS has ventured into various businesses and has enhanced its value through the Group's diversification strategies. FITTERS is now a diversified group engaged in the following core businesses:

- Fire Services (ONE-STOP Fire Protection Specialist)
- Property Development & Construction
- Renewable & Waste-to-Energy and Green Palm Oil Mill
- HYPRO® PVC-O Pipes Manufacturing & Distribution



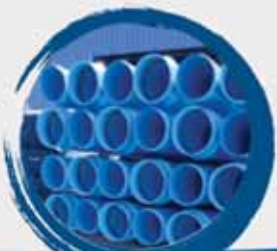
#### FIRE SERVICES (ONE-STOP FIRE PROTECTION SPECIALIST)

*A renowned "one-stop" fire protection specialist providing integrated fire protection and prevention solutions to a wide range of customers.*



#### PROPERTY DEVELOPMENT & CONSTRUCTION

*It started its first property development project on a prime 8.43 acres commercial land in Setapak, Kuala Lumpur. Moving forward, it will focus on niche property development opportunities.*



#### HYPRO® PVC-O PIPES MANUFACTURING & DISTRIBUTION

*Ventured into Oriented Unplasticized Polyvinyl Chloride ("PVC-O") pipes manufacturing and distribution business. PVC-O is approximately twice the strength and ten times more impact resistant than PVC-U.*



#### RENEWABLE & WASTE-TO-ENERGY AND GREEN PALM OIL MILL

*A technology integrator and developer of "Waste-To-Energy", "Waste-To-Resource" projects as well as "Green Mill Zero-Waste" solutions through proprietary technologies.*

## CORPORATE PROFILE

(cont'd)

### FIRE SERVICES DIVISION

With more than 30 years of track record and experience in fire safety, FITTERS is a renowned “one-stop” fire protection specialist providing integrated fire protection and prevention solutions to a wide range of customers.

FITTERS' Fire Services Division is involved in the manufacturing, trading and specialised installation of fire-fighting materials and equipments as well as the supply of fire safety protection products and services. Its diverse range of fire-fighting equipments include, amongst others:

- Sprinklers, hose-reels, smoke and gas detectors
- FITTERS Fire-X fire extinguishers
- PYRODOR fire resistant door-sets
- Synthetic foam concentrates
- Custom-made fire safety apparel



## CORPORATE PROFILE

(cont'd)

FITTERS Engineering Services Sdn Bhd ("FESSB"), a wholly owned subsidiary of FITTERS Diversified Berhad, is an engineering and contracting firm with over 30 years of experience in the construction industry. Principally involved in Mechanical & Electrical ("M&E") contracting, FESSB's capabilities also include carrying out projects with a design and build concept. FESSB provides M&E services which include:

### Mechanical Works

- Air conditioning and ventilation installation
- Fire protection installation
- Water supply and sanitary installation
- Gas supply installation

### Electrical Works

- Electrical power installation
- Extra low voltage installation
- Uninterruptable power supply and power engineering solutions



FITTERS continue to operate and manage the Fire Department's privatised 24-hours Computerised Fire Alarm Monitoring System ("CMS system") through its subsidiary, Master Pyroserve Sdn Bhd. With a wide subscriber base, FITTERS is the clear market leader in this segment and it supports its customers via nationwide branches and appointed authorised distributors.

## CORPORATE PROFILE

(cont'd)

### PROPERTY DEVELOPMENT & CONSTRUCTION

In 2007, FITTERS made its maiden foray into property development when it started its first property development project on a prime 8.43 acres commercial land in Setapak, Kuala Lumpur. FITTERS completed the 3-storey shopping mall, Setapak Central (previously known as KL Festival City Mall), in 2011 and subsequently launched ZetaPark @ Setapak, transforming it into an integrated commercial, retail and residential development. Subsequently, FITTERS launched its second property development project called ZetaDeSkye on a 2.84 acres of land located off Jalan Ipoh, Kuala Lumpur in 2013. ZetaDeSkye, featuring a 24-storey two-tower condominium consisting of 284 units of freehold semi-D in the sky, was completed in October 2016.

The successful launch of these projects has led the Group to invest in more niche property development opportunities and expands its project management and construction division. In 2017, FITTERS through its subsidiary FITTERS Construction Sdn Bhd had been awarded a project management and construction project valued at RM97.8 million; to construct 2-storey and 3-storey terrace houses. It was further awarded a RM81.5 million contract as a continuation of the second phase of the same project. The redevelopment of Plaza Pekeliling Global Tower, which is strategically located in a prime location along Jalan Tun Razak, Kuala Lumpur, connected by both MRT and LRT remains on-track.



*Construction progress*

*Azalea@  
Taman Putra Project*

# CORPORATE PROFILE

(cont'd)

## RENEWABLE & WASTE-TO-ENERGY AND GREEN PALM OIL MILL

FITTERS entered into renewable & waste-to-energy and green palm oil mill business in 2008.

Future NRG Sdn Bhd (“FNRG”), FITTERS’ wholly owned subsidiary, is a technology integrator and developer of “Waste-To-Energy”, “Waste-To-Resource” projects as well as “Green Mill Zero-Waste” solutions through the use of advanced proprietary technologies to produce renewable energy and recover valuable resources from waste. FNRG focuses on the following market segments:

### Sustainable Green Mill

- Empty fruit bunches processing into revenue-producing products: dried long fibre (“DLF”) and the by-product dried short fibre (“DSF”) which can be used to produce bio-fuel pellets for use in captive power and rural electrification biomass to energy projects
- Anaerobic digestion of palm oil mill effluent (“POME”) to capture biogas prevents uncontrolled release of greenhouse gases into the atmosphere and the biogas is used as renewable energy in the DLF/pelleting process, for mill use and/or sale to grid under the Feed-In-Tariff program
- Biogas can also be purified into Biomethane and used as an alternative and renewable fuel for fossil fuel such as diesel and natural gas

## Waste-to-Energy, Waste-to-Resource

- Treatment of industrial, medical and hazardous waste
- Biomass gasification of solid biomass waste for rural electrification, captive power and grid connected plants and to replace diesel powered generators
- Anaerobic digestion of various types of biomass from agriculture, food waste as well as animal waste to capture biogas for renewable energy
- Production of renewable electricity for sale to the national grid under the Feed-In-Tariff program
- Production of Biomethane from biogas for sale as replacement for natural gas in industries and transportation fuel

## Future NRG Ozone Medical Waste Treatment Plant

FNRG’s Ozone Medical Waste Treatment Plant (OMWTP) in Sendayan Tech Valley has acquired all required approvals from Department of Environment (DOE) and Ministry of Health (MOH). In September 2017 the OMWTP has been successfully commissioned and operational with capacity to treat up to 10MT a day of medical waste SW404. Since commencing operations in September 2017, the Ozone Medical Waste Treatment Plant has successfully treated and sterilised substantial amount of medical waste SW404.





## CORPORATE PROFILE

(cont'd)

### Future Biomass Gasification Biogas Capture & Power Plant

On 24 February 2015, FNRG's wholly owned subsidiary, Future Biomass Gasification Sdn Bhd ("FBG"), received feed-in approval from the Sustainable Energy Development Authority Malaysia to generate up to 2 megawatts of electricity from renewable resources. Subsequently, on 28 April 2015, FBG signed a Renewable Energy Power Purchase Agreement with Tenaga Nasional Berhad for the sale of renewable electricity to the national grid for a period of 16 years. The renewable electricity will be produced at FITTERS Group's green mill in Kuala Ketil, Kedah, which will generate biogas from palm oil mill effluent in a biogas capture plant and convert into electricity using highly efficient biogas engine generators. The biogas capture plant project is certified by the Ministry of Energy, Green Technology and Water under the Green Technology Financing Scheme and is an integration between the existing palm oil mill and the Group's state-of-the-art Green Technology.

On 14 December 2017 the Biogas Capture and Power Plant has been successfully commissioned and connected to the national grid (IOD). Currently the Biogas Capture and Power Plant is fully operational; and had received approval from the Sustainable Energy Development Authority of Malaysia to start the Feed-in Tariff to the national grid for 16 years effective 31 March 2018.



# CORPORATE PROFILE

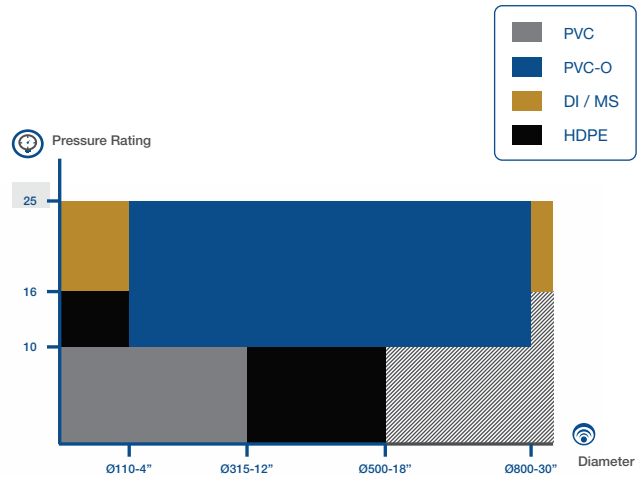
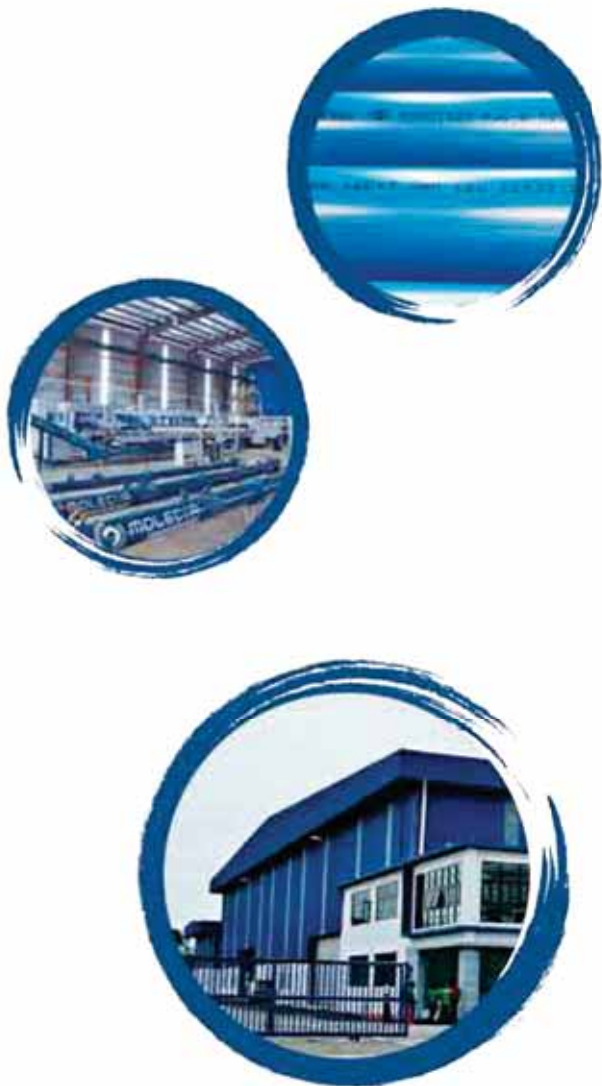
(cont'd)

## HYPRO® PVC-O PIPES MANUFACTURING & DISTRIBUTION

In 2013, FITTERS ventured into Orientated Unplasticized Polyvinyl Chloride (“PVC-O”) pipes manufacturing and distribution business through its subsidiary, Molecor (SEA) Sdn Bhd (“MSEA”). MSEA is jointly owned by FITTERS Diversified Berhad (65%), Sanlens Sdn Bhd (25%) and Molecor Tecnologia S.L. (10%). The latter is the strategic partner for MSEA in the latest technology of manufacturing PVC-O pipes using highly efficient air-based system. PVC-O pipes manufactured using Molecor technology have a proven track record worldwide, including countries such as Spain, Canada, Mexico, Columbia, Paraguay, South Africa, India and Australia.

The manufacturing plant of MSEA is located in Gebeng Industrial Park, Kuantan, Malaysia to serve the market in Malaysia and South East Asia under the HYPRO® brand name.

HYPRO® PVC-O pipes offer the following made-for-value proposition for the use in the water, irrigation and waste water systems:-



- PVC-O material is a molecular oriented PVC material, offering higher structural strength and durability. The material is capable of offering high pressure ratings (25 bar) and diameter (up to 30”) under the similar applications of corresponding metallic pipes.
- Pipes made of PVC-O are designed for 50 years of service life. Water operators can enjoy non-corrosive material, non-clogging and lower maintenance cost due to superior long-term material quality.
- The use of PVC-O pipes is proven to save electricity in the pumping operations, due to its smoother internal surfaces.
- Pipe installers can benefit in faster installation due to the light weight material and the simple spigot and bellmouth jointing system.
- The use of PVC-O products supports sustainable development. They are eco-friendly for their lower carbon footprint in their production and usage during their entire service life.

# CORPORATE PROFILE

(cont'd)

HYPRO® PVC-O pipes are tested and certified by SIRIM under the ISO 16422 product standard and approved by National Water Service Commission of Malaysia (SPAN). Recently, MSEA has successfully migrated to latest product certification ISO 16422:2014 to enhance the product quality.

In 2017, MSEA has proudly achieved another milestones in obtaining ISO 9001:2015 Quality Management System by Lloyd's Register. In line with Government's Green and Eco-friendly efforts in National Transformation (TN50), MSEA has also taken approach and conscious efforts in its contribution to the environment by getting HYPRO® PVC-O pipes certified under SIRIM Eco-Label 054:2016. HYPRO® PVC-O pipe is the first pipe product in Malaysia to receive this ECO-Label licence on 30 March 2018. This means that our products, when done purposefully, can help reduce energy use, save fresh water, reduce carbon emissions, and more.



As part of MSEA role in developing and promoting the water industry through the use of high technology products, MSEA has engaged actively with the industry stakeholders through organizing various technical seminars with Institution of Engineers Malaysia (IEM), Malaysian Water Association (MWA) and Jawatankuasa Tindakan Jurutera-Jurutera Air Daerah Se Malaysia (JTJAD).

To-date, HYPRO® PVC-O pipes are used in more than 270 km of pipe installation projects, providing clean water to the people of Malaysia. MSEA is poised to expand its market presence in South East Asia as the catalyst of growth.



*HYPRO® PVC-O for water supply project in Kelantan*



*HYPRO® PVC-O for water supply project in Johor*



*Plant Visit in Gebeng*



*HYPRO® PVC-O for paddy granny irrigation project in Sarawak*



*Product knowledge sharing session for HYPRO® PVC-O*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Dato' Fu Ah Kiow @

### Oh (Fu) Soon Guan

Chairman –

Independent Non-Executive Director

### Dato' Wong Swee Yee

Non-Independent Managing Director

### Datin Goh Hooi Yin

Non-Independent Executive Director

### Datuk Dr Soh Chai Hock

### @ Soh Hai San

Independent Non-Executive Director

### Dato' Ir Low Keng Kok

Independent Non-Executive Director

### Mr Chan Seng Fatt

Independent Non-Executive Director

### Mr Chong Kwea Seng

Independent Non-Executive Director

## COMPANY SECRETARIES

Ms Tai Yit Chan (MAICSA 7009143)

Ms Tan Sei Ling (MAICSA 7002302)

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

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Selangor Darul Ehsan

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## HEAD OFFICE & REGISTERED OFFICE

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## FIRE SERVICES DIVISION

### Manufacturing & Trading

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Fax : 603 6275 2780

Email : fdb@fittersgroup.com

## M&E Engineering Services

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## CMS/Maintenance Services

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Fax : 603 6275 8692

Email : mps@fittersgroup.com

## PROPERTY DEVELOPMENT & CONSTRUCTION

Contact : Mr S K Gan

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Fax : 603 6277 7106

Email : zetapark@fittersgroup.com

## RENEWABLE & WASTE-TO-ENERGY/GREEN MILL

Contact : Mr S K Gan

Tel : 603 6277 2200

Fax : 603 6272 1535

Email : enquiry@futurenrg.net

## HYPRO® PVC-O PIPES

Contact : En Farid Mohamed Nor

Tel : 603 6276 7155

Fax : 603 6275 1378

Email : inquiry@molecorsea.com

## BRANCH OFFICES

### Northern:

66B Lintang Angsana

Bandar Baru Ayer Itam

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Contact : Mr Tee Joo Seng

Tel : 604 8290 734

Fax : 604 8290 731

Email : penang@fittersgroup.com

### Central:

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Taman Bandaraya Utama

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Fax : 605 5477 623

Email : ipoh@fittersgroup.com

### Southern:

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Taman Daya, 81100 Johor Bahru

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Fax : 607 3530 062

Email : johor@fittersgroup.com

## Sarawak

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Jalan Simpang Tiga

93300 Kuching, Sarawak

Tel : 6082 250 221

Fax : 6082 256 221

Email : sarawaku@fittersgroup.com

## Singapore

83 Genting Lane #06-01

Singapore 349568

Contact : Mr Pernod Sim

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Fax : 02 6741 4173

Email : adminsg@fittersgroup.com

## AUDITORS

Baker Tilly Monteiro Heng

Baker Tilly MH Tower

Level 10, Tower 1, Avenue 5

Bangsar South City

59200 Kuala Lumpur

Tel : 603 2297 1000

Fax : 603 2282 9980

## PRINCIPAL BANKERS

AmBank (M) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

HSBC Bank Malaysia Berhad

Industrial and Commercial Bank of

China (Malaysia) Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

United Overseas Bank (M) Berhad

## SOLICITORS

Gan & Zul

Azwar & Associates

H.S. Tay, Baharin & Partners

Raj, Ong & Yudistra

Soon Eng Thy & Co

## WEBSITE

<http://www.fittersgroup.com>

## STOCK EXCHANGE LISTING

Main Market of

Bursa Malaysia Securities Berhad

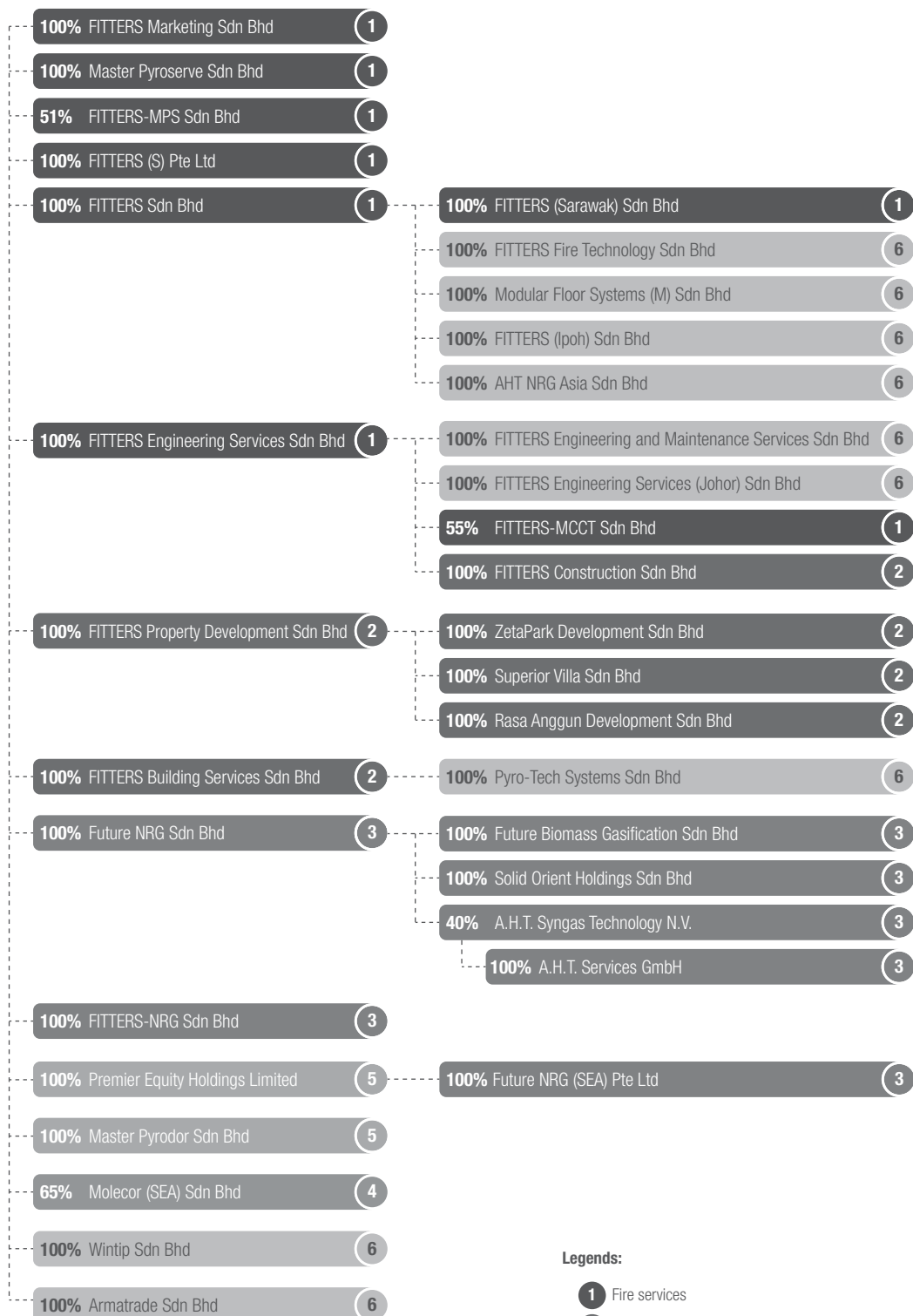
Stock Name : FITTERS

Stock Code : 9318

Warrant Name : FITTERS-WB

Stock Code : 9318WB

# CORPORATE STRUCTURE



## Legends:

- 1 Fire services
- 2 Property development & construction
- 3 Renewable & waste-to-energy & green palm oil mill
- 4 HYPRO® PVC-O pipes manufacturing & distribution
- 5 Investment holding
- 6 Ceased operations/dormant

# CHAIRMAN'S STATEMENT



***Dear Valued Shareholders,***

*On behalf of the Board of Directors,  
I am pleased to present to you the  
Annual Report and the Audited  
Financial Statements for the year  
ended 31 December 2017 (FY2017).*

## **FINANCIAL REVIEW**

Overall the Group achieved a revenue of RM303.4 million and an operational profit before tax of RM4.7 million. However, with the disposal of our investment in China, Liangshan Future NRG Biology Electric Power Co., Ltd under the Renewable Energy Division, the Group suffered a net loss after tax of RM3.4 million. The performance of the various divisions under the Group managed to persevere in the face of a challenging business environment characterised by uncertainties, stricter legislations and low profit margins due to intense competition.

The Fire Services Division remains profitable but experienced a decline in revenue and profit. This division was affected by stiff competition from new players in the market. On the M&E division, project launches are delayed due to the uncertainties in the construction industry. The situation was further marred by undercutting in tender prices by competitors especially new entrants in the industry. This division will continue its efforts to increase its revenue stream through greater participation in cross sectoral projects and not limiting its focus in the building and construction sector to remain profitable.

The Property & Construction division record of lower turnover and profit was mainly due to the challenging property sector and the division did not launch any new project in FY 2017. However, the division will progress with the work of the RM97.8 million project management and construction contract which is expected to be a key contributor to the Group's profitability for FY 2018. The division also expects to begin with Phase 2 of this contract valued at RM81.5 million in the second half of 2018.

The Renewable and Waste-to-Energy has seen a positive turnaround in the year 2017 with the palm oil mill recording operating profits. The 2-Megawatt Biogas facility was successfully commissioned together with the final Acceptance Test and Performance Assessment conducted by Sustainable Energy Development Authority Malaysia (SEDA). This facility had received approval from the Sustainable Energy Development Authority of Malaysia to start the Feed-in Tariff to the national grid for 16 years effective 31 March 2018. This marks a milestone and achievement by FITTERS in becoming a player in green technology, producing clean sustainable energy.

The performance of our eco-friendly HYPRO® PVC-O Pipes Manufacturing & Distribution Division under Molecor continued to record losses. The management and marketing team had made break-through with higher acceptance of the HYPRO® PVC-O pipes in many states throughout Malaysia. The management has revised the marketing strategy to break into non-traditional market segments and to ensure repeat orders from existing clients.

# CHAIRMAN'S STATEMENT

(cont'd)

## CORPORATE SOCIAL RESPONSIBILITY

FITTERS Group continues to be listed as a responsible corporate citizen through our activities and businesses modelled to have a positive impact at the workplace, community and the environment.

The management continues in placing employee welfare at the forefront, as we recognise human capital is the backbone and the very soul of the organisation. Management has strived to motivate staff at every level in achieving their given targets/budgets of their divisions, which in turn contributes to the Group's common goal. FITTERS Sports Club in fostering teamwork through their various activities, has been instrumental in complimenting management efforts to encourage effective and open communication to enhance interpersonal relationships. At FITTERS, a balanced and healthy lifestyle is promoted for the staff and management alike.

At the community level, the group continued with the "One-Home-One-Extinguisher" and One-Car-One Extinguisher" campaign towards creating an overall awareness on fire safety and prevention with emphasis that the first line of defence starts with the individual.

The Group's Biogas/Long Fibre plant at Kuala Ketil Green Palm Oil Mill is an example of turning industrial waste to clean energy and useful products, hence reducing pollution and carbon emission. In addition, our Future-NRG Sendayan facility, through the use of Ozonation Technology, has been able to reduce toxic medical waste to harmless waste which is another FITTERS' corporate responsibility towards improving the environment.

## FUTURE OUTLOOK WITHIN THE FRAMEWORK OF CORPORATE GOVERNANCE

The Board has always subscribed to the attainment of the highest standards of business ethics, transparency, professionalism and accountability across all the activities that the Group is engaged in. All this has been carried out in strict adherence to the requirements and the standards set by the authorities for good corporate governance.

While the overall business outlook for 2018 is expected to improve modestly together with the global economy, the local economy which has been characterised by slowdown and project delays; continue to be even more challenging, especially so for the sectors that FITTERS is engaged in. The Group shall remain resilient in the face of these adversities and had put in place strategies to manage costs and enhance revenue performance in the core business areas.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to extend our thanks to the shareholders, financiers, suppliers and contractors, and the various government authorities for the support and assistance provided towards propelling the Group's performance towards greater heights.

I wish to thank my fellow colleagues on the Board for your contribution and support, and I look forward to your continued active participation. I would like to take this opportunity to express my sincere thanks and appreciation to En. Zahedi Bin Hj. Mohd. Zain, who retired from the Board as an Independent Non-Executive Director by not seeking re-election at the last Annual General Meeting. During his years of service as a Member of the Board, En. Zahedi's contributions have been nothing short of invaluable. Last but not least, the Board wish to thank the management and staff of the Group for your continued loyalty, commitment and dedication.

**DATO' FU AH KIW**

*Chairman*

10 April 2018

# MANAGEMENT DISCUSSION & ANALYSIS

FITTERS is a diversified group engaged in the following core businesses:

- Fire Services
- Property Development & Construction
- Renewable & Waste-to-Energy and Green Palm Oil Mill
- HYPRO® PVC-O Pipes Manufacturing & Distribution

## FIRE SERVICES DIVISION

Fire Services Division continued to contribute positively to FITTERS Group's revenue generation and profitability for the year ending 2017. The division registered a decrease in revenue from RM171.5 million in the previous financial year to RM119.3 million for the financial year ended 31 December 2017. This was primarily due to the Mechanical & Electrical Services ("M&E") division's delay in project works commencement which was the phenomenon in the market. The situation was further impacted with reduced margins and entrance of new players in the already competitive sector. Meanwhile, the division also recorded a slight decrease in sales revenue from its fire door manufacturing and fire equipment businesses.

The sales of fire safety apparels and foam has improved from previous year as the marketing team expand its strategies to penetrate into other market segments apart from the oil and gas industry. The division's Computerised Fire Alarm Monitoring System ("CMS") went through a challenging year as a result of the appointment of a new service provider by Jabatan Bomba dan Penyelamat Malaysia (JBPM). The FITTERS Group is currently engaging with JBPM to resolve the impasse and disruption created by the new entrant towards an amicable solution. The overall increase in the number of premises requiring CMS services has been sluggish with the overall slowdown in the construction industry.

Moving forward, the Group expects its fire door manufacturing and trading businesses to maintain its revenue growth momentum while its M&E business continues its efforts to expand the order book.

## PROPERTY DEVELOPMENT & CONSTRUCTION

For the financial year under review, the Property Development & Construction Division reported a lower turnover and profit before tax ("PBT") of RM14.3 million and RM3.4 million respectively, a decrease of 44% in PBT from RM7.7 million in the preceding year mainly due to finalisation of Zeta DeSkye project in year 2016 and lower construction income at the initial stage of work from its construction projects.

FITTERS Construction Sdn Bhd (FCSB), secured the RM97.8 million project management and Construction (PMC) contract for a residential development of 338 units of 2-storey & 3-storey terrace houses in the vicinity of Bukit Rahman Putra. The project known as Azalea@Taman Putra commenced in October 2017 and is targeted to be completed in year 2019. This project is expected to be a key contributor to the group's profitability for FYE 2018. For the second phase, also a residential development for 2-storey and 3-storey terrace houses, FCSB has secured another RM81.5 million PMC contract. This project is scheduled to kick-off in the second half of 2018.

Meanwhile, FITTERS Building Services Sdn Bhd ("FBS"), a wholly owned subsidiary had in December 2017 resolved an impasse with the previous management committee of Plaza Pekeliling. It is currently preparing the necessary planning activities and submissions to the authorities to enable redevelopment of the Plaza Pekeliling Global Tower Block.

## RENEWABLE & WASTE-TO-ENERGY & GREEN PALM OIL MILL

The Renewable and Waste-to-Energy division has seen a positive turnaround in the year 2017 with the Green Palm Oil Mill operations under Solid Orient Holdings Sdn Bhd ("SOH") recording operating profits. For the financial year ended 31 December 2017, SOH recorded a revenue of RM165.5 million as compared to the revenue of RM152.6 million in the previous financial year. The increase in revenue was mainly due to the higher throughput processed coupled with higher palm products' prices. With the stringent measures implemented during the year to enhance its operational efficiency, SOH registered an encouraging pre-tax profit of RM3.08 million as compared to a pre-tax profit of RM0.4 million in the previous financial year. The management will continue with its concerted efforts to further improve on the mill efficiency, lower operating costs and focus on its capacity upgrade from 60 tonne to 90 tonne.



# MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

The 2-Megawatt Biogas Capture and Power Plant was successfully commissioned together with the final Acceptance Test and Performance Assessment conducted by Sustainable Energy Development Authority Malaysia (SEDA). The Plant had received approval from the Sustainable Energy Development Authority of Malaysia to start the Feed-in Tariff of RM0.4669 per kilowatt hour to the national grid for 16 years effective 31 March 2018. This marks a milestone and achievement by FITTERS in becoming a player in green technology, producing clean sustainable energy. The plant is expected to contribute positively to the performance of the division.

The Biogas Capture and Power Plant received pioneer status approval from the Malaysian Investment Development Authority, which allows FBG to enjoy 100% tax exemption for 10 years for the sale of renewable electricity generated from biogas.

Future NRG Sdn Bhd ("FNRG"), commissioned the Sendayan medical waste treatment plant that uses the latest Ozone Medical Waste Treatment process for the sterilisation of the medical waste generated from private healthcare facilities in Peninsular Malaysia in October 2017. The ozone medical waste treatment plant does not generate any forms of pollutants that could degrade the environment because there is no consumption of chemicals or fuels in the process. There is no emission of greenhouse gas as the process does not use any form of thermal heating or burning, therefore making this a truly environmental friendly solution. The Sendayan medical waste treatment plant has GTFS certification by the Malaysian Green Technology Corporation and has Pioneer Status approval from MIDA. FNRG is currently studying the possibility for long-term collaboration with other licensee towards cutting operating costs and optimisation of resources.

Meanwhile, the management is exploring the possibility of using the gasifier acquired by AHT-NRG Asia Sdn Bhd for a research subject by collaborating with a local University towards developing a model that can be suited for locally available feedstock to fuel the gasifier for power generation.

## **HYPRO® ORIENTED PVC (PVC-O) PIPES MANUFACTURING & DISTRIBUTION**

Molecor (SEA) Sdn Bhd ("MSEA") is jointly owned by FITTERS Diversified Berhad (65%), Sanlens Sdn Bhd (25%) and Molecor Tecnologia S.L. (10%). Molecor Tecnologia S.L., our principal and technology partner for this venture, is the world leader in the research and development of molecular orientation using air system to produce high quality and reliable PVC-O products for conveyance of water under pressure.

During the year under review, MSEA registered a lower revenue and higher loss of RM13.1 million and RM7.1 million respectively as compared to a revenue of RM14.2 million and a loss of RM5.9 million in the previous financial year. The higher loss is attributed to lower gross margin in the view to gain more market acceptance of the new product. Notwithstanding that, MSEA has been actively involved in key exhibitions, roadshows and technical symposiums to promote, reach out and gain wider acceptance of HYPRO® PVC-O as product of choice, with greater technical and commercial emphasis to expand more applications in the water industry. Ultimately, these efforts are to create opportunity for PVC-O to be used in a larger project base such as pipe replacement program. To-date, MSEA has sign-up annual supply agreements with SAJ Ranhill Sdn Bhd for Johor and Syarikat Air Negeri Sembilan Sdn Bhd, and a few more projects are under discussion. As the market is gaining momentum domestically, marketing ground work with strategic local partners were also spread out to the ASEAN region to tap the growing water infrastructure development in these countries.

A few key strategic initiatives were carried out to strengthen the manufacturing operations and product certification such as ISO 9001:2015 Quality Management System by Lloyd's Register and SIRIM ECO 054:2016 Label. The latter is a testimony to market-position HYPRO® PVC-O pipes as a green product. MSEA is also working closely with the regulatory body to provide our stakeholders with the latest guidelines and listing of PVC-O products in the industry manuals.

With the onset of 2018 and beyond, the Malaysian Government is implementing new strategies to ensure the water industry in the country is financially sustainable and adopt the increasing demands for customer service and environment. However, water infrastructure projects in Malaysia have to move cautiously mainly due to the government's fiscal constraints. Within this business environment, value-for-money and fit-for-function products remain the determinant factor in the piping project decision. MSEA strongly believe that HYPRO® PVC-O eco-friendly product has the ability to fulfil the requirements of the market.

## SUSTAINABILITY STATEMENT

The management of FITTERS Diversified Berhad (“FITTERS”) and its subsidiaries (“Group”) have always been mindful of the challenges of global warming due to the greenhouse effect. As many governments have been and/or are planning environmental policies seeking greener and environmentally friendly solutions to apply in all areas and so maintain a proper sustainable development of the available resources, FITTERS has consciously planned the Group’s growth to fulfil this social aspect before it is deemed mandatory by the relevant authorities. The aim of 2015 COP21 (2015 Paris Climate Conference) is to keep global warming below 2°C. FITTERS’ contribution to this aim, albeit small is through the introduction of its Green Mill solution at its Kuala Ketil palm oil mill processing plant and its state-of-the-art eco-friendly PVC-O pipes manufacturing facility in Gebeng, Pahang; focusing on the reduction of greenhouse gas emissions.

Future NRG Sdn Bhd (“FNRG”) has invested into technologies for the palm oil mill under its subsidiary, Solid Orient Holdings Sdn Bhd to positively impact the Group’s carbon footprint. With the installation of a new and more efficient high pressure boiler coupled to a higher capacity steam turbine for more efficient utilisation of oil palm biomass to generate energy in the form of steam and electricity for the green milling process.

With its “Green Mill Solution”, FNRG has adopted further green activities to better manage the palm oil mill waste from both (i) Empty Fruit Bunch (“EFB”) and (ii) Palm Oil Mill Effluent (“POME”).

- (i) Conventional disposal methods of EFB such as incineration, open dumping and mulching; contributes to environmental damage either directly or indirectly. FNRG’s mill processes and converts the EFB (essentially Biomass Waste) into Dry Long Fibre (“DLF”). The DLF Plant is powered by energy supplied from our high pressure boiler and steam turbine. DLF produced from its Green Mill is being exported for use in production of mattresses, cushions, erosion control mats etc.
- (ii) POME – THE FUEL for BIOGAS PLANT supplying Clean Electricity to the Tenaga Nasional Berhad (“TNB”) Grid.

The biogas capture plant for the POME comprising of anaerobic digesters avoids the uncontrolled release of biogas from the existing POME treatment ponds directly to the atmosphere, as conventional practice dictates. Methane, which is a major component of the biogas (55-60% by volume) is a potent greenhouse gas which is 21 times more potent than CO<sub>2</sub>.

FNRG invested in state-of-the art technology to set up a 2 MegaWatt capacity biogas capture and power plant under its subsidiary Future Biomass Gasification Sdn Bhd. While enabling total emission reductions (from the biogas capture plant of approximately 46,086 tCO<sub>2</sub>e per year); the generation of clean renewable electricity from biogas to the TNB grid, also displaces electricity generated by conventional fossil fuel power plants thereby further reducing emissions of CO<sub>2</sub> to the atmosphere.

FITTERS, through its subsidiary Molecor (SEA) Sdn Bhd, further contributes to the green and sustainability effort through its product offering of new generation eco-friendly Oriented Unplasticised Polyvinyl (PVC-O) products to the water and sewerage industry.

The usage of PVC-O pipes for the transport of water under pressure is arguably the most green and sustainable option currently in the market due to the use of organic and non-toxic material to construct the pipes, lower energy consumption in the manufacturing stage, fully recoverable and recyclable raw materials used during production, less usage of heavy machinery during installation, lower pumping energy consumption to transport water during operation, and the product has design durability up to 50 years of useful life, hence reducing frequent pipe replacement. As a result, the greenhouse gas emission is significantly reduced by 48% in comparison to the application using other traditional pipe materials.

Molecor HYPRO® obtained the prestigious SIRIM ECO 054:2016 certification under Eco-Label Licence for eco-friendly PVC-O pipes and joints on 30 March 2018 from SIRIM QAS International Sdn Bhd. HYPRO® PVC-O pipe is the first pipe product in Malaysia to receive such recognition, which serves as a testimony of our commitment towards a greener environment. It is proven worldwide that our eco-friendly PVC-O pipes meet the demands and expectations of sustainable water, a strong proponent in supporting the worldwide efforts towards United Nations’ Sustainable Development Goal 6 (SDG 6) – Clean Water and Sanitation.

At the Group’s administrative level, a conscious effort is made towards contributing to the reduction in carbon footprint. The usage of paper and printing (hardcopies) has been drastically cut down with the ongoing 3R campaign i.e. REUSE, REDUCE and RECYCLE. Wherever possible, inter-division and inter-company communication is carried out via email and electronic/digital signatures for approvals have been introduced. FITTERS has also invested in IT technology and enterprise software management system where most operational information/data are stored electronically; supported by a rigorous backup procedure. The management has depicted its commitment to reduction in the carbon footprint from top down, with all meetings being conducted paperless. At the Board level, the Group is moving towards digital Board “papers” where relevant.

## PROFILE OF DIRECTORS

### **DATO' FU AH KIW @ OH (FU) SOON GUAN**

*Chairman, Independent Non-Executive Director*

*Aged 69, Malaysian, Male*

*Appointed on 20 June 2014*

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan holds a Bachelor of Science (Honours) degree in Physics from University of Malaya and a Master's degree in Industrial Engineering and Management Science from Cranfield University, United Kingdom.

He has more than 13 years of distinguished service in the Malaysian Government. He was elected a Member of Parliament in 1995 and was Deputy Minister in several ministries prior to his retirement in 2008. Before joining the Government, Dato' Fu had worked as an engineer and in various managerial roles, with multinational companies, and later founded and successfully managed companies engaged in construction and M&E engineering services.

Currently, he is also on the Board as Chairman of Tiong Nam Logistics Holdings Berhad and the Star Media Group Berhad.

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

### **DATO' WONG SWEE YEE**

*Managing Director, Executive Non-Independent Director*

*Aged 60, Malaysian, Male*

*Appointed on 18 January 1986*

Dato' Wong Swee Yee is the founder of the Company and is the Chairman of the Executive Committee and a member of the Remuneration Committee.

He is an Associate Member of Harvard Business School Alumni Club of Malaysia.

Having been actively involved in the fire safety and prevention industry since 1979, and as the founder of the Company, he has been instrumental in the growth of FITTERS Group over the years. His visionary entrepreneurial skills, passion and foresight had led the Company to move into both, upstream and downstream activities in the fire fighting industry. He has also contributed greatly to the fire safety industry by introducing state-of-the-art technology to Malaysia and through the set-up of a comprehensive network of distributorship rights for specialised fire fighting equipment and systems for FITTERS. Over the past few years, he has been instrumental in taking the Group to greater heights, by diversifying into new areas of property development, renewable, waste-to-energy & green palm oil mill and recently into innovative PVC-O pipes manufacturing and distribution.

Currently, he is also a Board Member of AHT Syngas Technology N.V., a company incorporated in the Netherlands and listed on the Frankfurt Stock Exchange, Germany. He has no other directorship in other public companies and listed issuers. Datin Goh Hooi Yin, his spouse, is also a member of the Board. Save for recurrent related party transactions noted in the Annual Report, he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

## PROFILE OF DIRECTORS

(cont'd)

### **DATIN GOH HOUI YIN**

*Executive Non-Independent Director  
Aged 57, Malaysian, Female  
Appointed on 15 December 2008*

Datin Goh Hooi Yin is a member of the Executive Committee and Risk Management Committee. She holds a Bachelor of Science (Mathematics), First Class Honours degree from University of Malaya.

She started her career as an analyst with an insurance IT company. She subsequently joined an IT organization and effectively served in various positions spanning across sales & marketing, project management, consulting, customer service and profit centre managerial responsibilities. She joined the Group's subsidiary (Master Pyroserve Sdn Bhd) for a period of 3 years, assisting in the ISO accreditation and overseeing the maintenance operations.

She has no other directorship in other public companies and listed issuers. She is the spouse of Dato' Wong Swee Yee, the Managing Director and a substantial shareholder of the Company. Save for recurrent related party transactions noted in the Annual Report, she does not have any conflict of interest with the Company. She has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year ended 31 December 2017.

### **DATUK DR. SOH CHAI HOCK @ SOH HAI SAN**

*Independent Non-Executive Director  
Aged 73, Malaysian, Male  
Appointed on 1 April 2011*

Datuk Dr. Soh Chai Hock is the Chairman of the Nominating Committee and Remuneration Committee.

He is a Fellow of the Institution of Fire Engineers United Kingdom. He retired as Director-General of the Malaysian Fire and Rescue after transforming the Corps into a multi-skill organization with land, water and air emergency response capabilities.

Datuk Dr. Soh Chai Hock is an advisor and consultant to various international public and private organizations, with more than 50 years' experience in Emergency Management. He is the Fire Defence Expert for the Asian Productivity Organization, Tokyo, Japan which is an inter-governmental organization that aids the socio-economic development of 20 countries in the Asia Pacific region. He was a member of the United Nations Fire Expert Committee, Geneva, Switzerland, and an Adjunct Professor for the Master of Science program in University Putra, Malaysia. He is the Chief Editor for the "Guide for Fire Protection in Malaysia". He was appointed as National Chairman of the Fire Prevention Council of Malaysia, where the Patron is the Minister of Urban Well-being, Housing and Local Government.

Datuk Dr. Soh Chai Hock was a Director of Proton Automobil (M) Sdn Bhd, Proton Edar Sdn Bhd, Asia Insurance (M) Bhd. In 2017 he was appointed as member of the Commission of Enquiry for the fire disaster in Sultanah Aminah Hospital in Johore Bahru.

At present, he has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

## PROFILE OF DIRECTORS

(cont'd)

### **DATO' IR. LOW KENG KOK**

*Independent Non-Executive Director  
Aged 63, Malaysian, Male  
Appointed on 21 November 2012*

Dato' Ir. Low Keng Kok is a member of the Audit Committee.

He graduated from University of Malaya with a Bachelors of Engineering (Honours) Degree in Civil Engineering. He is a Chartered Engineer and a Chartered Environmentalist (UK). He is a Fellow of the Institute of Engineers Malaysia and Institute of Highways and Transportation (UK). He is a corporate member of the Institute of Water and Environmental Management (UK) and the Institute of Civil Engineers, UK (M.I.C.E.).

Dato' Low has more than 39 years of experience in the management of buildings, infrastructure and privatisation projects. He was the Managing Director of Road Builder (M) Holdings Berhad from 1998 to 2007.

Currently, he is the Chairman of Fajarbaru Builder Group Berhad and a Director of Universiti Teknologi Malaysia (UTM).

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

### **MR CHAN SENG FATT**

*Independent Non-Executive Director  
Aged 54, Malaysian, Male  
Appointed on 20 June 2014*

Mr Chan Seng Fatt is a Chartered Accountant of The Malaysian Institute Of Accountants. He is the Chairman of the Audit Committee, Risk Management Committee and the Long-Term Incentive Plan Committee. He is also a member of the Nominating Committee and Remuneration Committee.

Mr Chan has an extensive career exposure spanning more than 30 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation & general management.

He was the Chief Executive Officer of Tradewinds Plantation Berhad, a position which he had held for 5 years from 2007-2012. Prior to joining Tradewinds Group, he had held several senior positions in various public and private companies.

Mr Chan is also an Independent Non-Executive Director and the Chairman of the Audit Committee and Risk Management Committee of Salcon Berhad.

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

## PROFILE OF DIRECTORS

(cont'd)

### **MR CHONG KWEA SENG**

*Independent Non-Executive Director*

*Aged 63, Malaysian, Male*

*Appointed on 15 February 2017*

Mr Chong Kwea Seng is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

He obtained a Diploma in Mechanical Engineering from University Teknologi Malaysia and later graduated from Heriot-Watt University, United Kingdom, with a Bachelor of Science in Mechanical Engineering with First Class Honours for both qualifications.

He held various positions since he commenced employment in 1978. In 2002, he was promoted to Sales Director before his appointment as Managing Director of Sime Darby Industrial Sdn Bhd (previously known as Tractors Malaysia) in July 2006. In July 2006, he was also made the Managing Director of China Engineers Ltd (CEL), Sime Darby's Caterpillar Dealer in Hong Kong and China.

His global experience gave him an outstanding opportunity to interact with world class principals from USA, Japan and Europe as he was able to chair many of these successful joint venture companies with Sime Darby Industrial.

The two stints as CEO in China also gave him a unique opportunity to witness business growth of unprecedented proportions and dealt with the associated challenges. During the span of his career he has won numerous recognitions and awards including Caterpillar's inaugural Global Excellence Award in 2015.

Currently, he is also a Director of Hap Seng Plantations Holdings Berhad.

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

## PROFILE OF KEY SENIOR MANAGEMENT

### **DATO' WONG SWEE YEE**

*Managing Director, FITTERS Diversified Berhad  
Aged 60, Malaysian, Male*

The profile of Dato' Wong Swee Yee is stated in the Board of Directors' Profile on page 17 of the Annual Report.

### **DATIN GOH HOUI YIN**

*Executive Director, FITTERS Diversified Berhad  
Aged 57, Malaysian, Female*

The profile of Datin Goh Hooi Yin is stated in the Board of Directors' Profile on page 18 of the Annual Report.

### **CHIN YONG SHING**

*Executive Director, FITTERS Engineering Services Sdn Bhd  
Aged 49, Malaysian, Male*

Mr Chin Yong Shing graduated from Polytechnic of Wales (UK) with a Bachelor of (Mechanical) Engineering.

He started his career as a Project Engineer at FITTERS Engineering Services Sdn Bhd ("FESSB"), a wholly owned subsidiary of FITTERS Diversified Berhad, on 15 October 1992. He was promoted to Project Manager in 1998 and to General Manager in 2010. Mr Chin Yong Shing is currently the Executive Director of FESSB, a position he holds since 2014.

He has no directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years and there were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

### **GAN SOON KIEAN**

*Executive Director, FITTERS Construction Sdn Bhd  
Aged 46, Malaysian, Male*

Mr Gan Soon Kiean holds a Bachelor Degree in Civil Engineering from University Teknologi Malaysia.

He started his career as a Planning Engineer at Sunway Construction Sdn Bhd in 1995 and subsequently joined a few other companies as Design Engineer, Project Engineer and Project Manager. He was engaged as the Resident Engineer for ZetaPark Development Sdn Bhd, a wholly owned subsidiary of FITTERS Diversified Berhad, in 2011. Mr Gan Soon Kiean is currently the Executive Director of FITTERS Construction Sdn Bhd, a position he holds since 1 July 2013. He was appointed as a director of Future NRG Sdn Bhd, a wholly owned subsidiary of FITTERS Diversified Berhad, on 31 December 2016.

He has no directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years and there were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.

## PROFILE OF KEY SENIOR MANAGEMENT

(cont'd)

### **MOHD FARID MOHAMED NOR**

*Chief Executive Officer, Molecor (SEA) Sdn Bhd  
Aged 42, Malaysian, Male*

Encik Mohd Farid Mohamed Nor graduated with a Bachelor of (Mechanical) Engineering from Imperial College of Science, Technology and Medicine, UK. He is a registered member of the Board of Engineers Malaysia, Associate Member of the Institution of Mechanical Engineers UK and the City & Guild Institute UK.

He started his career in 2002 at Sauber PETRONAS Engineering AG in Switzerland as a structural engineer. Upon his return to Malaysia in 2005, he served PETRONAS group of companies in technical professionals for the oil and gas industry, where he holds several leadership roles in research, technology and engineering services until 2014. He joined Molecor (SEA) Sdn Bhd ("MSEA"), a subsidiary of FITTERS Diversified Berhad on 1 April 2014 as Chief Operating Officer and was appointed as a director of MSEA on 1 July 2016, and subsequently as Chief Executive Officer on 1 November 2017.

He has no directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years and there were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2017.



## GROUP FINANCIAL SUMMARY

Financial Year Ended 31 December	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	303,404	366,076	382,486	347,284	472,500
Profit/(Loss) before tax	4,711	(75)	16,026	42,157	55,831
Income tax expense	(4,671)	(5,284)	(7,988)	(12,751)	(16,339)
Profit/(Loss) for the financial year from continuing operations	40	(5,359)	8,038	29,406	39,492
Loss for the financial year from discontinued operation, net of tax	(3,419)	(1,100)	(1,167)	-	-
(Loss)/Profit for the financial year	(3,379)	(6,459)	6,871	29,406	39,492
Non-controlling interests	2,955	2,159	2,407	690	(277)
(Loss)/Profit attributable to owners of the Company	(424)	(4,300)	9,278	30,096	39,215
Share capital	240,366	240,248	240,130	240,130	155,929
Share premium	-	118	-	-	2,863
Treasury shares	(11,663)	(5,330)	(364)	-	(10,278)
Other reserves	30,856	35,211	36,162	30,273	29,949
Retained earnings	83,577	83,907	90,972	84,484	103,529
Shareholders' funds	343,136	354,154	366,900	354,887	281,992
Property, plant and equipment	244,189	235,811	245,940	218,460	148,459
Investment properties	1,321	683	712	740	528
Intangible assets	5,684	5,684	5,684	4,360	4,360
Land use rights	-	-	5,336	4,501	4,491
Investment in associate	-	-	7,330	-	-
Investment securities	2,321	2,321	20,904	21,541	21,541
Deferred tax assets	479	1,111	-	-	-
Non-current trade and other receivables	33,599	4,117	2,437	2,693	1,311
Current assets	267,700	361,517	352,674	289,983	283,684
Total assets	555,293	611,244	641,017	542,278	464,374
Loans and borrowings	134,924	174,399	173,390	98,528	79,714
Net assets	343,136	354,154	366,900	354,887	281,992
Net assets per share (sen)	75.92	75.70	76.52	73.89	95.37
Weighted average number of ordinary shares in issue ('000)	460,958	476,339	480,083	451,874	291,434
Basic (loss)/earnings per share (sen)	(0.09)	(0.90)	1.93	6.66	13.46

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of FITTERS Diversified Berhad (the “Company” or “FITTERS”) recognises the importance of good corporate governance and is committed in ensuring the sustainability of the Company’s business and operations through maintaining good governance ethics as promulgated by the Malaysian Code on Corporate Governance 2017 (“MCCG”). The Board believes that maintaining good corporate governance is essential to delivering stakeholders’ value. Accordingly, it is the Board’s responsibility to ensure that the principles and best practices in corporate governance as set out in the MCCG are observed and practiced throughout the Company and its subsidiaries (“Group”).

In making this Corporate Governance Overview Statement, the Company is guided by Practice Note 9 of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Berhad. The Corporate Governance Overview Statement is supported with a Corporate Governance Report, based on a prescribed format as outlined in paragraph 15.25(2) of the MMLR so as to map the application of the Company’s corporate governance practices against the MCCG. The Corporate Governance Report is available on the Company’s website, [www.fittersgroup.com](http://www.fittersgroup.com) as well as via an announcement on the website of Bursa Securities.

Set forth below is a summary of the corporate governance practices as set out in the MCCG on three (3) key Principles have been applied by the Group during the financial year.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

#### 1. Clear role and responsibilities

The Company is led and managed by a pro-active Board that is able to provide effective leadership and assumes full responsibilities for the overall performance of the Group by setting strategic plans and policies for the Company and overseeing the conduct of the Company’s businesses and financial reporting. The Board also focuses on reviewing the adequacy and effectiveness of the Company’s internal control systems and management information system, management and staff succession planning, identifying key risks and ensuring implementation of appropriate systems to manage these risks and developing shareholder’s communication policy for the Company. The concepts of transparency, accountability and integrity continue to form the foundation on which the Board discharges its duties.

The Board’s role and responsibilities are set out clearly in the Board Charter.

The Board assumes, amongst others, the following duties and responsibilities:

- (a) together with senior management, promote good corporate governance culture with the Group which enforces ethical, prudent and professional behavior;
- (b) review, challenge and decide on management’s proposal for the Group, and monitor its implementation by management;
- (c) ensure it supports long-term value creation and includes strategies on economic, environmental and social consideration underpinning sustainability;
- (d) supervise and assess management performance to determine whether the business is properly managed;
- (e) ensure there is a sound framework for internal controls and risk management;
- (f) understand the principal risks of the Group’s business and recognise that business decisions involve the taking of appropriate risk;
- (g) set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (h) ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management;
- (i) ensure that the Group has in place procedures to enable effective communication with stakeholders;
- (j) ensure the integrity of the Group’s financial and non-financial reporting;
- (k) where the Board delegates any of its responsibilities, regular review of the division of responsibilities should be conducted to ensure that the Group is able to adapt to changing business circumstance;
- (l) set the tone and standards of the Group through the Code of Conduct and Ethics which should be periodically reviewed;
- (m) establishes, reviews and together with management implements policies and procedures on whistleblowing; and
- (n) provide an overview of the application of the Principles set out in the MCCG in its annual report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

#### 1. Clear role and responsibilities (cont'd)

For day-to-day operations, the Board has delegated authorities and power to the Management that led by the Managing Director and Executive Director. The Managing Director and Executive Director command their own respective functions to ensure the smooth running of the Company's operations. The Managing Director and Executive Director are responsible for the implementation of board policies approved by the Board and are required to report and discuss at Board meetings all material issues currently or potentially affecting the Group's performance and its directions, projects and regulatory conformance.

The Board maintains a supervisory control over management through the participation of Executive Directors in the Executive Committee ("EXCO") which ensures implementation of standard operating procedures and efficient management of the Group.

The EXCO is the principal decision making body for the day-to-day operational matters that cannot be dealt with by the respective operational heads due to the significance and/or magnitude of the issue or transaction involved.

The EXCO's functions are to:

- (a) Review operational and financial performance of all operating units;
- (b) Discuss operational issues, business development, business plans and budgets, personnel and all matters relating to the running of the operating units;
- (c) Act as a check and balance for major operational decisions that requires an independent and objective evaluation;
- (d) Act as an evaluation and consultation panel to facilitate prompt and effective decision making by the Board;
- (e) Enable faster response to operational issues; and
- (f) Provide approvals based on authority levels sanctioned by the Board in order to facilitate effective management of the operational units.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board Committee, a Director, employee or other persons subject to ultimate responsibility of the directors under the Companies Act, 2016.

#### 2. Separation of positions of the Chairman and Managing Director

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of the Chairman and Managing Director are distinct and separate to accountability and facilitate clear division of responsibilities for ensuring there is a balance of power and authority in the Company. The segregation of roles also facilitates a healthy, open exchange of views between the Board and Management in their deliberation of the business, strategic plans and key activities of the Company.

The Board of the Company is led by Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan as the Independent Non-Executive Chairman while Dato' Wong Swee Yee, the Managing Director, leads the Senior Management of the Company.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The Chairman encourages active and effective engagement, participation and contribution from all Directors and facilitates constructive relations between Board and Management. The Chairman also ensures that the meeting is conducted efficiently and that appropriate time is given to the most important issues.

The Managing Director is responsible for the day-to-day business operations of the Group and together with the Executive Directors is supported by the management team and operational heads. The Managing Director also updates the Board from time to time with any information in the course of performing his duties.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

#### 3. Company Secretary

The Board is supported by two (2) qualified and competent Company Secretaries. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

The Company Secretaries provide guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant secretarial practice and regulatory requirements. This includes updating the Board on the MMLR and other legal and regulatory developments and their compliance with regulatory requirements, corporate governance and legislations as well as the Board policies and procedures.

The Company Secretaries ensure that deliberations at Board and Board Committee Meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions.

The Company Secretaries also serves notice to the Directors and Principal Officers to notify them of the closed periods for trading in the Company's securities, in accordance with Chapter 14 of the MMLR of Bursa Securities. The Company Secretaries and/or her representatives attend all the meetings where she and/or her representative(s) records and circulates the minutes of the meetings. She is also responsible for the safekeeping of the minutes by ensuring that they are kept at the registered office of the Company and are available for inspection, if required. Accurate minute taking is essential to keep a record of the process by which Directors make decisions on behalf of the Company.

It is the duty of the Directors to take all reasonable steps to ensure that the Company Secretary is a person who possesses requisite knowledge and experience to discharge the functions of a Company Secretary of the Company.

#### 4. Supply and Access to Information

The Board members have unrestricted access to timely and accurate information concerning the Company and the Group from the Management and Board Committees as well as the advice and services of the Company Secretaries, necessary in the performance of their duties as a full board as well as in their individual capacities in the discharge of their responsibilities. Whenever the need arises, Senior Management will be invited to Board meetings to further assist the Board in understanding the Company's operations and to provide explanations and clarifications on issues that being considered during the Board Meetings.

Where necessary, the Directors may engage independent professionals at the Group's expense on specific issues to enable the Directors to discharge their duties with adequate knowledge on the matters being deliberated.

The Board recognises that the decision-making process is highly dependent on the quality of information furnished.

Notice of at least seven (7) days together with a full agenda and the necessary supporting papers are furnished to each Director prior to the meetings to allow preparation and meaningful discussion by the Board members during the meetings.

Directors can use video or other technology to take part in a meeting even if they are physically somewhere else as long as all Directors consent to this.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

#### 5. Board Charter

The Board has adopted a Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board, Board Committees, Individual Directors and Management.

The Board Charter further defines the matters that are reserved for the Board and its Board Committees as well as the roles and responsibilities of the Chairman and the Managing Director.

The Board reserves full decision-making powers on the following matters:

- (a) Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions;
- (b) Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures;
- (c) Specific items of capital expenditure and investments, acquisitions and divestments and any significant initiatives or opportunities that arise outside the annual planning and budgeting process;
- (d) Major projects including corporate restructuring/re-organisation;
- (e) Strategic and business plans and annual budget;
- (f) Succession planning for key management;
- (g) Quarterly, full-year financial statements and annual report;
- (h) Strategic investments, mergers and acquisitions and corporate exercises;
- (i) Risk management policies; and
- (j) Key human resource issues.

The Board Charter is published on the Company's website at [www.fittersgroup.com](http://www.fittersgroup.com) and periodically reviewed and updated in accordance with the needs of the Company. This is to ensure the Board Charter always stay relevant with the Board's objectives, current laws, regulations and practices.

In line with the MCCG, the Board has reviewed and updated the Board Charter.

#### 6. Code of Conduct and Business Code of Ethics

The Board has established a Code of Conduct and Business Code of Ethics for Directors and all employees of the Group.

The Code of Business Ethics forms an integral part of the Group and it addresses ethical conduct in the work environment, business practices and relationships with customers and stakeholders. The Code of Business Ethics explains the standards of behaviour that the Company expects of its Directors and employees in their daily activities and dealing with others.

All employees are required to conduct themselves in a manner with such ethics and integrity so as to avoid issues such as intellectual property (patents, trademarks and copyrights), confidential of information, entertainment and gifts, conflicts of interest, insider trading, bribery and corruption, money laundering and abuse of power.

The Code of Conduct sets the standard of conduct that the Directors, Management and employees are expected to uphold in their professional practice.

The Code of Conduct and Business Code of Ethics of the Company are published on the Company's website at [www.fittersgroup.com](http://www.fittersgroup.com).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

#### 7. Whistleblowing policy and procedures

The Board had put in place a Whistleblowing Policy which provides an avenue for raising matters of concerns about alleged malpractices and wrongdoings (“Concerns”), in a confidential manner. These might include the following:

- improprieties or irregularities (including financial and operational)
- suspected fraud or criminal offences
- breach of confidentiality
- miscarriage of justice
- corruption or bribery
- endangerment of an individual’s health and safety
- failure to comply with legal or regulatory requirements

The Whistleblowing Policy was designed to protect all employees from any form of detriment as a consequence of a genuine disclosure of information. In furtherance to this, the whistleblowing policy and procedures provides guidance on how allegations should be raised, which is initially through managers, officers and employees in supervisory roles. Allegations are then escalated to a designated person i.e. the Chairman of the Board or Chairman of the Audit Committee who is responsible for oversight of this procedure. Whistle-blowers are protected against being victimized or penalised by the Group.

Concerns should be made verbally, email or in writing addressed to and forwarded in a sealed envelope to the Chairman of the Board or Chairman of the Audit Committee, where applicable. The action taken by the Group in response to a report of Concerns will depend on the nature of the Concerns. The Chairman of the Board or Chairman of the Audit Committee shall receive information on each report of Concerns and follow-up information on actions taken.

The Internal Auditor shall be the named Investigator unless the Chairman of the Board or Chairman of the Audit Committee assigns/appoints another Investigator. Investigators must be impartial and independent of all parties concerned. The Investigator is required to report all Concerns raised, the status of all pending and on-going investigations, and any action taken or to be taken as a result of the investigations, to the Chairman of the Board or Chairman of the Audit Committee.

Initial inquiries will be made to determine whether an investigation is appropriate, and the form that it should take. Some concerns may be resolved without the need for investigation. The findings of any investigation will be reported to the Chairman of the Board or Chairman of the Audit Committee who will reach a decision on any further action to be taken.

#### 8. Sustainability

The Company is committed and mindful to operate in a sustainable manner in order to generate economic value to its stakeholders and add value to society. Details of the Company’s sustainability activities in 2017 are disclosed in the Sustainability Statement of this Annual Report.

### II. Board Composition

#### 1. Board Composition and Balance

During the financial year under review, the Board has seven (7) Directors, comprising one (1) Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors, one (1) Managing Director and one (1) Executive Director.

The Company fulfills paragraph 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent Directors. The Company also meets the requirements of MCCG to have at least half of the Board must comprise Independent Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 1. Board Composition and Balance (cont'd)

The Board is satisfied that the composition of Board which provides the appropriate balance and size necessary to promote all shareholders' interests and to govern the Company effectively. It also fairly represents the ownership structure of the Company, with appropriate representations of minority interests through the Independent Non-Executive Directors.

Datuk Dr. Soh Chai Hai @ Soh Hai San is the Senior Independent Non-Executive Director to whom concerns on matters relating to corporate governance of the Company could be conveyed.

The Independent Directors fulfills a pivotal role in providing unbiased and independent views, advice and judgment, taking into account the interest not only of the Company but also shareholders, employees, customers and communities in which the Company conducts business.

The composition of the Board fairly reflects the interest of the majority and minority shareholders.

A brief profile of each Director is presented in the Profile of Directors section of the Annual Report.

#### Board Independence

The Board is mindful on the importance of independence and objectivity in its decision making process which is in line with MCCG.

The Board delegates to the Managing Director who is supported by an executive management team, implements the Company's strategic plan, policies and decisions adopted by the Board to achieve the Company's objective of creating long-term value for its shareholders through excelling in customer service and providing sustainable best-in-industry performance.

The Company's Independent Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment taking into account the interest, not only of the Company but also of shareholders, employees, customers and communities in which the Company conducts business.

The Board with the assistance of Nominating Committee assesses each Director's independence to ensure ongoing compliance with this requirement annually. During the financial year under review, the Board via Nominating Committee assessed the independence of its Independent Non-Executive Directors based on the criteria set out in the MMLR of Bursa Securities, and is satisfied that they are independent.

Any Director who considers that he/she has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company, is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

The Board is aware of the recommended tenure of an Independent Director who should not exceed a cumulative term of nine (9) years as recommended by MCCG and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent after the said Independent Director has served a cumulative term of nine (9) years. If the Board continues to retain the independent director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process as prescribed under MCCG. As at the date of this Statement, none of the Independent Directors have reached nine (9) years of service since their appointment.

On 18 December 2017, Dato' Ir. Low Keng Kok was re-designated from Non-Independent Non-Executive Director to Independent Non- Executive Director of the Company after taking into consideration that he is not the largest shareholder of the Company even though he holds more than 5% of the total voting shares in the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 2. Board Committees and Delegation

The Board delegates the implementation of its strategy to the Company's Management. However, the Board remains ultimately responsible for corporate governance and the affairs of the Company. While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide it with recommendations and advice:

- Nominating Committee
- Remuneration Committee
- Audit Committee
- Long-Term Incentive Plan Committee

The following diagram shows a brief overview of the four (4) main Board Committees of the Company, each of which is explained in further detail as below:



These Board Committees have wide ranging authorities and make recommendations to the Board which holds the ultimate responsibility. The responsibilities of each Board Committee are laid out in their written terms of reference. The Board reviews the terms of reference of the Board Committees from time to time. The term of office and performance of each Audit Committee member is reviewed annually by the Nominating Committee. The Chairman of the respective Board Committees report to the Board on matters deliberated at the respective Committee Meetings and put forth their recommendations thereon.

#### 3. Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as most of the Directors had attended all the Board Meetings under the financial year review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 3. Directors' Commitment (cont'd)

The Board met four (4) times during the financial year under review. The details of Directors' attendance are set out as follows:

No.	Name	Number of Board Meetings attended
1.	Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	4/4
2.	Dato' Wong Swee Yee	4/4
3.	Datin Goh Hooi Yin	4/4
4.	Datuk Dr. Soh Chai Hock @ Soh Hai San	4/4
5.	Dato' Ir. Low Keng Kok	3/4
6.	Mr Chan Seng Fatt	4/4
7.	Encik Zahedi Bin Haji Mohd Zain (Retired on 26 May 2017)	1/1
8.	Mr Chong Kwea Seng (Appointed on 22 February 2017)	3/3

The Board, via Nominating Committee reviews annually the time commitment of the Directors and ensures that they are able to carry out their own responsibilities and contributions to the Board. It is the Board's policy for Directors to notify the Chairman before accepting any new directorship notwithstanding that the MMLR allows a Director to sit on the board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

In order to enable Directors to sustain active participation in Board deliberations, the Directors have access to continuing education programme or training. The Directors have devoted sufficient time to update their knowledge and enhance their skills by attending trainings, details are disclosed under the "Directors' Training" section of this Statement.

#### 4. Nominating Committee – Board Nomination and Appointment of Directors

The selection and appointment of a new member to the Board and Board Committee is made only with the recommendation from the Nominating Committee.

The Company had on 22 December 2001 established a Nominating Committee. The composition of the Nominating Committee, which consists of Independent Non-Executive Directors, is as follows:

Name	Designation
Datuk Dr. Soh Chai Hock @ Soh Hai San	Chairman (Independent Non-Executive Director)
Mr Chan Seng Fatt	Member (Independent Non-Executive Director)
Mr Chong Kwea Seng	Member (Independent Non-Executive Director)
Encik Zahedi Bin Haji Mohd Zain (retired on 26 May 2017)	Member (Independent Non-Executive Director)

Subsequent to the retirement of Encik Zahedi Bin Haji Mohd Zain as an Independent Non-Executive Director of the Company on 26 May 2017, he had also ceased as a Member of Nominating Committee on 26 May 2017.

During the financial year under review, Mr Chong Kwea Seng was appointed as an Independent Non-Executive Director of the Company on 15 February 2017. The appointment of Mr Chong Kwea Seng is facilitated through recommendation from the Managing Director. Mr Chong's profile summarizing his qualification and diverse experience was presented to the Nominating Committee for deliberation prior to Mr Chong's appointment. The Board did not engage any independent sources to identify suitably qualified candidates during the year.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 4. Nominating Committee – Board Nomination and Appointment of Directors (cont'd)

The Board shall determine and identify from time to time via its Nominating Committee the size, skills and gender diversity of the Board to effectively make decision and to discharge its roles and responsibilities for the benefit of the Group.

The appointment of new Directors is under the purview of the Nominating Committee which is responsible for making recommendations to the Board of suitable candidates for appointment as Director of the Company. This responsibility includes making recommendations on the desirable competencies, experience and attributes of the Board members and strategies to address Board diversity.

As part of the process of assessing the suitability of candidate for Board membership, the Nominating Committee takes into account various factors such as the individual's educational background, experience, time commitment, the MMLR and general knowledge of the Company's business and market.

In recommending the appropriate individual to the Board and membership of Board Committees, the Nominating Committee shall take into consideration the following criteria:

- Skills, knowledge, expertise and experience
- Professionalism
- Commitment
- Boardroom diversity (including gender, age and ethnicity diversity)
- Background, character, competence, time commitment and integrity
- In the case of candidates for the position of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors

The Nominating Committee will review the experience, qualification and suitability of the candidate(s) based on the background/resume and the abovementioned criteria. Upon completion of the assessment and evaluation of the proposed candidate(s), the Nominating Committee then puts forth its recommendations to the Board who satisfied the selection process. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate(s). Successful candidate(s) will be advised accordingly.

The Board is committed to provide fair and equal opportunities and to nurture diversity within the Group. Currently, the Board has one (1) female Non-Independent Executive Director.

The Company Secretary will ensure that all appointments are properly made and regulatory obligations are complied.

The Terms of Reference of the Nominating Committee is published on the Company's website at [www.fittersgroup.com](http://www.fittersgroup.com).

#### 5. Diversity

The Board has adopted a formal policy on diversity of the Company by taking into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and staff as the Board is aware that it is important in ensuring robust decision-making processes with a diversified viewpoints and the effective governance of the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 5. Diversity (cont'd)

Based on the following summary of the employment gender diversity, there is balanced gender diversity across all the levels of employees in the Company during the financial year under review:

Category of Employees	Female		Male		Total
General Staff	2	(18%)	2	(50%)	4
Supervisory	2	(18%)	-	(0%)	2
Managerial	7	(64%)	2	(50%)	9
<b>Total No. of Employees</b>	<b>11</b>	<b>(100%)</b>	<b>4</b>	<b>(100%)</b>	<b>15</b>

#### 6. Board Assessment and Annual Evaluation

The Nominating Committee reviews annually the required mix of skills and experience of Directors; effectiveness of the Board as a whole; succession plan and boardroom diversity, including gender, age, ethnicity, diversity; training courses for Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarized in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nominating Committee meeting and reported at the Board Meeting by the Nominating Committee Chairman. All assessments and evaluations carried out by the Nominating Committee are properly documented.

The Nominating Committee meets at least once in a year with additional meetings to be convened, if necessary.

During the financial year under review, the Nominating Committee met once and deliberated on the following:

- (a) the results of Directors' self-assessment in respect of the mix of skills and experience of each individual Director including the core competencies of the Non-Executive Directors;
- (b) the structure, size, composition (including gender diversity) and effectiveness of the Board as a whole and of the committees of the Board;
- (c) the level of independence of Directors;
- (d) the appointment of an Independent Non-Executive Director; and
- (e) revised Terms of Reference of the Nominating Committee.

It was concluded that the calibre, competencies, experiences, qualifications and the present mix of skills of the Board members are adequate and capable in managing the Company and ensuring the Group's strategies are properly considered and implemented. The Board is satisfied with its current size and composition.

The Nominating Committee had assessed and recommended Mr Chong Kwea Seng to be appointed as an Independent Non-Executive Director of the Company for the Board's approval. The recommendation was made after taken into consideration several factors such as experience and qualification of Mr Chong Kwea Seng.

On 22 March 2017, the Nominating Committee has assessed and recommended Mr Chong Kwea Seng to be appointed as Member of Audit Committee and Nominating Committee. On the recommendation of Nominating Committee, Mr Chong Kwea Seng was also appointed as a Member of Remuneration Committee on 22 March 2017.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 7. Re-election to the Board

The Nominating Committee reviewed the Directors' re-election to the Board on 28 February 2018. In accordance with the Company's Constitution, Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan and Datuk Dr. Soh Chai Hock @ Soh Hai San are subject to retirement at the forthcoming Annual General Meeting ("AGM") of the Company.

#### 8. Directors' Training

The Board through the Nominating Committee shall assess the training needs of the Directors and recommend appropriate educational and training programmes for continuous development of its Directors.

All Directors have completed the Mandatory Accreditation Programme. The Directors are mindful that they need to continue to attend seminars, conferences and briefings in order to enhance their skills and knowledge and to keep abreast with changes in legislations and regulations. In addition, the Company through the Company Secretary provides internal briefings to the Directors on key changes in the corporate governance, relevant laws and regulations.

During the financial year, the Directors have attended individually or collectively the following training programmes:

Name of Directors	Training Programme/Conference/ Seminar
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Briefing and update on Malaysian Code on Corporate Governance – New Practices</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> </ul>
Dato' Wong Swee Yee	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Briefing and update on Malaysian Code on Corporate Governance – New Practices</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> </ul>
Datin Goh Hooi Yin	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Briefing and update on Malaysian Code on Corporate Governance – New Practices</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Risk Management Programme "I Am Ready to Manage Risks"</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> </ul>
Datuk Dr. Soh Chai Hock @ Soh Hai San	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Briefing and update on Malaysian Code on Corporate Governance – New Practices</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

#### 8. Directors' Training (cont'd)

During the financial year, the Directors have attended individually or collectively the following training programmes: (cont'd)

Name of Directors	Training Programme/Conference/ Seminar
Dato' Ir. Low Keng Kok	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Briefing and update on Malaysian Code on Corporate Governance – New Practices</li> <li>• ASEAN Ministers Workshop 2017: “Navigating the Headwinds of Sustainability Development in ASEAN”</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> <li>• CG Breakfast Series : “Leading Change @ The Brain”</li> </ul>
Mr Chan Seng Fatt	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Briefing and update on Malaysian Code on Corporate Governance – New Practices</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Malaysian Code on Corporate Governance</li> <li>• Risk Management Programme “I Am Ready to Manage Risks”</li> <li>• Companies Act 2016</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> </ul>
Mr Chong Kwea Seng	<ul style="list-style-type: none"> <li>• Application of the Main Market Listing Requirements arising from the New Companies Act 2016</li> <li>• Mandatory Accreditation Programme</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience</li> <li>• Guidance on Disclosures in Notes to Quarterly Report</li> <li>• Guidance on Disclosures Relating to Material Contracts and Prevention of Selective Disclosure of Material Information</li> <li>• CG Breakfast Series : “Leading Change @ The Brain”</li> </ul>

The Directors will continue to undergo other relevant training programmes and seminars in order to ensure that they are well equipped with the relevant knowledge as well as emergent strategic directions and ideas that will enable them to discharge their duties in a more efficient manner.

### III. Remuneration

#### Remuneration Committee – Directors' Remuneration

The Remuneration Committee sets the policy and framework for the remuneration of Directors and Key Senior Management that commensurate with the experience, commitment and level of responsibility borne by the individual Directors and Key Senior Management. The Remuneration Committee is responsible for the review of the levels of remuneration and make recommendations to the Board on the remuneration of Directors and Key Senior Management which is linked to strategy and/or performance or long term objectives of the Company to ensure that the Company is able to attract and retain capable Directors and Key Senior Management. The Executive Directors and Key Senior Management's remunerations are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. Remuneration (cont'd)

#### Remuneration Committee – Directors' Remuneration (cont'd)

The Company had on 22 December 2001 established a Remuneration Committee. The composition of the Remuneration Committee, which consists of three (3) Independent Non-Executive Directors and a Managing Director, is as follows:

Name	Designation
Datuk Dr. Soh Chai Hock @ Soh Hai San	Chairman (Independent Non-Executive Director)
Dato' Wong Swee Yee	Member (Managing Director)
Mr Chan Seng Fatt	Member (Independent Non-Executive Director)
Mr Chong Kwea Seng (Appointed on 22 March 2017)	Member (Independent Non-Executive Director)

The presence of the Managing Director is to advise the Remuneration Committee on matters relating to the remuneration of the Executive Director and Key Senior Management.

The Remuneration Committee met once during the financial year under review to discuss the service contracts of the Managing Director and Executive Director. The Non-Executive Directors' fees payable to Non-Executive Directors have also been reviewed and recommended by the Remuneration Committee to the Board to seek shareholders' approval at the Company's forthcoming AGM. No Director is involved in deciding his own remuneration.

The determination of the remuneration packages is a matter for the Board as a whole. The Managing Director and Executive Director concerned play no part in deciding their own remuneration.

The detailed disclosure of the remuneration of the individual Directors during the financial year under review is as follows:

#### Received from the Company

No.	Name of Directors	Fees (RM)	Salaries (RM)	Bonuses (RM)	Defined contribution plan (RM)	Benefits- in-kind (RM)
1.	Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	144,000	-	-	-	-
2.	Dato' Wong Swee Yee	-	520,000	40,000	106,400	-
3.	Datin Goh Hooi Yin	-	195,000	15,000	25,200	-
4.	Datuk Dr. Soh Chai Hock @ Soh Hai San	60,000	-	-	-	-
5.	Dato' Ir. Low Keng Kok	72,000	-	-	-	-
6.	Mr Chan Seng Fatt	120,000	-	-	-	-
7.	Mr Chong Kwea Seng	105,000	-	-	-	-
8.	Zahedi Bin Haji Mohd Zain (Retired on 26.5.2017)	25,000	-	-	-	-
	<b>Total</b>	<b>526,000</b>	<b>715,000</b>	<b>55,000</b>	<b>131,600</b>	<b>-</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. Remuneration (cont'd)

#### Remuneration Committee – Directors' Remuneration (cont'd)

##### Received from the Group Basis

No.	Name of Directors	Fees (RM)	Salaries (RM)	Bonuses (RM)	Defined contribution plan (RM)	Benefits- in-kind (RM)
1.	Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	144,000	-	-	-	-
2.	Dato' Wong Swee Yee	-	1,430,000	80,000	278,900	-
3.	Datin Goh Hooi Yin	-	390,000	15,000	48,600	-
4.	Datuk Dr. Soh Chai Hock @ Soh Hai San	60,000	-	-	-	-
5.	Dato' Ir. Low Keng Kok	132,000	-	-	-	-
6.	Mr Chan Seng Fatt	120,000	-	-	-	-
7.	Mr Chong Kwea Seng	105,000	-	-	-	-
8.	Zahedi Bin Haji Mohd Zain (Retired on 26.5.2017)	25,000	-	-	-	-
	<b>Total</b>	<b>586,000</b>	<b>1,820,000</b>	<b>95,000</b>	<b>327,500</b>	<b>-</b>

The Key Senior Management of the Company in each remuneration band is as follows:

No.	Name of Key Senior Management	Range of Remuneration (RM)
1.	Mr Chin Yong Shing	300,000 – 350,000
2.	Encik Mohd Farid Mohamed Nor	350,000 – 400,000
3.	Mr Gan Soon Kiean	450,000 – 500,000

The Company's policy and procedures for the remuneration of Directors and Key Senior Management are set out in the Directors and Key Senior Management's Remuneration Policy.

A copy of the Company's Directors and Key Senior Management's Remuneration Policy can be found in the Company's website at [www.fittersgroup.com](http://www.fittersgroup.com).

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit Committee

#### 1. Composition

The Board upholds the integrity in financial reporting. The Audit Committee is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's internal and external audit functions, risk management, compliance systems and practices, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The Audit Committee is also responsible in ensuring that the financial statements of the Company comply with the applicable financial reporting standards in Malaysia.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### I. Audit Committee (cont'd)

#### 1. Composition (cont'd)

The Audit Committee comprises three (3) members all of whom are Independent Non-Executive Directors, with Mr Chan Seng Fatt as the Audit Committee Chairman who is a qualified accountant. The Audit Committee reviews issues related to accounting policies, external financial reporting, monitors the work of the Group Internal Audit Department and ensures an objective and professional relationship is maintained with the External Auditors.

The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The composition of the Audit Committee, including roles and responsibilities and the number of meetings held during the financial year under review as well as the attendance record of each member are set out in the Audit Committee Report in the Annual Report.

The Audit Committee has in its Terms of Reference that require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. Alongside, the Audit Committee has the procedures to assess the suitability, objectivity and independence of the external auditors which is contained in the Terms of Reference of the Audit Committee.

#### 2. Summary of Key Activities

The Company has an in-house internal audit function within the Group, where the Head of Internal Audit, who reports directly to the Audit Committee has undertaken an independent assessment on the internal controls and report the Recurrent Related Party Transactions mandate on a quarterly basis and assured the Audit Committee that no material issue or major deficiency had been noted which would pose high risk to the overall system of internal control under review.

During the financial year under review, the Audit Committee has a private session with the External Auditors without the presence of the Management and Executive Directors, which demonstrated their independence, objectivity and professionalism. The activities relating to the external auditors are provided in the Audit Committee Report of this Annual Report.

The Audit Committee was satisfied with the performance of External Auditors based on the quality of services and sufficiency of resources they provided to the Group. In view of the satisfaction on the service provided, the Board had approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming AGM on the reappointment of Baker Tilly Monteiro Heng as the External Auditors of the Company for the financial year 2018.

In safeguarding and supporting the External Auditors' independence and objectivity, the Board had formalised the External Auditors Assessment Policy which spells out the selection process of new external auditors, assessment of independence, basic principles on the prohibition of non-audit services and the approval process for the provision of non-audit services as well as requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

### II. Risk Management and Internal Control Framework

The Board recognises its responsibilities over the Company's internal control and risk management framework.

The Board has an established on-going process for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its Audit Committee regularly reviews this process to ensure the internal control and risk management frameworks are adequate and effective.

The Board has established an independent internal audit function that reports directly to the Audit Committee. The resources and scope of work covered by the internal audit function during the financial year under review, including its observations and recommendations, is provided in the Audit Committee Report contained in this Annual Report.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### II. Risk Management and Internal Control Framework (cont'd)

The Company adopts a comprehensive, purpose driven management system, whereby the Company's mission is incorporated into its objectives which are supported by strategies, action plans, controls and monitoring systems encompassing internal controls and risk management. The risk assessment process begins with the identification of risk categories and potential impact. Once risks are identified, the next step is to determine the likelihood, consequences of each risk and actions/processes to control risks.

The system of internal control is continuously being reviewed and improved in line with the changing business environment, industry practices and risk-rewards profiles. The in-house Group Internal Audit Department (which reports directly to the Audit Committee) will conduct regular reviews on compliance with internal control procedures and practices and to review the effectiveness of the risk management and governance processes within the Group.

The Board is assisted by the Risk Management Committee to carry out its responsibilities in relation to managing the Company's risks in a systematic and methodical manner. This includes risk assessment evaluation and the setting up of a risk management framework to monitor risks on a regular basis. The Risk Management Committee consists of one (1) Independent Non-Executive Director, members of EXCO and Senior Management team/profit centre managers.

The External Auditors are responsible for reviewing the Statement on Risk Management and Internal Control. The Statement on Risk Management and Internal Control in this Annual Report provides an overview of the state of internal controls within the Group. Details on internal control and risk management framework are set out in the Statement on Risk Management and Internal Control in the Annual Report. The Board has ultimate responsibility for reviewing the Group's risks, approving the risk management framework policy and overseeing the Group's strategic risk management and internal control framework.

The Internal Auditor carries out its function in accordance with the approved annual Internal Audit Plan approved by the Audit Committee.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

The Company recognises the importance of the use of information technology for effective and timely dissemination of information that serves as a direct line of communication with shareholders and investors by way of timely dissemination of information of the Company's performance and major developments through:

- (a) the Annual Report;
- (b) the various disclosures and corporate announcements made to Bursa Securities including the Quarterly Results and the Annual Results;
- (c) explanatory circulars on business requiring shareholders' approval; and
- (d) the Company's website [www.fittersgroup.com](http://www.fittersgroup.com).

The Company's website has a section dedicated to shareholders under Investor Relations that provides shareholders with detailed information on the Group's business, commitments and latest developments.

### II. Conduct of General Meetings

The AGM provides a valuable opportunity for shareholders to share their views and communicate with the Board. Shareholders attending the annual general meeting will be given a reasonable opportunity to participate in the AGM and vote on matters.

Currently, the Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and explanatory notes/papers supporting the resolutions proposed before making any decision in relation to the resolutions. This is in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR of Bursa Securities which call for a 21-days' notice period for public companies or listed issuers respectively. The Company will circulate the Notice of AGM at least twenty eight (28) days prior to the upcoming AGM to be in line with MCGG.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

### II. Conduct of General Meetings (cont'd)

In addition to being dispatched individually to shareholders, the Notice of AGM is also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access to the Notice of AGM and make the necessary preparations for the AGM.

Except for Encik Zahedi Bin Haji Mohd Zain who did not seek re-election at 2017 AGM, all of the other Directors on the Board including the Chairman of the Audit Committee, Nominating Committee and Remuneration Committee attended the AGM last year. All Directors will attend the upcoming AGM to address any relevant questions raised by the shareholders.

All the resolutions set out in the Notice of the AGM were put to vote by poll voting and duly passed. The shareholders were informed of their right to demand for a poll. The outcome of the AGM was announced to Bursa Securities on the same meeting day. The Company had appointed one (1) scrutineer to verify the poll results.

After the conclusion of the AGM, the Company Secretaries will prepare the minutes of AGM, which incorporate substantial comments or queries from the shareholders and responses from Board. A summary of key matters discussed at the AGM will be published on the Company's website as soon as practicable upon being reviewed by the Board members and approved by the Chairman.

As the number of registered shareholders and proxy holders physically attending the general meetings of the Company is considered small and manageable by the Company, the use electronic voting system is not practicable at this juncture. Shareholders may appoint Chairman as their proxies if they are unable to attend the meeting in person.

## FOCUS AREAS ON CORPORATE GOVERNANCE

During the year, the Board has devoted its effort to the following key areas, particularly against the backdrop of changes in regulatory landscape which includes the operationalisation of Companies Act 2016, release of the new MCGG and amendments to MMLR.

### Corporate Disclosure Policy

The Company will formalise a Corporate Disclosure Policy to ensure that communications to the investing public about the Company are made in accordance with all applicable legal and regulatory requirements.

### Risk Management Committee

Currently, the Risk Management Committee consists of one (1) Independent Non-Executive Director, members of EXCO and Senior Management team/profit centre managers.

To meet the expectations of the Step Up practices of MCGG, the Board shall establish a Risk Management Committee which comprises a majority of Independent Directors to oversee the effectiveness of the Company's risk management framework and policies.

### Sustainability Reporting

For the financial year ended 31 December 2017, the Company is required to issue a Sustainability Statement in the manner as prescribed by Bursa Securities. Moving forward, the Board will formalise a Sustainability Policy to ensure a clear framework for the Company's environmental, social and governance practices and to set out the Company's commitment to sustainable development.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Status of Utilisation of Proceeds Raised from Corporate Proposals during the Financial Year ended 31 December 2017

The Company did not raise funds through any corporate proposals during the financial year ended 31 December 2017.

### 2. Audit and Non-Audit Fees

During the financial year ended 31 December 2017, the total audit and non-audit fees paid to the Company's auditors, Baker Tilly Monteiro Heng, and firm affiliated to Baker Tilly Monteiro Heng were as follows:

	The Company (RM'000)	The Group (RM'000)
Audit Fees	35	234
Non-Audit Fees	22	72

### 3. Material Contracts Awarded to Directors and Substantial Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving Directors and/or substantial shareholders during the financial year nor any whose interest still subsist at the end of the financial year ended 31 December 2017.

### 4. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature Conducted Pursuant to the Shareholders' Mandate during the Financial Year ended 31 December 2017

Pursuant to Practice Note 12 issued by the Bursa Malaysia Securities Berhad, the aggregate value of recurrent related party transactions made during the financial year in respect of the Shareholders' Mandate which was obtained on 26 May 2017, are set out below:

Nature of RRPT	Subsidiary of FITTERS involved in the Transaction	Related Party	Interested Directors/ Major Shareholders/ Persons Connected to Directors and Major Shareholders	Estimated value as disclosed in the Circular to shareholders dated 28 April 2017 <sup>(5)</sup> (RM'000)		Actual Value Transacted during the financial year ended 31 December 2017 (RM'000)	
				Subcontract From	Subcontract To	Subcontract From	Subcontract To
Subcontract works <sup>(1)</sup>	FMKT	Wai Soon Engineering	Dato' Wong Swee Yee and Wong Swee Loy	-	15,000	-	5,824
Sale of goods and services <sup>(2)</sup>	FSB Group	Fsabab	Dato' Wong Swee Yee and Datin Goh Hooi Yin	1,500	-	321	-
	FMKT			1,000	-	151	-
	MPS			300	-	6	-
	FMKT	Wai Soon Engineering	Dato' Wong Swee Yee and Wong Swee Loy	100	-	-	-
	FMKT	Unitrade	Nomis Sim Siang Leng and Sim Keng Chor	2,000	-	4	-
Sale of goods <sup>(3)</sup>	MSEA	Ricwil	Nomis Sim Siang Leng and Sim Keng Chor	10,000	-	-	-
		Unitrade		10,000	-	5,402	-

## ADDITIONAL COMPLIANCE INFORMATION

(cont'd)

### 4. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature Conducted Pursuant to the Shareholders' Mandate during the Financial Year ended 31 December 2017 (cont'd)

Nature of RRPT	Subsidiary of FITTERS involved in the Transaction	Related Party	Interested Directors/ Major Shareholders/ Persons Connected to Directors and Major Shareholders	Estimated value as disclosed in the Circular to shareholders dated 28 April 2017 <sup>(5)</sup> (RM'000)		Actual Value Transacted during the financial year ended 31 December 2017 (RM'000)	
				Sale To	Purchase From	Sale To	Purchase From
Purchase of goods <sup>(4)</sup>	FES	Unitrade	Nomis Sim Siang Leng and Sim Keng Chor	-	20,000	-	7,216
	FSB Group			-	500	-	1
	MSEA			-	5,000	-	48
	MSEA	Ricwil	Nomis Sim Siang Leng and Sim Keng Chor	-	1,000	-	-
<b>Aggregate</b>				<b>23,900</b>	<b>41,500</b>	<b>539</b>	<b>15,092</b>

The above recurrent related party transactions of a revenue or trading nature were undertaken on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

Notes:

- (1) Portions of certain contracts secured are subcontracted due to certain product expertise is unique to that particular company inclusive of manpower and miscellaneous items, which are used in the manufacture of fire rated doors by the related party. Transaction prices are determined based on market rates, which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.
- (2) Sale of finished goods comprising certain fire safety and protection equipment, fire rated doors and maintenance services to the related party was performed in order to meet the needs of their customers at various geographical locations. Transaction prices for sales are determined based on cost plus taking into consideration the nature, complexity and urgency required and it is not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.
- (3) Sale of HYPPO® PVC-O pipes to the related party to meet the needs of their customers at various geographical locations. Transaction prices are determined based on market rates, which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.
- (4) Purchase of pipes and fittings from the related party. Transaction prices are determined based on market rates, which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.
- (5) The estimated transaction values are based on prevailing rates/prices obtained from the related party which are at reasonable market-competitive prices based on the normal level of transactions entered into by the FITTERS Group. The estimated amounts are further based on the assumptions that the current levels of operations will continue and all external conditions remain constant. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed above.
- (6) Abbreviations used above:

Fsabah	FITTERS (Sabah) Sdn Bhd
FES	FITTERS Engineering Services Sdn Bhd
FSBGroup	FITTERS Sdn Bhd & its subsidiaries
FMKT	FITTERS Marketing Sdn Bhd
MPS	Master Pyroserve Sdn Bhd
MSEA	Molecor (SEA) Sdn Bhd
Ricwil	Ricwil (Malaysia) Sdn Bhd
Unitrade	Syarikat Logam Unitrade Sdn Bhd
Wai Soon Engineering	Wai Soon Engineering Sdn Bhd

## **DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS**

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

In addition, pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements, the Board of Directors must ensure that an additional statement is included in the Company's annual report explaining the Board of Directors' responsibility for preparing the annual audited financial statements.

In preparing the financial statements, the Directors have:

- selected accepted accounting policies and applied them consistently;
- ensured that all applicable accounting standards have been followed and if there are any material departures, to disclose and explain in the financial statements;
- made judgments and estimates that are reasonable and prudent; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position of the Group and of the Company and are in compliance with the Companies Act, 2016. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and have taken reasonable steps for the prevention and detection of fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Board of Directors of FITTERS Diversified Berhad (“the Company”) is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

## COMPOSITION, MEETINGS AND ATTENDANCE

The Audit Committee was established in June 1994. The composition of the Audit Committee comprises three members of the Board, all of whom are Independent Non-Executive Directors.

During the financial year under review, four (4) Audit Committee Meetings were held. The members of the Audit Committee and records of attendance of each member at Audit Committee meetings held during the financial year ended 31 December 2017 are as follows:

Audit Committee Members	No. of Meetings Attended
Mr Chan Seng Fatt <i>(Chairman/Independent Non-Executive Director)</i>	4/4
Dato' Ir. Low Keng Kok <i>(Member/Independent Non-Executive Director)</i>	3/4
Encik Zahedi Bin Haji Mohd Zain* <i>(Member/Independent Non-Executive Director)</i>	1/1
Mr Chong Kwea Seng** <i>(Member/Independent Non-Executive Director)</i>	3/3

\* Retired as Director at the Thirty-First Annual General Meeting of the Company held on 26 May 2017.

\*\* Appointed as a member of the Audit Committee on 22 March 2017.

The Company Secretary is the Secretary of the Audit Committee and the Chairman of the Audit Committee, Mr Chan Seng Fatt, is a Member of the Malaysian Institute of Accountants. All members of the Audit Committee are financially literate, hence they are able to analyse and interpret financial statements and data without difficulties so as to properly discharge their duties as Audit Committee members.

During the quarterly presentation of the Internal Audit Reports, other Directors and representatives from the senior management of the Company attended the Audit Committee meetings at the Audit Committee's invitation to explain audit findings and risks which were related to their departments or operations. The Chairman of Audit Committee reports on the main findings and deliberations of the Audit Committee Meetings to the Board after each meeting.

## SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The following works were carried out by the Audit Committee during the financial year under review:

### Financial Reporting

- (i) Reviewed the announcements of the unaudited quarterly financial results before recommending them for the Board's approval, upon being satisfied that the financial reporting standards and disclosure requirements by Bursa Malaysia Securities Berhad have been adhered to.
- (ii) Reviewed the draft annual audited financial statements of the Company.

### External Audit

- (i) Reviewed the External Auditors' Audit Plan 2017 on the nature and scope of audit work.
- (ii) Reviewed the audit findings, auditing and accounting issues arising from the statutory audit of the audited financial statements and management's responses.
- (iii) Met with the External Auditors during the financial year ended 31 December 2017 to review and deliberate matters relating to the audit findings and audit review memorandum for the financial year ended 31 December 2017 without the presence of the Management and Executive Directors.
- (iv) Recommended to the Board of Directors on the re-appointment of external auditors and proposed audit fee.
- (v) Considered the External Auditors' independence.

# AUDIT COMMITTEE REPORT

(cont'd)

## SUMMARY OF WORKS OF THE AUDIT COMMITTEE (cont'd)

### Related Party Transactions

- (i) Reviewed and considered any related party transactions or conflict of interest that may or have arisen within the Company or the Group.
- (ii) Reviewed the related party transactions and draft shareholders' circular in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature prior to submission to Bursa Malaysia Securities Berhad for perusal.

### Risk Management and Internal Control

- (i) Reviewed the Statement on Risk Management and Internal Control for disclosure in the Annual Report.
- (ii) Reviewed the 2017 Framework for Risk Management Plan and List of Risk Owners.
- (iii) Reviewed the 2017 Group Risk Profile Summary and Group Risk Management Report.

### Internal Audit

- (i) Reviewed the Group Internal Audit Department's resource requirements and Internal Audit Plan 2017.
- (ii) Reviewed the internal control weaknesses, risk issues, recommendations proposed by the Group Internal Audit Department, audit recommendations and management's responses. The actions taken by Management to improve the system of internal controls based on the Internal Audit Reports were also discussed.
- (iii) Reviewed and assessed the performance and competency of the internal audit function.

### Others

- (i) Reviewed the revised Terms of Reference of the Audit Committee.
- (ii) Reviewed the External Auditors Assessment Policy.

## SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The primary function of the Group Internal Audit Department is to assist the Audit Committee in discharging its duties and responsibilities. Its role is to undertake systematic and independent review of the following activities:

- (i) The adequacy and integrity of the internal control system, in managing key risk areas, to provide reasonable assurance that the system continues to operate satisfactorily, effectively and in compliance with the Group's established policies and standard operational procedures.
- (ii) Internal controls of each activity based on the risk profiles established under the risk management framework which was approved by the Board of Directors.

For the financial year ended 31 December 2017, the Group Internal Audit Department had carried out the following works:

- (i) Tabled the Internal Audit Plan 2017 for the Audit Committee's review and endorsement.
- (ii) Presented the Internal Audit Reports to the Audit Committee for review and discussion. The Internal Audit Reports which incorporated audit recommendations and Management's responses with regards to audit findings were issued to the Audit Committee and the Management of respective operating units. Improved procedures and practices were recommended to strengthen the internal controls and follow-up audits were carried out to assess the status of implementation of the agreed audit recommendations by Management.
- (iii) Carried out audits and follow-up audits on various operating units within the Group on the implementation of audit recommendations.
- (iv) Reviewed the adequacy and effectiveness in managing various risks at Group level via risk management processes, risk management reports and periodic audit reviews.

All members of the Group Internal Audit Department do not have any conflict of interests with the companies within the Group and is independent of the activities which were audited during the financial year. The total cost incurred by the Internal Audit Function of the Group amounted to RM170, 375 during the financial year ended 31 December 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of Listed Companies is required to include in their Annual Report, “a statement about the state of internal control of the listed corporation as a group”. The Board of Directors (“the Board”) is committed to maintaining a sound internal control system in the Group and is pleased to provide the following Statement on Risk Management and Internal Control for the financial year ended 31 December 2017 that was prepared in accordance with “Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” as endorsed by Bursa Securities which outlines the nature and scope of risk management and internal control of the FITTERS Group of Companies (“the Group”).

## RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s risk management and internal control system to safeguard shareholders’ investment and the Group’s assets as well as reviewing its effectiveness, adequacy and integrity on a regular basis. The system of internal control covers governance, risk management, strategic direction, organisational, financial, operational and compliance controls. However, due to the limitations that are inherent in any system of internal control, the Group’s system of internal control is designed to manage and control risks to an acceptable level. Accordingly, it should be noted that these systems could only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has received assurance from the Managing Director and the Head of Finance that the Group’s risk management and internal control system is operating adequately and effectively in all material aspects.

## GROUP RISK MANAGEMENT FRAMEWORK

The Group believes in establishing an effective risk management framework in order to ensure continuity in business growth and enhancement of shareholders’ value.

The Board has put in place a formal Risk Management Framework within the Group as an ongoing process for identifying, documenting, evaluating, monitoring and managing significant risks affecting the achievement of the Group’s business objectives. The process is supported by policies, procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

The Board is assisted by the Risk Management Committee (“RMC”) which is chaired by an Independent Director and comprises of representatives from key senior management. The RMC closely monitors the risk management function and there are continuous plans to enhance the level of knowledge of risk management and understanding of risks affecting the Group among senior management and the Board to ensure that it is responsive to the changes in the business environment.

Using a guided risk management framework, the risk rating and mitigating actions are reviewed on a regular basis by the risk owners to identify and evaluate any emerging new risks, update the risk profiles and follow-up with the implementation of the proposed action plans. Periodically, all risks that are rated as “high” and “significant” together with their corrective measures will be summarised and compiled for review by the RMC and subsequent presentation to the Board. The Board annually reviews and discusses the summary of risk tolerance and additional internal controls to be implemented at Board meeting.

Being an integral part of the Group’s operations, each employee is entrusted with the responsibility for managing or mitigating risks and internal controls associated with operations and ensuring compliance with the applicable laws and regulations. Management is responsible for creating a risk awareness culture and to build the necessary environment for effective risk management. The process requires management to identify and assess all type of risks, magnitude of impact as well as to identify and evaluate the adequacy and application of mechanisms in place to manage, mitigate or eliminate these risks.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## GROUP INTERNAL AUDIT FUNCTION

The Group Internal Audit Function is undertaken by an in-house Group Internal Audit Department, which is independent from the Group's business operations. It reports functionally to the Audit Committee. The description of the Internal Audit Function's activities is set out in the Audit Committee Report, which can be found in this Annual Report.

The Internal Audit Function was designated to provide assurance of the effectiveness of the system of internal controls within the Group. The Group Internal Audit Department conducts independent reviews of key activities within the Group's operating units based on annual Internal Audit Plan which was approved by the Audit Committee and the Board. Follow-up audit reviews and deliberation of Internal Audit Reports are performed to ensure that appropriate actions are taken by management to address internal control weaknesses that were highlighted. Other internal audit assignments also included ad hoc assessments/ investigations as and when required by the Board or Management.

## KEY INTERNAL CONTROL PROCESSES

The Group has an established system of internal control that enables the management to ensure that established policies, guidelines and procedures are followed and complied with. Some key processes are as follows:

- **Organisation:** The Group's structure is designed to clearly delineate various subsidiaries/divisions, authorisation levels and proper segregation of duties.
- **Authority Level:** The Group has set authority levels for different categories of transactions such as acquisitions, disposals, tenders, capital expenditures and other material/significant transactions. Proper research, assessment and analysis will be carried out by relevant appointed parties for all major business transactions/investment decisions.
- **Board Delegated Committees:** The Executive Committee reviews and recommends policies for the Group as well as monitors and reviews the performance of its business units. The Risk Management Committee, headed by an Independent Non-Executive Director and comprises of all Head of Divisions oversees the Group's risk management process as guided by its Risk Management Framework.
- **Monthly Performance Review:** The monthly management meetings report on the performance and profitability of each business unit through the review of key performance indicators ("KPI"), budgets and management reports. Where it is relevant, the internal audit findings and recommendations will also be communicated to relevant personnel for further actions.
- **Group Standard Operating Procedures ("SOP"):** The Group's SOP laid down the objectives, scope, policies and operating procedures to be complied by the business units, which are regularly reviewed and updated. Certain companies within the Group have ISO 9001:2008 accreditation for their operational processes.
- **Centralisation of Functions:** Key functions such as accounts, tax, treasury, procurement of materials and human resource are controlled centrally to ensure compliance to approved procedures.
- **Audit Committee ("AC"):** The AC has full unrestricted access to any information pertaining to the Group and has direct communication channels with the External and Internal Auditors. The AC deliberates the findings and recommendations highlighted in the internal audit reports in quarterly meetings held for the purpose of reviewing the Group's quarterly consolidated results and other issues that warrant the AC's attention.

## NO MATERIAL LOSSES AS A RESULT OF DEFICIENCIES IN INTERNAL CONTROL

No material losses were incurred by the Group during the financial year under review as a result of deficiencies in internal control.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## CONCLUSION

For the financial year under review and up to the date of issuance of the Financial Statements, the Board is of the opinion that the system of internal controls that are established throughout the Group is effective and manageable. The Board believes that the development of a sound system of internal controls is an ongoing process and continues to take appropriate action plans to improve the Group's system of internal control in order to safeguard the interest of customers, regulators, employees, shareholders' investments and the Group's assets.

This statement is made in accordance with the resolution of the Board of Directors passed on 10 April 2018.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in AAPG3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

AAPG3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the External Auditor was made solely for and directed solely to the Board in connection with their compliance with the Listing Requirements of Bursa Securities and or no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.



# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and the trading of fire safety materials, equipment and fire prevention systems.

The principal activities of the subsidiaries are detailed in Note 18 to the financial statements.

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

### RESULTS

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit for the financial year, net of tax		
- Continuing operations	40	512
- Discontinued operation	(3,419)	-
	(3,379)	512
Attributable to:		
Owners of the parent	(424)	512
Non-controlling interests	(2,955)	-
	(3,379)	512

### RESERVE OR PROVISION

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

### DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2017.

### BAD AND DOUBTFUL DEBTS

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

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

# DIRECTORS' REPORT

(cont'd)

## CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected 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 method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

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

## CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any 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 MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## ISSUE OF SHARES AND DEBENTURES

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

# DIRECTORS' REPORT

(cont'd)

## WARRANTS

On 13 October 2014, the Company issued 137,216,949 2014/2019 warrants to all the subscribers on the basis of 2 Warrants for every 5 existing ordinary shares of RM0.50. The Warrants were listed on the Main Market of Bursa Malaysia Securities Berhad on 21 October 2014. Each Warrant entitles the registered holder the right at any time during the exercise period 13 October 2014 to 12 October 2019 to subscribe in cash for one new ordinary share of RM0.50 each of the Company at an exercise price of RM1.00 each.

## TREASURY SHARES

During the financial year, the Company repurchased 15,832,500 of its issued ordinary shares from the open market at an average price of RM0.398 per share. The total consideration paid for the repurchase including transaction costs was RM6,333,360. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2017, the Company held 28,513,000 treasury shares out of its 480,497,159 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM11,663,724. Further details are disclosed in Note 29(c) to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS

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

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	Chairman
Dato' Wong Swee Yee*	Managing Director
Datin Goh Hooi Yin*	Non-Independent Executive Director
Dato' Ir Low Keng Kok*	(Re-designated as Independent Non-Executive Director on 18 December 2017)
Datuk Dr. Soh Chai Hock @ Soh Hai San*	Independent Non-Executive Director
Chan Seng Fatt*	Independent Non-Executive Director
Zahedi bin Haji Mohd Zain -retired on 26 May 2017	Independent Non-Executive Director
Chong Kwea Seng*	Independent Non-Executive Director

\*Directors of the Company and certain subsidiaries

Other than as stated below, the names of directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chong Wei Wei	
Surinderpal Singh A/L Arjan Singh	(Appointed on 16 October 2017)
Teoh Tian Chai	
Gan Soon Kiean	
Chin Yong Shing	
Mohd Farid Bin Mohamed Nor	
Lai Fook Eng	(Appointed on 16 October 2017)
Ong Lay Cheong	
Dato Muhammad Imran Bin Baharuddin	
Anuar Bin Yusuf	(Resigned on 15 February 2017)

# DIRECTORS' REPORT

(cont'd)

## DIRECTORS (cont'd)

Chan Kok Hoe	(Resigned on 16 October 2017)
Khoo Pao Yin	(Resigned on 20 June 2017)
Choong Siew Ming	(Resigned on 10 July 2017)
Nomis Sim Siang Leng	
Ignacio Munoz de Juan	
Jose Manuel Romero Serrano	
Karuppiyah A/L Subramaniom	
Sim Joo Heng	

## DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

### Interest in the Company

	Number of ordinary shares			At 31.12.2017
	At 1.1.2017	Acquired	Sold	
<b>Direct Interest :</b>				
Dato' Wong Swee Yee	133,850,940	-	-	133,850,940
Datin Goh Hooi Yin	2,143,416	-	-	2,143,416
Dato' Ir Low Keng Kok	25,895,332	-	-	25,895,332
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	723,332	-	-	723,332
Zahedi bin Haji Mohd Zain -retired on 26 May 2017	10,872	-	-	10,872
<b>Deemed Interest :</b>				
Dato' Wong Swee Yee (i)	2,243,416	100,000	-	2,343,416
Datin Goh Hooi Yin (i)	133,950,940	100,000	-	134,050,940
Zahedi bin Haji Mohd Zain (ii) -retired on 26 May 2017	400,199	-	-	400,199

# DIRECTORS' REPORT

(cont'd)

## DIRECTORS' INTERESTS (cont'd)

	Number of warrants 2014/2019			At 31.12.2017
	At 1.1.2017	Acquired	Exercised/ Sold	
<b>Direct Interest :</b>				
Dato' Wong Swee Yee	43,620,268	-	-	43,620,268
Datin Goh Hooi Yin	612,404	-	-	612,404
Dato' Ir Low Keng Kok	7,398,666	-	-	7,398,666
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	206,666	-	-	206,666
Zahedi bin Haji Mohd Zain -retired on 26 May 2017	3,106	-	-	3,106
<b>Deemed Interest :</b>				
Dato' Wong Swee Yee (i)	612,404	-	-	612,404
Datin Goh Hooi Yin (i)	43,620,268	-	-	43,620,268
Zahedi bin Haji Mohd Zain (ii) -retired on 26 May 2017	114,342	-	-	114,342

(i) Interest in shares held by spouse and child.

(ii) Interests in shares held by another body corporate, Sijas Holdings Sdn. Bhd. and Saleha & Anak-Anak Holdings Sdn. Bhd.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Wong Swee Yee and Datin Goh Hooi Yin are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which the director has a substantial financial interest.

## LONG TERM INCENTIVE PLAN

The Company's Long Term Incentive Plan ("LTIP") for eligible full time employees and executive directors of the Company and its subsidiaries was approved by shareholders at an Extraordinary General Meeting held on 17 June 2013. Bursa Malaysia Securities Berhad had on 15 May 2013 approved the listing of and quotation for the new FITTERS Shares to be issued pursuant to the exercise of the options and/or vesting of new FITTERS Shares under the LTIP. The effective date of implementation of the LTIP was on 11 November 2013 and will be in force for a period of five years and may be extended for up to another five years immediately from the expiry of the first five years.

As at the date of this report, no LTIP has been granted.



# DIRECTORS' REPORT

(cont'd)

## INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance paid for all directors of the Company were RM10,000,000 and RM20,760 respectively.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 18 to the financial statements.

Other than those subsidiaries not required to be audited in their countries of incorporation as disclosed in Note 18 to the financial statements, the available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

## SIGNIFICANT EVENT

Details of significant events during the financial year are disclosed in Note 38 to the financial statements.

## SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 39 to the financial statements.

## AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 9 to the financial statements.

## INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

## AUDITORS

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

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

**DATO' WONG SWEE YEE**

Director

**DATIN GOH HOOI YIN**

Director

Kuala Lumpur

Date: 10 April 2018

## STATEMENT BY DIRECTORS

(Pusuant to Section 251(2) of the Companies Act 2016)

We, **Dato' Wong Swee Yee** and **Datin Goh Hooi Yin**, being two of the directors of FITTERS Diversified Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 57 to 146 are properly drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

**DATO' WONG SWEE YEE**  
Director

**DATIN GOH HOOI YIN**  
Director

Kuala Lumpur  
Date: 10 April 2018

## STATUTORY DECLARATION

(Pusuant to Section 251(1) of the Companies Act 2016)

I, **Chong Wei Wei**, being the officer primarily responsible for the financial management of FITTERS Diversified Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 57 to 146 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.

**CHONG WEI WEI**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 10 April 2018.

Before me,

**ABDUL SHUKOR MD NOOR**  
NO: W725  
Commissioner for Oaths

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Continuing operations</b>					
Revenue	5	303,404	366,076	13,000	5,850
Cost of sales	6	(258,922)	(315,192)	-	-
<b>Gross profit</b>		44,482	50,884	13,000	5,850
Other income	7	1,802	2,768	7,080	6,441
Administrative expenses		(35,302)	(47,072)	(16,914)	(5,134)
<b>Operating profit</b>		10,982	6,580	3,166	7,157
Finance costs	8	(6,271)	(6,210)	(1,871)	(1,764)
Share of results of associate, net of tax		-	(445)	-	-
<b>Profit/(Loss) before tax</b>	9	4,711	(75)	1,295	5,393
Income tax expense	12	(4,671)	(5,284)	(783)	(466)
<b>(Loss)/Profit for the financial year from continuing operations</b>		40	(5,359)	512	4,927
Loss for the financial year from discontinued operation, net of tax				-	-
- from operation	28(b)	(475)	(1,100)		
- from loss on disposal	28(b)	(2,944)	-		
<b>(Loss)/Profit for the financial year</b>		(3,379)	(6,459)	512	4,927
<b>Other comprehensive loss net of tax</b>					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		(671)	(857)	-	-
Reclassification adjustment of exchange translation reserve		(8,571)	-	-	-
Revaluation gain on land and building (net of deferred tax of RM1,536,000)		4,981	-	-	-
<b>Other comprehensive loss for the financial year</b>		(4,261)	(857)	-	-
<b>Total comprehensive (loss)/income for the financial year</b>		(7,640)	(7,316)	512	4,927

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017  
(cont'd)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>(Loss)/Profit attributable to :</b>					
Owners of the Company		(424)	(4,300)	512	4,927
- From continuing operations		2,995	(3,200)	512	4,927
- From discontinued operation		(3,419)	(1,100)	-	-
Non-controlling interests		(2,955)	(2,159)	-	-
		(3,379)	(6,459)	512	4,927
<b>Total comprehensive (loss)/income attributable to :</b>					
Owners of the Company		(4,685)	(5,157)	512	4,927
- From continuing operations		(1,266)	(4,057)	512	4,927
- From discontinued operation		(3,419)	(1,100)	-	-
Non-controlling interests		(2,955)	(2,159)	-	-
		(7,640)	(7,316)	512	4,927
<b>Basic earning/(loss) per share (sen):</b>					
	13 (a)				
- From continuing operations		0.65	(0.67)		
- From discontinued operation		(0.74)	(0.23)		
		(0.09)	(0.90)		
<b>Diluted earning /(loss) per share (sen):</b>					
	13 (b)				
- From continuing operations		0.65 *	(0.67)		
- From discontinued operation		(0.74)	(0.23)		
		(0.09)	(0.90)		

\*Note: The effect on the basic earnings per share from the assumed conversion of warrants is anti-dilutive.

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	244,189	235,811	14,501	14,923
Investment properties	15	1,321	683	24,139	24,155
Intangible assets	16	5,684	5,684	-	-
Land use rights	17	-	-	-	-
Investment in subsidiaries	18	-	-	76,157	76,157
Investment in an associate	19	-	-	-	-
Investment securities	20	2,321	2,321	-	-
Deferred tax assets	21	479	1,111	-	-
Trade and other receivables	22	33,599	4,117	-	-
<b>Total non-current assets</b>		<b>287,593</b>	<b>249,727</b>	<b>114,797</b>	<b>115,235</b>
<b>Current assets</b>					
Development properties	23	96,826	92,183	-	-
Inventories	24	38,360	41,151	-	-
Current tax assets		1,146	2,454	-	109
Trade and other receivables	22	84,039	106,336	215,490	215,314
Contract assets	25	26,794	35,732	-	-
Investment securities	20	1	1	-	-
Cash and short-term deposits	27	20,534	49,202	982	775
		267,700	327,059	216,472	216,198
Assets of a disposal group classified as held for sale	28	-	34,458	-	-
<b>Total current assets</b>		<b>267,700</b>	<b>361,517</b>	<b>216,472</b>	<b>216,198</b>
<b>TOTAL ASSETS</b>		<b>555,293</b>	<b>611,244</b>	<b>331,269</b>	<b>331,433</b>

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

(cont'd)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	29 (a)	240,366	240,248	240,366	240,248
Share premium		-	118	-	118
Treasury shares	29 (b)	(11,663)	(5,330)	(11,663)	(5,330)
Other reserves	30	30,856	35,211	13,182	13,251
Retained earnings		83,577	83,907	26,362	25,781
		343,136	354,154	268,247	274,068
Non-controlling interests		4,019	6,974	-	-
<b>TOTAL EQUITY</b>		347,155	361,128	268,247	274,068
<b>Non-current liabilities</b>					
Deferred tax liabilities	21	3,315	1,730	1,117	1,090
Loans and borrowings	31	64,645	86,388	12,023	15,553
Trade and other payables	32	377	-	-	-
<b>Total non-current liabilities</b>		68,337	88,118	13,140	16,643
<b>Current liabilities</b>					
Loans and borrowings	31	70,279	88,011	19,816	30,571
Current tax liabilities		446	1,930	46	-
Trade and other payables	32	55,642	65,371	30,020	10,151
Contract liabilities	33	13,434	6,354	-	-
		139,801	161,666	49,882	40,722
Liabilities of a disposal group classified as held for sale	28	-	332	-	-
<b>Total current liabilities</b>		139,801	161,998	49,882	40,722
<b>TOTAL LIABILITIES</b>		208,138	250,116	63,022	57,365
<b>TOTAL EQUITY AND LIABILITIES</b>		555,293	611,244	331,269	331,433

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

## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

Group	← Attributable to owners of the Company →									
	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	Treasury Shares	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	240,130	-	18,247	7,275	10,640	(364)	90,972	366,900	9,133	376,033
Realisation of revaluation reserve	-	-	(94)	-	-	-	94	-	-	-
Total comprehensive loss	-	-	-	-	(857)	-	(4,300)	(5,157)	(2,159)	(7,316)
Transactions with owners:										
Shares issued	118	118	-	-	-	-	-	236	-	236
Shares repurchased	-	-	-	-	-	(4,966)	-	(4,966)	-	(4,966)
Dividend paid	-	-	-	-	-	-	(2,859)	(2,859)	-	(2,859)
At 31 December 2016	240,248	118	18,153	7,275	9,783	(5,330)	83,907	354,154	6,974	361,128
Realisation of revaluation reserve	-	-	(94)	-	-	-	94	-	-	-
Total comprehensive loss	-	-	4,981	-	(9,242)	-	(424)	(4,685)	(2,955)	(7,640)
Transactions with owners:										
Shares repurchased	-	-	-	-	-	(6,333)	-	(6,333)	-	(6,333)
Transition to no-par value regime <sup>^</sup>	118	(118)	-	-	-	-	-	-	-	-
At 31 December 2017	240,366	-	23,040	7,275	541	(11,663)	83,577	343,136	4,019	347,155

<sup>^</sup> Refer to Note 29(a) for details

Company	← Attributable to owners of the Company →							
	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Treasury Shares	Retained Earnings	Total Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2016	240,130	-	7,405	5,915	(364)	23,644	276,730	
Total comprehensive income	-	-	-	-	-	4,927	4,927	
Realisation of revaluation reserve	-	-	(69)	-	-	69	-	
Transactions with owners :								
Shares issued	118	118	-	-	-	-	236	
Shares repurchased	-	-	-	-	(4,966)	-	(4,966)	
Dividend paid	-	-	-	-	-	(2,859)	(2,859)	
At 31 December 2016	240,248	118	7,336	5,915	(5,330)	25,781	274,068	
Total comprehensive income	-	-	-	-	-	512	512	
Realisation of revaluation reserve	-	-	(69)	-	-	69	-	
Transactions with owners :								
Shares repurchased	-	-	-	-	(6,333)	-	(6,333)	
Transfer to no-par value regime <sup>^</sup>	118	(118)	-	-	-	-	-	
At 31 December 2017	240,366	-	7,267	5,915	(11,663)	26,362	268,247	

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

## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit before tax:				
- Continuing operations	4,711	(75)	1,295	5,393
- Discontinued operation	(3,419)	(1,100)	-	-
	1,292	(1,175)	1,295	5,393
Adjustments for:				
Amortisation of land use rights	-	275	-	-
Dividend income	-	-	(13,000)	(5,850)
Depreciation of investment properties	28	29	430	424
Inventories written down	23	180	-	-
Interest income from short term deposits	(506)	(1,738)	(15)	-
Impairment on investment in associate	-	6,885	-	-
Interest expense	6,271	6,210	1,871	1,764
Net fair value loss on loans and receivables	260	269	-	-
Property, plant and equipment:				
- gain on disposal	(115)	(98)	-	-
- depreciation	7,890	7,805	431	434
- written off	-	4	-	-
Loss on disposal of subsidiary	2,944	-	-	-
Reversal of impairment loss on amount owing by subsidiary	-	-	-	(469)
Written off of amount owing by a subsidiary	-	-	7	-
<b>Operating profit before changes in working capital, carried forward</b>	<b>18,087</b>	<b>18,646</b>	<b>(8,981)</b>	<b>1,696</b>



# STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017  
(cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities (continued)</b>				
<b>Operating profit before changes in working capital, brought forward</b>	18,087	18,646	(8,981)	1,696
Impairment loss on amount owing by subsidiaries	-	-	12,386	11
Share of results of associate	-	445	-	-
Trade receivables:				
- impairment loss	2,251	261	-	-
- reversal of impairment loss	-	(62)	-	-
- written off	-	26	-	-
Unrealised loss/(gain) on foreign exchange	60	(26)	-	-
<b>Operating profit before changes in working capital</b>	20,398	19,290	3,405	1,707
Construction contracts	15,178	2,190	-	-
Development properties	(3,803)	40,103	-	-
Inventories	2,768	(11,707)	-	-
Trade and other receivables	(12,741)	(4,787)	(427)	4,687
Trade and other payables	(9,224)	(9,725)	556	11
Subsidiaries	-	-	20,171	(2,800)
Net cash flows generated from operations	12,576	35,364	23,705	3,605
Interest paid	(6,271)	(6,210)	(1,871)	(1,764)
Income tax refunded	1,907	439	-	-
Income tax paid	(6,073)	(6,903)	(601)	(397)
Net cash flows generated from operating activities	2,139	22,690	21,233	1,444

## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017  
(cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from investing activities</b>				
Interest received	506	1,738	15	-
Proceeds from disposal of:				
- property, plant and equipment	275	105	-	-
- investment securities	-	18,583	-	-
Purchase of:				
- investment property	(666)	-	(414)	(479)
- property, plant and equipment	(9,764)	(12,025)	(9)	(34)
Net cash flows (used in)/generated from investing activities	(9,649)	8,401	(408)	(513)
<b>Cash flows from financing activities</b>				
Dividend paid	-	(2,859)	-	(2,859)
Proceeds from issuance of shares	-	236	-	236
Proceeds from disposal of subsidiary	24,601	-	-	-
Purchase of treasury shares	(6,333)	(4,966)	(6,333)	(4,966)
Payment of finance lease obligations	(416)	(832)	(90)	(85)
Repayment of term loans	(29,350)	(23,376)	(3,436)	(3,437)
Revolving credits and bankers' acceptance	(10,536)	12,922	(11,100)	11,245
Net cash flows (used in)/generated from financing activities	(22,034)	(18,875)	(20,959)	134
Net (decrease)/increase in cash and cash equivalents	(29,544)	12,216	(134)	1,065
<b>Cash and cash equivalents at beginning of the financial year</b>				
	48,195	35,872	775	(290)
Effect of foreign exchange rate changes on cash and cash equivalents	(103)	107	-	-
<b>Cash and cash equivalents at end of the financial year (Note 27)</b>				
	18,548	48,195	641	775

## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017  
(cont'd)

### A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Purchases of property, plant and equipment during the year were by way of:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash	9,764	12,025	9	34
Finance lease obligations	148	300	-	-
Financed by term loan	-	13,165	-	-
	9,912	25,490	9	34

### B. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017	Cash flows	Acquisition	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Finance lease	1,364	(416)	148	1,096
Term loan	119,358	(29,350)	-	90,008
	120,722	(29,766)	148	91,104

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. Both principal place of business and registered office of the Company is located at No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur.

The principal activities of the Company are that of investment holding and the trading of fire safety materials, equipment and fire prevention systems. The principal activities of the subsidiaries are detailed in Note 18.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 April 2018.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia.

### 2.2 Adoption of amendments/improvements to FRSs

The Group and the Company have adopted the following amendments/improvements to FRSs that are mandatory for the current financial year:

#### Amendments/Improvements to FRSs

FRS 12	Disclosure of Interests in Other Entities
FRS 107	Statement of Cash Flows
FRS 112	Income Taxes

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

#### ***Amendments to FRS 107 Statement of Cash Flows***

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

The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in the statements of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.3 MASB Approved Accounting Standards (“MFRSs”)

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Board on 1 January 2012, the MASB had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs (“MFRS Framework”) for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for Construction of Real Estate (“Transitioning Entities”). The Transitioning Entities are given an option to defer the adoption of MFRSs Framework and shall apply the MFRSs Framework for annual periods beginning on or after 1 January 2018. Transitioning Entities also include those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of MFRSs framework. As such, the Group and the Company will prepare their first MFRSs financial statements using MFRSs framework for financial year ending 31 December 2018. The main effects arising from the transition to MFRSs Framework are discussed below.

#### **Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”)**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

#### **MFRS 9 Financial Instruments**

Key requirements of MFRS 9:

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.3 MASB Approved Accounting Standards (“MFRSs”) (cont'd)

#### **MFRS 9 Financial Instruments** (cont'd)

Key requirements of MFRS 9: (cont'd)

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

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the transition adjustments on its financial statements.

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

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

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract;
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the transition adjustments on its financial statements.

#### **MFRS 16 Leases**

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

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

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the transition adjustments on its financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 2. BASIS OF PREPARATION (cont'd)

### 2.4 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis, except as otherwise disclosed in Note 3.

### 2.5 Use of estimates and judgement

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

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

### 2.6 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), 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 is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Basis of consolidation (cont'd)

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

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statement for like transactions and events in similar circumstances.

#### ***Transactions with non-controlling interest***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

### 3.2 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

### 3.3 Associates

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.3 Associates (cont'd)

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

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

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

### 3.4 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10.

Contributions to subsidiaries are amounts which the Company does not expect repayment in the foreseeable future and are considered as part of the Company's investment in the subsidiaries.

### 3.5 Foreign currency

#### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

#### (ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.5 Foreign currency (cont'd)

#### (ii) Foreign currency transactions (cont'd)

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

#### (iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on 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 reporting date.

### 3.6 Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

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

Freehold land, buildings and long term leasehold land are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on buildings and any accumulated impairment recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reserves a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.6 Property, Plant and Equipment and Depreciation (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold lands are depreciated over the period of their respective lease term. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	2%
Plant, equipment and machineries	4% - 20%
Motor vehicles	20%
Tools and office equipment	10% - 33.33%
Furniture and fittings	10%
Renovations	10%

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

### 3.7 Investment properties

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follow:

Buildings	2%
Leasehold land	98 years

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

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

### 3.8 Intangible assets

#### (i) Goodwill

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

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.8 Intangible assets (cont'd)

#### (i) Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

#### Acquisition on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

#### Acquisition between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

#### Acquisition prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.8 Intangible assets (cont'd)

#### (ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### 3.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

### 3.10 Impairment of non-financial assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.10 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

### 3.11 Financial Assets

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

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

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

#### (i) Financial assets at fair value through profit or loss

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

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

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

#### (ii) Loans and Receivables

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.11 Financial Assets (cont'd)

#### (iii) Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

#### (iv) Available-for-Sale Financial Assets

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.12 Impairment of financial assets

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

#### (i) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

#### (ii) Unquoted equity securities carried at cost

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

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

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

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

### 3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.14 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

### 3.15 Development properties

#### (i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

#### (ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.15 Development properties (cont'd)

#### (ii) Property development costs (cont'd)

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

### 3.16 Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate production overheads.

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

#### Property development inventory

Cost includes:

- freehold and leasehold rights for land
- amounts paid to contractors for construction
- borrowing costs, planning and design costs, costs for site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

### 3.17 Provisions

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

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

### 3.18 Financial Liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.18 Financial Liabilities (cont'd)

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

#### (i) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

#### (ii) Other Financial Liabilities

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

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

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

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

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

### 3.19 Borrowing costs

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.19 Borrowing costs (cont'd)

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

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

### 3.20 Employee benefits

#### (i) Short-term employee benefits

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

#### (ii) Defined contribution plans

The Group and the Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group and Company make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (iii) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

### 3.21 Leases

#### As lessee

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.21 Leases (cont'd)

#### As lessee (cont'd)

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

#### As lessor

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

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

### 3.22 Revenue

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

#### (i) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

#### (ii) Sale of goods

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

#### (iii) Revenue from services

Revenue from services rendered (including administrative services) is recognised net of discounts and when services are performed.

#### (iv) Revenue from property development

Revenue from sale of properties is accounted for by the stage of completion method in respect of the property units sold. The stage of completion method is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. Any expected loss on development project is recognised as an expense immediately, including costs to be incurred over the defects liability period.

#### (v) Rental income

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.22 Revenue (cont'd)

#### (vi) Interest income

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

#### (vii) Dividend income

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

### 3.23 Income taxes

#### (i) Current tax

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

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

#### (ii) Deferred tax

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.23 Income taxes (cont'd)

#### (ii) Deferred tax (cont'd)

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

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

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

### 3.24 Operating segments

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

### 3.25 Share capital and share issuance expenses

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

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

### 3.26 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and 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. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### 3.27 Contingencies

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

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

### 3.28 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in absence of a principal market, in the most advantageous market.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.28 Fair value measurements (cont'd)

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

### 3.29 Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; 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. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### 3.30 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of carrying amount and fair value less costs to sell.



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.31 Goods and Service Tax

Revenue, expenses and assets are recognised net of the amount of goods and service tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- receivables and payables that are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

### 3.32 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### (a) Construction contracts (Note 26)

The Group recognises construction revenue and costs, including rendering of services, in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

### (b) Impairment of property, plant and equipment (Note 14)

The Group reviews the carrying amounts of its property, plant and equipment at such indication exists, the asset's recoverable amount which is the higher of its fair value less costs to sell or its value in use is estimated. In determining the assets' fair value, the Group will obtain the best available quotation for the amount at which the assets could be exchanged between knowledgeable, willing sellers in an arm's length transaction at the date of valuation.

In determining the value in use of an asset, which requires the determination of future economic benefits expected to be derived from the continued use and ultimate disposition of such asset, the Group makes estimates and assumption that involves significant judgement and estimation. While the Group believes that the assumptions are appropriate and reasonable, changes in these assumptions may affect the assessment of the value in use and could have an impact on the Group's financial position and results of operations.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

### (c) Impairment in investment in a subsidiary (Note 18)

The Company determines whether there is any indication of impairment in investment in a subsidiary. If any of such indication exist, the Company makes an estimate of the recoverable amount of the investment in a subsidiary.

The recoverable amount of investment in a subsidiary was determined based on value-in-use which involves exercise of significant judgement on the discount rates applied and the assumptions supporting the underlying cash flow projections which include future revenue, gross profit margin and operating expenses.

## 5. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sale of goods	42,381	46,409	-	-
Sale of palm oil	165,442	152,581	-	-
Sale of pipes	13,159	14,235	-	-
Rendering of services	9,721	8,539	-	-
Construction contract revenue	69,521	99,762	-	-
Property development	2,177	44,153	-	-
Renewable energy	1,003	397	-	-
Tax exempt dividend income from subsidiaries	-	-	13,000	5,850
	303,404	366,076	13,000	5,850

## 6. COST OF SALES

	Group	
	2017	2016
	RM'000	RM'000
Cost of goods sold	33,685	36,469
Cost of palm oil sold	156,721	146,845
Cost of pipes sold	9,988	11,689
Cost of services rendered	1,309	1,780
Construction contract costs	55,884	84,584
Property development costs	558	33,044
Cost of renewable energy	777	781
	258,922	315,192

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 7. OTHER INCOME

Included in other income of the Group and of the Company are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Administrative fee from subsidiaries	-	-	2,220	2,096
Foreign exchange gain:				
- realised	304	404	-	-
- unrealised	17	26	-	-
Interest income from short term deposits	506	1,738	15	-
Interest income from subsidiaries	-	-	1,077	296
Net gain on disposal of property, plant and equipment	115	98	-	-
Rental income	336	287	3,768	3,580
Reversal of impairment loss on:				
- trade receivables	-	62	-	-
- amount owing by subsidiary	-	-	-	469
Bad debts recovered	-	2	-	-

## 8. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
- bankers' acceptances	751	1,063	-	-
- bank overdrafts	93	85	-	-
- obligations under finance lease	57	68	19	23
- revolving credits	1,058	759	827	540
- term loans	4,312	4,235	1,025	1,201
Total finance costs	6,271	6,210	1,871	1,764

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 9. PROFIT/(LOSS) BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit/(loss) before taxation:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
- statutory audits	229	256	35	35
- under/(over) provision in prior year	(55)	46	(25)	5
- other services	14	8	14	8
Depreciation of investment properties	28	29	430	424
Employee benefits expenses (Note 10)	21,552	21,295	2,446	2,226
Impairment on investment in associate	-	6,885	-	-
Inventories:				
- written down	23	180	-	-
Loss on foreign exchange:				
- realised	50	33	-	21
- unrealised	77	-	-	-
Property, plant and equipment:				
- depreciation	7,890	7,750	431	434
- written off	-	4	-	-
Rental expenses on:				
- land and buildings	324	355	-	-
- plant and machineries	228	419	-	-
Net fair value loss on loans and receivables	260	269	-	-
Trade receivables :				
- impairment loss	2,251	261	-	-
- written off	-	26	-	-
Amount owing by subsidiary				
- impairment loss	-	-	12,386	11
- written off	-	-	7	-

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	18,273	19,179	1,832	1,729
Social security contributions	178	184	10	9
Contributions to defined contribution plan	2,359	1,858	227	135
Other benefits	790	704	377	353
Less: Capitalised as capital work-in-progress				
- Wages and salaries	(43)	(562)	-	-
- Social security contribution	-	(4)	-	-
- Contributions to defined contribution plan	(5)	(64)	-	-
	21,552	21,295	2,446	2,226

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM4,314,000 (2016: RM4,641,000) and RM902,000 (2016: RM894,000) respectively as further disclosed in Note 11.

## 11. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Salaries and other emoluments	3,246	3,069	715	661
Fee	250	120	-	-
Bonus	250	673	55	95
Defined contribution plan	525	581	131	138
Other emoluments	43	198	1	-
Total executive directors' remuneration	4,314	4,641	902	894
Non-Executive:				
Fees	586	556	526	456
Total directors' remuneration	4,900	5,197	1,428	1,350

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 11. DIRECTORS' REMUNERATION (cont'd)

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

	Number of directors	
	2017	2016
Executive directors:		
RM450,001 - RM 500,000	1	1
RM1,750,001 - RM1,800,000	1	-
RM2,000,001 - RM2,050,000	-	1
Non-Executive directors:		
RM 1 - RM50,000	1	-
RM50,001 - RM100,000	1	2
RM100,001 - RM150,000	4	3

## 12. INCOME TAX EXPENSE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations:</b>				
Current income tax:				
- Malaysian income tax	4,057	7,849	1,034	621
Over provision in prior years:				
- Malaysian income tax	(68)	(1,087)	(278)	(558)
	3,989	6,762	756	63
Deferred tax:				
- Current year	682	(3,301)	27	(77)
- Under provision in prior year	-	1,823	-	480
	682	(1,478)	27	403
Income tax expense attributable to continuing operations	4,671	5,284	783	466
Income tax expense attributable to discontinued operations	-	-	-	-
Income tax recognised in profit or loss	4,671	5,284	783	466
Income tax recognised in other comprehensive income	1,536	-	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 12. INCOME TAX EXPENSE (cont'd)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax	4,711	(75)	1,295	5,393
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	1,131	(18)	311	1,294
Expenses not deductible for tax purposes	1,438	3,553	3,870	654
Income not subject to tax	(28)	(460)	(3,120)	(1,404)
Reversal of deferred tax assets not recognised in the financial statements	(777)	1,473	-	-
Deferred tax assets not recognised	2,989	-	-	-
(Over)/under provision of income tax in prior years	(68)	(1,087)	(278)	(558)
Under/(over) provision of deferred tax in prior years	(14)	1,823	-	480
Income tax expense for the financial year	4,671	5,284	783	466

## 13. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per ordinary share

Basic (loss)/earnings per share are based on the (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2017 RM'000	2016 RM'000
Profit/(Loss) attributable to owners of the Company:		
- Continuing operations	2,995	(3,200)
- Discontinued operation	(3,419)	(1,100)
	(424)	(4,300)
	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for basic earning/(loss) per share	460,958	476,339
	<b>2017</b>	<b>2016</b>
	<b>Sen</b>	<b>Sen</b>
Basic earning/(loss) per ordinary share		
- Continuing operations	0.65	(0.67)
- Discontinued operation	(0.74)	(0.23)
	(0.09)	(0.90)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 13. (LOSS)/EARNINGS PER SHARE (cont'd)

(b) Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per share are based on the profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The effect on the basic earnings per share from the assumed conversion of warrants is anti-dilutive.

## 14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land at valuation RM'000	Buildings at valuation RM'000	Leasehold land at valuation RM'000	Plant, equipment and machineries RM'000	Motor vehicles RM'000	Tools and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Cost, unless otherwise stated :</b>										
At 1 January 2017	22,493	30,187	7,900	116,407	4,740	4,127	743	910	71,032	258,539
Additions	650	405	-	490	320	81	7	62	7,897	9,912
Disposals	-	-	-	-	(1,881)	(53)	-	-	-	(1,934)
Reclassification	1,636	11,413	-	9,512	-	-	-	-	(22,561)	-
Exchange differences	-	-	-	-	-	(6)	-	(1)	-	(7)
Revaluation surplus	116	4,395	2,006	-	-	-	-	-	-	6,517
Transfer from accumulated depreciation upon evaluation	-	(94)	-	-	-	-	-	-	-	(94)
At 31 December 2017	24,895	46,306	9,906	126,409	3,179	4,149	750	971	56,368	272,933
<b>Accumulated depreciation and impairment losses:</b>										
At 1 January 2017	-	1,605	163	13,502	3,408	2,939	342	769	-	22,728
Depreciation for the financial year	-	690	83	5,842	787	355	77	56	-	7,890
Disposals	-	-	-	-	(1,746)	(28)	-	-	-	(1,774)
Exchange differences	-	-	-	-	-	(5)	-	(1)	-	(6)
Transfer to cost upon revaluation	-	(94)	-	-	-	-	-	-	-	(94)
At 31 December 2017	-	2,201	246	19,344	2,449	3,261	419	824	-	28,744
<b>Net carrying amount</b>	24,895	44,105	9,660	107,065	730	888	331	147	56,368	244,189



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land at valuation RM'000	Buildings at valuation RM'000	Leasehold land at valuation RM'000	Plant, equipment and machineries RM'000	Motor vehicles RM'000	Tools and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost, unless otherwise stated :</b>										
At 1 January 2016	22,493	29,759	7,900	116,004	4,919	3,997	737	909	75,075	261,793
Additions	-	428	-	593	517	296	23	-	23,633	25,490
Disposals	-	-	-	-	(438)	-	-	-	-	(438)
Write off	-	-	-	-	-	(5)	-	-	-	(5)
Transfer to disposal group classified as held for sale (Note 28)	-	-	-	(185)	(252)	(163)	(17)	-	(26,909)	(27,526)
Exchange differences	-	-	-	(5)	(6)	2	-	1	(767)	(775)
At 31 December 2016	22,493	30,187	7,900	116,407	4,740	4,127	743	910	71,032	258,539
<b>Accumulated depreciation and impairment losses:</b>										
At 1 January 2016	-	992	77	7,959	3,188	2,724	279	634	-	15,853
Depreciation for the financial year	-	613	86	5,713	820	361	78	134	-	7,805
Disposals	-	-	-	-	(431)	-	-	-	-	(431)
Write off	-	-	-	-	-	(1)	-	-	-	(1)
Transfer to disposal group classified as held for sale (Note 28)	-	-	-	(167)	(167)	(147)	(15)	-	-	(496)
Exchange differences	-	-	-	(3)	(2)	2	-	1	-	(2)
At 31 December 2016	-	1,605	163	13,502	3,408	2,939	342	769	-	22,728
<b>Net carrying amount</b>	<b>22,493</b>	<b>28,582</b>	<b>7,737</b>	<b>102,905</b>	<b>1,332</b>	<b>1,188</b>	<b>401</b>	<b>141</b>	<b>71,032</b>	<b>235,811</b>

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Freehold Land at Valuation RM'000	Building at Valuation RM'000	Leasehold Land at Valuation RM'000	Motor Vehicles RM'000	Tools and Office Equipment RM'000	Furniture and Fittings RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Cost, unless otherwise stated:</b>								
At 1 January 2017	4,500	10,500	-	852	349	338	-	16,539
Additions	-	-	-	-	9	-	-	9
At 31 December 2017	4,500	10,500	-	852	358	338	-	16,548
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2017	-	672	-	398	275	271	-	1,616
Depreciation for the financial year	-	210	-	169	18	34	-	431
At 31 December 2017	-	882	-	567	293	305	-	2,047
<b>Net carrying amount</b>	4,500	9,618	-	285	65	33	-	14,501
<b>Cost, unless otherwise stated :</b>								
At 1 January 2016	4,500	10,500	-	845	322	338	-	16,505
Additions	-	-	-	7	27	-	-	34
At 31 December 2016	4,500	10,500	-	852	349	338	-	16,539
<b>Accumulated depreciation and impairment losses:</b>								
At 1 January 2016	-	462	-	230	252	238	-	1,182
Depreciation for the financial year	-	210	-	168	23	33	-	434
At 31 December 2016	-	672	-	398	275	271	-	1,616
<b>Net carrying amount</b>	4,500	9,828	-	454	74	67	-	14,923

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (a) The property, plant and equipment of the Group stated at valuation are based on independent professional valuation carried out on an open market basis.

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

Group	Cost RM'000	Accumulated depreciation RM'000	Total RM'000
<b>2017</b>			
Freehold Land	8,472	-	8,472
Leasehold Land	7,682	(276)	7,406
Buildings	11,698	(4,157)	7,541
	<u>27,852</u>	<u>(4,433)</u>	<u>23,419</u>
<b>2016</b>			
Freehold Land	7,822	-	7,822
Leasehold Land	280	(65)	215
Buildings	10,595	(3,851)	6,744
	<u>18,697</u>	<u>(3,916)</u>	<u>14,781</u>
<b>Company</b>			
<b>2017</b>			
Freehold Land	622	-	622
Buildings	7,937	(4,048)	3,889
	<u>8,559</u>	<u>(4,048)</u>	<u>4,511</u>
<b>2016</b>			
Freehold Land	622	-	622
Buildings	7,937	(3,651)	4,286
	<u>8,559</u>	<u>(3,651)</u>	<u>4,908</u>

- (b) Fair value information

Fair value of the land and buildings are categorised under level 2 of fair value. Level 2 fair value is determined by external, independent property valuers, Rahim & Co. having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation method used was combination of Cost and Comparison Method that makes reference to replacement cost of similar assets and recent transactions and sales evidences involving other similar properties in the vicinity. The most significant input to this valuation approach is cost per square feet and price per square feet of comparable properties. Certain freehold land, buildings and long term leasehold land have been revalued upward with a revaluation gain totalling RM6,517,000 during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### (c) Assets under finance leases

Net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Motor vehicles	1,132	1,547	280	448

#### (d) Capital work in progress

Included in the capital work in progress of the Group are :

- (i) an amount of RM5,147,401 (2016: RM4,420,313) which represents the cost of a gasifier plant under construction located in Sendayan, Negeri Sembilan;
- (ii) an amount of RM30,848,477 (2016: RM30,199,087) which represents the cost of palm oil mill and equipment acquired which is not ready for intended use, located in Kedah;
- (iii) an amount of RM20,120,189 (2016: RM13,851,194) which represents the cost of a biomass-power-plant under construction located in Kedah;
- (iv) an amount of RM Nil (2016: RM23,482,964) which represents the cost of medical waste treatment plant and equipment which is not ready for intended use, located in Sendayan, Negeri Sembilan. The waste treatment plant started operations during the financial year and was transferred out of capital work in progress; and
- (v) an amount of RM683,449 (2016: RM792,642) finance costs which has been capitalised during the financial year.

#### (e) Assets pledged as security

Included in property, plant and equipment of the Group and the Company are assets pledged to licensed banks to secure credit facilities granted to the Group and the Company with the following carrying amounts:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Freehold land	12,136	10,500	4,500	4,500
Long term leasehold land	9,200	7,346	-	-
Buildings	49,057	27,840	9,617	9,828
Plant, equipment and machineries	100,950	101,555	-	-
Tools and office equipment	715	790	-	-
Capital work-in-progress	50,411	67,476	-	-
	222,469	215,507	14,117	14,328

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 15. INVESTMENT PROPERTIES

Group	Buildings at cost RM'000	Total RM'000
<b>Cost</b>		
At 1 January 2017	1,322	1,322
Addition	666	666
At 31 December 2017	1,988	1,988
<b>Accumulated depreciation and impairment losses:</b>		
At 1 January 2017	639	639
Depreciation charge for the financial year	28	28
At 31 December 2017	667	667
<b>Net carrying amount</b>	<b>1,321</b>	<b>1,321</b>
<b>Cost</b>		
At 1 January 2016	1,322	1,322
At 31 December 2016	1,322	1,322
<b>Accumulated depreciation and impairment losses:</b>		
At 1 January 2016	610	610
Depreciation charge for the financial year	29	29
At 31 December 2016	639	639
<b>Net carrying amount</b>	<b>683</b>	<b>683</b>

As at reporting date, titles to investment properties with carrying amount of RM1,321,000 (2016: RM683,000) have yet to be registered in the subsidiaries' name.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 15. INVESTMENT PROPERTIES (cont'd)

<b>Company</b>	<b>Buildings at cost RM'000</b>	<b>Leasehold Land at cost RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2017	17,489	7,402	24,891
Addition	414	-	414
At 31 December 2017	17,903	7,402	25,305
<b>Accumulated depreciation and impairment losses:</b>			
At 1 January 2017	604	132	736
Depreciation charge for the financial year	354	76	430
At 31 December 2017	958	208	1,166
<b>Net carrying amount</b>	<b>16,945</b>	<b>7,194</b>	<b>24,139</b>
<b>Cost</b>			
At 1 January 2016	17,010	7,402	24,412
Addition	479	-	479
At 31 December 2016	17,489	7,402	24,891
<b>Accumulated depreciation and impairment losses:</b>			
At 1 January 2016	255	57	312
Depreciation charge for the financial year	349	75	424
At 31 December 2016	604	132	736
<b>Net carrying amount</b>	<b>16,885</b>	<b>7,270</b>	<b>24,155</b>
<b>Group</b>			
		<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Fair Value</b>			
At 31 December 2017		3,983	3,983
At 31 December 2016		3,527	3,527
	<b>Leasehold Land at cost RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Company</b>			
<b>Fair Value</b>			
At 31 December 2017	9,200	14,300	23,500
At 31 December 2016	7,754	16,885	24,639

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 15. INVESTMENT PROPERTIES (cont'd)

The investment properties comprise of long term leasehold land and building. The rental income earned by the Group and Company from its investment properties amounted to RM20,304 and RM2,393,929 (2016: RM20,400 and RM2,200,008). Direct operating expenses pertaining to the income generating investment properties during the financial year amounted to RM3,981 and RM608,196 (2016: RM28,397 and RM424,385).

### Fair value information

Fair value of investment properties is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Group</b>				
<b>2017</b>				
Buildings	-	3,983	-	3,983
<b>2016</b>				
Buildings	-	3,527	-	3,527
<b>Company</b>				
<b>2017</b>				
Leasehold Land	-	9,200	-	9,200
Buildings	-	14,300	-	14,300
	-	23,500	-	23,500
<b>2016</b>				
Leasehold Land	-	7,754	-	7,754
Buildings	-	16,885	-	16,885
	-	24,639	-	24,639

The fair value on the investment properties which are determined by the Directors of the Company based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot.

### Assets pledged as security

Included in investment properties of the Company are assets pledged to licensed banks to secure credit facilities granted to the Company with the following carrying amounts:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Long term leasehold land	-	-	7,194	7,270
Buildings	-	-	16,945	16,885
	-	-	24,139	24,155

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 16. INTANGIBLE ASSETS

Group	Computer software RM'000	Goodwill RM'000	License RM'000	Total RM'000
At 1 January 2016	#	4,360	1,324	5,684
Addition	-	-	-	-
At 31 December 2016	#	4,360	1,324	5,684
Addition	-	-	-	-
At 31 December 2017	#	4,360	1,324	5,684

# RM1

### (a) Computer software

The computer software is amortised over 3 years on straight-line basis.

### (b) Goodwill

Management reviews the business performance based on the type of products and services of the strategic business units which represent its reportable operating segments. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the following Group's cash generating units ("CGU") which are also reportable operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The carrying amounts of goodwill allocated to the CGUs are as follows:

	Group	
	2017 RM'000	2016 RM'000
<b>Malaysia - Contracting</b>		
At 1 January/31 December	4,360	4,360

### (c) License

The license to manufacture the HYPRO® PVC-O pipes are allocated to the pipes manufacturing segment. The license has an indefinite useful life and it is assessed at each reporting date regardless of any indication of impairment by comparing the carrying amount with the recoverable amount of the license.

The carrying amount of the license is as follows:

	Group	
	2017 RM'000	2016 RM'000
<b>Malaysia - Pipes Manufacturing</b>		
At 1 January/31 December	1,324	1,324



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 16. INTANGIBLE ASSETS (cont'd)

### (d) Impairment testing of goodwill and license

The recoverable amount of CGUs has been determined based on value-in-use calculations using cash flows projection from financial budgets and forecasts approved by management covering a five-year period. The same method has also been used in the previous financial year.

The key assumptions used for value-in-use calculations are:

	Gross margin		Growth rate		Discount rate	
	2017	2016	2017	2016	2017	2016
Contracting	15%	16%	5%	4%	15%	16%
Pipes Manufacturing	16%	18%	3%	3%	15%	12%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and license:

(i) Budgeted gross margin

The budgeted gross margins is the average gross margins experienced over the last year, adjusted for market and economic conditions and internal resource efficiency based on both external and sources.

(ii) Growth rate

The weighted average growth rates used are consistent with the long-term average growth rate for the industry.

(iii) Discount rate

The discount rates applied to the cash flow projections are pre-tax and reflect management's estimate of the risks specific to the CGUs at the date of assessment.

#### Sensitivity to changes in assumptions

Based on the sensitivity analysis performed, management believes that there is no reasonably possible change in key assumptions that would cause the carrying value of the CGUs to exceed its recoverable amount. The estimated recoverable amount exceeds that carrying amount of the CGUs. As a result of the analysis, management did not identify an impairment for this CGU.

## 17. LAND USE RIGHTS

	Group	
	2017 RM'000	2016 RM'000
At 1 January	-	5,336
Amortisation	-	(275)
Exchange differences	-	(182)
Transfer to disposal group classified as held for sale	-	(4,879)
At 31 December	-	-

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
In Malaysia	77,875	77,875
Outside Malaysia	33	33
	77,908	77,908
Less: Accumulated impairment losses	(1,751)	(1,751)
	76,157	76,157

### Disposal of Liangshan Future NRG Biology Electric Power Co., Ltd.

On 13 May 2017, the Group disposed of its 100% equity investment in Liangshan Future NRG Biology Electric Power Co., Ltd. for a total consideration of RMB 40 million (equivalent to approximately RM25.040 million based on prevailing exchange rate of RMB1.00 = RM0.626 as at 13 May 2017). On 5 June 2017, Liangshan ceased to be a subsidiary of FNRGSB and the Company upon completion of the disposal.

(a) Summary of the effect of disposal of Liangshan Future NRG Biology Electric Power Co., Ltd.

<b>Recognised:</b>	RM'000	RM'000
Cash consideration received		24,609
Direct expenses relating to disposal		(3,101)
Fair value of consideration received		21,508
Reclassification adjustment of exchange translation reserve		8,571
		30,079
<b>Derecognised:</b>		
Fair value of identifiable net assets at disposal date		
Property, plant and equipment	31,249	
Inventories	14	
Trade & other receivables	2,212	
Cash and cash equivalents	8	
Trade and other payables	(460)	33,023
<b>Loss on disposal of Liangshan Future NRG Biology</b>		<b>(2,944)</b>

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) Effect of disposal of Liangshan Future NRG Biology Electric Power Co., Ltd on cash flow

	<b>RM'000</b>
Fair value of consideration received	24,609
Less: Non-cash consideration	-
Consideration received in cash	24,609
Less: Cash and cash equivalents of subsidiary disposed	(8)
Net cash inflows on disposal	24,601

Details of the subsidiaries are as follows:

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
<b>Direct subsidiaries</b>				
FITTERS Sdn Bhd	Malaysia	Trading and installation of fire safety materials and equipment, manufacture and assembly of fire fighting, protection and prevention systems and equipment	100	100
Master Pyrodor Sdn Bhd	Malaysia	Property holdings	100	100
FITTERS (S) Pte Ltd *	Singapore	Trading and installation of fire safety materials and equipment	100	100
Molecor (SEA) Sdn Bhd ("MSSB")	Malaysia	Manufacturing and distribution of HYPRO® PVC-O pipes	65	65
FITTERS Engineering Services Sdn Bhd	Malaysia	Design, manufacture, assemble, supply and installation of fire fighting, protection and prevention systems and equipment	100	100
FITTERS Marketing Sdn Bhd	Malaysia	Manufacturing and marketing of fire resistant doorsets and marketing of general building materials	100	100
FITTERS Building Services Sdn Bhd	Malaysia	Property development	100	100
FITTERS-MPS Sdn Bhd ("FMPS")	Malaysia	Design, installation and maintenance of fire protection systems	51	51

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
<b>Direct subsidiaries</b>				
Master Pyroserve Sdn Bhd	Malaysia	Install and operate the computerised fire alarm monitoring and communication systems for Jabatan Perkhidmatan Bomba dan Penyelamat Malaysia	100	100
Armatrade Sdn Bhd	Malaysia	Ceased operations	100	100
Wintip Sdn Bhd	Malaysia	Ceased operations	100	100
Future NRG Sdn Bhd	Malaysia	Renewable energy development	100	100
Premier Equity Holdings Limited **	British Virgin Island	Investment holding	100	100
FITTERS-NRG Sdn Bhd	Malaysia	Renewable energy development	100	100
FITTERS Property Development Sdn Bhd	Malaysia	Property development	100	100
Future NRG Pte Ltd	Singapore	Dormant	-	100
FITTERS-Nrg Limited	Australia	Dormant	-	100
<b>Subsidiaries of FITTERS Sdn Bhd</b>				
FITTERS (Ipoh) Sdn Bhd	Malaysia	Ceased operations	100	100
FITTERS (Sarawak) Sdn Bhd	Malaysia	Trading of fire safety materials and equipment	100	100
AHT NRG Asia Sdn Bhd	Malaysia	Dormant	100	100
FITTERS Fire Technology Sdn Bhd	Malaysia	Ceased operations	100	100
Modular Floor Systems (M) Sdn Bhd	Malaysia	Ceased operations	100	100

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
<b>Subsidiaries of FITTERS Building Services Sdn Bhd</b>				
Pyro-Tech Systems Sdn Bhd	Malaysia	Ceased operations	100	100
<b>Subsidiaries of FITTERS Engineering Services Sdn Bhd</b>				
FITTERS Engineering and Maintenance Services Sdn Bhd	Malaysia	Maintenance of all types of fire protection systems	100	100
FITTERS Engineering Services (Johor) Sdn Bhd	Malaysia	Ceased operations	100	100
FITTERS Construction Sdn Bhd	Malaysia	Construction of civil work, residential and commercial building	100	100
<b>Subsidiaries of Future NRG Sdn Bhd</b>				
Future Biomass Gasification Sdn Bhd	Malaysia	Renewable energy development	100	100
Solid Orient Holdings Sdn Bhd	Malaysia	Operation of palm oil mill	100	100
<b>Subsidiaries of FITTERS Property Development Sdn Bhd</b>				
ZetaPark Development Sdn Bhd	Malaysia	Property development	100	100
Superior Villa Sdn Bhd	Malaysia	Property development	100	100
Rasa Anggun Development Sdn Bhd	Malaysia	Property development	100	100
<b>Subsidiaries of Premier Equity Holdings Limited</b>				
Future NRG Asia Ltd	British Virgin Island	Dormant	-	100
Future NRG (SEA) Pte Ltd *	Singapore	Renewable energy development	100	100

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
<b>Subsidiary of FITTERS- NRG Sdn Bhd</b>				
Liangshan Future NRG Biology Electric Power Co., Ltd*	People's Republic of China	Build and operate the Liangshan Biomass Power Plant	-	100

\* Audited by auditors other than Baker Tilly Monteiro Heng

\*\* Not required to be audited in their countries of incorporation. The financial statements have been reviewed for consolidation purpose.

- (a) The Company has received a notification from Australian Securities and Investment Commission that FITTERS-Nrg Limited, a wholly-owned subsidiary of the Company, had been deregistered on 6 February 2017. FITTERS-Nrg Limited had been dormant since its incorporation.
- (b) Future NRG Pte Ltd, a wholly owned subsidiary incorporated in Singapore of the Company had been deregistered on 6 April 2017.
- (c) Future NRG Asia Limited, a wholly-owned subsidiary of Premier Equity Holdings Limited, which in turn is a wholly-owned subsidiary company of FITTERS, had been struck off by the Registrar of Companies in British Virgin Islands. Future NRG Asia Limited was incorporated in British Virgin Islands and had been dormant since its incorporation.

### Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:-

	FMPS RM'000	FMCCT RM'000	MSSB RM'000	Total RM'000
<b>2017</b>				
<b>NCI Percentage of ownership interest and voting interest</b>	49%	45%	35%	
Carrying amount of NCI	547	1,057	2,415	4,019
(Loss)/Profit allocated to NCI	(111)	(350)	(2,494)	(2,955)
<b>2016</b>				
<b>NCI Percentage of ownership interest and voting interest</b>	49%	45%	35%	
Carrying amount of NCI	657	1,407	4,910	6,974
Profit/(Loss) allocated to NCI	(117)	36	(2,078)	(2,159)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES (cont'd)

### Non-controlling interest in subsidiaries (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	FMPS RM'000	FMCCT RM'000	MSSB RM'000	Total RM'000
<b>Summarised statements of financial position</b>				
<b>As at 31 December 2017</b>				
Non-current assets	224	89	45,220	45,533
Current assets	4,039	2,939	25,180	32,158
Non-current liabilities	-	(29)	(16,776)	(16,805)
Current liabilities	(3,140)	(651)	(46,722)	(50,513)
Net assets	1,123	2,348	6,902	10,373
<b>Summarised statements of comprehensive income</b>				
<b>Financial year ended 31 December 2017</b>				
Revenue	5,211	776	13,159	19,146
Loss for the financial year	(201)	(778)	(7,130)	(8,109)
Total comprehensive loss	(201)	(778)	(7,130)	(8,109)
<b>Summarised cash flows information</b>				
<b>Financial year ended 31 December 2017</b>				
Cash flows from operating activities	(817)	(21)	3,731	2,893
Cash flows from investing activities	-	(58)	(283)	(341)
Cash flows from financing activities	-	-	(3,585)	(3,585)
Net (decrease)/increase in cash and cash equivalents	(817)	(79)	(137)	(1,033)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 18. INVESTMENT IN SUBSIDIARIES (cont'd)

### Non-controlling interest in subsidiaries (cont'd)

	FMPS RM'000	FMCCT RM'000	MSSB RM'000	Total RM'000
<b>Summarised statements of financial position</b>				
<b>As at 31 December 2016</b>				
Non-current assets	229	153	48,360	48,742
Current assets	43,418	4,285	25,139	72,842
Non-current liabilities	-	(88)	(24,061)	(24,149)
Current liabilities	(42,305)	(1,224)	(35,410)	(78,939)
Net assets	1,342	3,126	14,028	18,496
<b>Summarised statements of comprehensive income</b>				
<b>Financial year ended 31 December 2016</b>				
Revenue	8,918	3,426	14,235	26,579
Profit/(loss) for the financial year	(235)	124	(5,938)	(6,049)
Total comprehensive income/(loss)	(239)	81	(5,938)	(6,096)
<b>Summarised cash flows information</b>				
<b>Financial year ended 31 December 2016</b>				
Cash flows from operating activities	1,295	106	9,075	10,476
Cash flows from investing activities	-	-	(314)	(314)
Cash flows from financing activities	-	(51)	(9,169)	(9,220)
Net increase/(decrease) in cash and cash equivalents	1,295	55	(408)	942

## 19. INVESTMENT IN AN ASSOCIATE

	Group	
	2017 RM'000	2016 RM'000
<b>Quoted shares, at cost</b>		
Outside Malaysia	6,645	6,645
Share of post-acquisition reserves	240	240
Less : Impairment loss	(6,885)	(6,885)
	-	-
<b>Market value</b>		
- Quoted shares	757	2,494



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 19. INVESTMENT IN AN ASSOCIATE (cont'd)

Details of associate are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
<b>Associate of Future NRG Sdn. Bhd.</b>				
AHT Syngas Technology NV	Netherlands	Investment holding	40%	40%
<b>Subsidiary of AHT Syngas Technology NV</b>				
AHT Services GmbH	Germany	Engineering and production of biomass and coal-co-generation systems (gasification)	40%	40%

On 28 November 2016, AHT Services GmbH filed for insolvency in its own administration. The Group made an impairment loss on investment in associated company amounting to RM6.9 million.

### Fair value information

As at 31 December 2017, the fair value of AHT Syngas Technology NV, which is listed on the Frankfurt Stock Exchange, was RM757,000 (2016: RM2,494,000) based on the quoted market price available on the stock exchange, which has been categorised within Level 1 fair value hierarchy.

## 20. INVESTMENT SECURITIES

	2017		2016	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>Group</b>				
<b>Non-current</b>				
<i>Available-for-sale financial assets</i>				
- Equity instruments (unquoted), at cost	2,216	#	2,216	#
- Corporate memberships in golf club	105	#	105	#
Total non-current investment securities	2,321		2,321	
<b>Current</b>				
<i>Held for trading investments</i>				
- Equity instruments (quoted in Malaysia)	1	1	1	1
Total current investment securities	1		1	
Total investment securities	2,322		2,322	

# The fair value information has not been disclosed for these financial instruments as their fair value cannot be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 20. INVESTMENT SECURITIES (cont'd)

Their fair value cannot be measured reliably due to the lack of quoted market price in an active market and assumptions required for valuing these financial instruments using valuation techniques are subject to material uncertainties.

### 21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets:				
At 1 January	1,111	-	-	-
Transfer to profit or loss	(632)	1,111	-	-
At 31 December	479	1,111	-	-
Deferred tax liabilities:				
At 1 January	1,730	2,097	1,090	687
Transfer to profit or loss	49	(367)	27	403
Recognised in other comprehensive income	1,536	-	-	-
At 31 December	3,315	1,730	1,117	1,090

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

Group	Deferred Income RM'000	Total RM'000
At 1 January 2016	-	-
Recognised in profit or loss	(1,111)	(1,111)
At 31 December 2016	(1,111)	(1,111)
Recognised in profit or loss	632	632
At 31 December 2017	(479)	(479)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 21. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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

Group	Revaluation on property, plant and equipment RM'000	Temporary differences between net book values and corresponding tax written down values RM'000	Total RM'000
At 1 January 2016	942	1,155	2,097
Recognised in profit or loss	-	(367)	(367)
At 31 December 2016	942	788	1,730
Recognised in profit or loss	-	82	82
Recognised in other comprehensive income	1,536	-	1,536
Crystallisation of deferred tax liabilities	(33)	-	(33)
At 31 December 2017	2,445	870	3,315
<b>Company</b>			
At 1 January 2016	369	318	687
Transfer to profit or loss	-	403	403
At 31 December 2016	369	721	1,090
Transfer to profit or loss	-	60	60
Crystallisation of deferred tax liabilities	(33)	-	(33)
At 31 December 2017	336	781	1,117

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	(21,007)	(14,296)
Other taxable temporary differences	(13,514)	(7,770)
	(34,521)	(22,066)
Potential deferred tax assets at 24% (2016: 24%)	(8,285)	(5,296)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 22. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>					
<b>Trade receivables</b>					
Retention sum on contracts		5,096	4,117	-	-
<b>Trade receivables, net</b>	(a)	5,096	4,117	-	-
<b>Other receivables</b>					
Third parties	(b)	28,503	-	-	-
		33,599	4,117	-	-
<b>Current</b>					
<b>Trade receivables</b>					
Third parties		63,983	54,492	-	-
Less: Impairment for trade receivables		(6,118)	(3,897)	-	-
		57,865	50,595	-	-
Retention sum on contracts		7,863	7,295	-	-
Amounts owing by related parties		980	827	-	-
<b>Trade receivables, net</b>	(a)	66,708	58,717	-	-
<b>Other receivables</b>					
Sundry receivables	(b)	12,842	40,534	8,210	7,786
Refundable deposits		1,582	2,546	535	532
Prepayment		1,231	1,689	42	42
GST refundable		1,676	2,850	-	-
Amounts owing by subsidiaries	(c)	-	-	206,703	206,954
		17,331	47,619	215,490	215,314
		84,039	106,336	215,490	215,314
<b>Total trade and other receivables (current and non-current)</b>		117,638	110,453	215,490	215,314

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 22. TRADE AND OTHER RECEIVABLES (cont'd)

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group is an amount totalling RM4,312,837 (2016: RM13,109,279) which represents the stakeholders' sum receivable from house buyers.

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

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired **	50,481	52,906
1 to 30 days past due not impaired	8,162	3,473
31 to 60 days past due not impaired	4,329	1,473
61 to 90 days past due not impaired	3,157	1,128
91 to 120 days past due not impaired	2,114	2,226
More than 121 days past due not impaired	3,561	1,628
	21,323	9,928
Impaired	6,118	3,897
	77,922	66,731

\*\* Included in neither past due nor impaired are retention sums amounted to RM12,959,372 (2016: RM11,412,000).

#### Receivables that are neither past due nor impaired

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

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM21,323,000 (2016: RM9,928,000) that are past due at the reporting date but not impaired.

In assessing the extent of non-recoverable debts, the directors have given due consideration to all pertinent information relating to the ability of the debtors to settle the debts. Notwithstanding the overdue nature of these debts, the directors have assessed these debts as fully recoverable. Accordingly, no further impairment has been made for doubtful recovery in respect of these debts.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 22. TRADE AND OTHER RECEIVABLES (cont'd)

#### (a) Trade receivables (cont'd)

##### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment of trade receivables is as follows:

	Group	
	2017 RM'000	2016 RM'000
<b>Individually impaired</b>		
Trade receivables - nominal amounts	6,118	3,897
Less: Impairment of trade receivables	(6,118)	(3,897)
	-	-

Movement in allowance accounts:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	3,897	4,432
Charges for the financial year	2,251	261
Written off	(30)	(734)
Reversal of impairment losses	-	(62)
At 31 December	6,118	3,897

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

#### (b) Sundry receivables

Included in sundry receivables are receivables from Pencala Jaya Sdn Bhd amounting to RM28,502,974 (2016:RM25,667,974) which is unsecured and subject to interest bearing of 8% (2016: Nil) per annum.

#### (c) Amount owing by subsidiaries

Amount owing by subsidiaries are unsecured and are repayable on demand.

Included in amount owing by subsidiaries is an amount totalling RM14,268,582 (2016: RM6,300,000) which is subject to interest at 8% (2016: 8%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 22. TRADE AND OTHER RECEIVABLES (cont'd)

#### (c) Amount owing by subsidiaries (cont'd)

Amount owing by subsidiaries that are impaired at the reporting date and the movement of the impairment is as follow:

	Company	
	2017	2016
	RM'000	RM'000
<b>Individually impaired</b>		
Amount owing from subsidiaries	13,608	1,222
Less: Impairment on amount owing from subsidiaries	(13,608)	(1,222)
	-	-

Movement in allowance accounts:

	Company	
	2017	2016
	RM'000	RM'000
At 1 January	1,222	1,691
Charges for the financial year	12,386	-
Reversal of impairment losses	-	(469)
At 31 December	13,608	1,222

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 23. DEVELOPMENT PROPERTIES

### Property development costs

	Group	
	2017 RM'000	2016 RM'000
<b>At 1 January</b>		
Leasehold land	32,670	32,670
Freehold land	28,682	35,008
Development cost	30,831	28,812
	92,183	96,490
<b>Cost incurred during the financial year:</b>		
Development cost	3,858	26,893
	3,858	26,893
<b>Costs recognised in profit or loss:</b>		
Leasehold land		-
Freehold land	(115)	(6,326)
Development cost	900	(24,874)
	785	(31,200)
<b>At 31 December</b>		
Leasehold land	32,670	32,670
Freehold land	28,567	28,682
Development cost	35,589	30,831
	96,826	92,183

Included in development cost is finance costs amounting to RM1,885,472 (2016: RM2,688,726) which has been capitalised during the financial year.

## 24. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
<b>At lower of cost and net realisable value:</b>		
Completed properties	660	2,019
Raw materials	14,773	13,427
Work-in-progress	725	4,407
Finished goods	22,202	21,298
	38,360	41,151

The cost of inventory of the Group recognised as an expense in cost of sales during the financial year was RM200,967,000 (2016: RM202,881,000). The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value was RM23,000 (2016: RM180,000).



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 25. CONTRACT ASSETS

	Group	
	2017	2016
	RM'000	RM'000
Accrued billings in respect of property development costs	-	657
Amount owing from customers for contracts (Note 26)	26,794	35,075
	26,794	35,732

## 26. GROSS AMOUNT OWING FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2017	2016
	RM'000	RM'000
Construction contract costs incurred to date	1,123,832	834,199
Attributable profits	131,296	121,284
	1,255,128	955,483
Less: Progress billings	(1,240,928)	(926,762)
	14,200	28,721
<i>Presented as:</i>		
Gross contract assets (Note 25)	26,794	35,075
Gross contract liabilities (Note 33)	(13,434)	(6,354)
	13,360	28,721
Retention sums on construction contract, included within trade receivables	12,959	11,412

## 27. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	13,378	19,382	982	775
Cash held under Housing Development Accounts	1,317	20,419	-	-
Deposits placed with licensed banks	5,839	9,401	-	-
	20,534	49,202	982	775

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in deposits with licensed banks are short-term deposits made for varying periods of between 7 and 30 days depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2017 for the Group were 2.27% (2016: 2.45%).

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 27. CASH AND SHORT-TERM DEPOSITS (cont'd)

Deposits with licensed banks of the Group amounting to RM5,000,000 (2016: RM5,000,000) are pledged as securities for borrowings.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits, cash and bank balances	20,534	49,202	982	775
Bank overdrafts	(1,986)	(1,307)	(341)	-
Asset of a disposal group classified as held for sale (Note 28)	-	300	-	-
	18,548	48,195	641	775

## 28. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

### (a) Assets/(liabilities) of a disposal group classified as held for sale

On 27 December 2016, the Group entered into a Cooperation Framework Agreement with Shandong Yongneng Energy-conserving & Eco-friendly Services Holding Corporation for an acquisition due diligence exercise on its subsidiary, Liangshan Future NRG Biology Electric Power Co., Ltd.

The assets classified as held for sale on the Group's statement of financial position as at 31 December 2016 are as follows:

#### Assets of a disposal group classified as held for sale

	2017 RM'000	2016 RM'000
Property, plant and equipment	-	27,030
Land use rights	-	4,879
Inventories	-	15
Other receivables	-	2,234
Cash and bank balances	-	300
	-	34,458

#### Liabilities of a disposal group classified as held for sale

	2017 RM'000	2016 RM'000
Other payables	-	332

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 28. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (cont'd)

### (b) Discontinued operation

- (i) Analysis of the result of discontinued operation and the result recognised on the remeasurement of disposal group is as follows:

	Group	
	2017	2016
	RM'000	RM'000
Other Income	-	43
Loss on disposal	(2,944)	-
Expenses	(475)	(1,143)
Loss before tax of discontinued operation	(3,419)	(1,100)

- (ii) The following items have been credited/(charged) in arriving at profit before tax:

	Group	
	2017	2016
	RM'000	RM'000
Auditors' remuneration	2	2
Amortisation of land use right	64	275
Depreciation of property, plant and equipment	7	55
Wages and salaries	83	127

- (iii) Cash flow generated from/(used in) discontinued operation:

	Group	
	2017	2016
	RM'000	RM'000
Net cash flows used in operating activities	-	(871)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 29. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Group and Company					
	Number of ordinary shares		Amount			
	2017	2016	2017	2016		
	Units ('000)	Units ('000)	RM'000	RM'000		
<b>Authorised share capital</b>						
At 1 January/31 December	-	1,000,000	-	500,000		
	Number of ordinary share of RM0.50 each		Amount			
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid)	Share premium	Total share capital and share premium	Treasury shares
Group and Company	Units ('000)	Units ('000)	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	480,261	788	240,130	-	240,130	(364)
Shares repurchased	-	11,892	-	-	-	(4,966)
Issuance of shares	236	-	118	118	236	-
At 31 December 2016	480,497	12,680	240,248	118	240,366	(5,330)
Shares repurchased	-	15,833	-	-	-	(6,333)
Transition to no-par value regime	-	-	118	(118)	-	-
At 31 December 2017	480,497	28,513	240,366	-	240,366	(11,663)

### (a) Share capital

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM118,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM118,000 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### (b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was first approved by the Company's shareholders in the Annual General Meeting held on 11 June 2008 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 29. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (cont'd)

### (b) Treasury shares (cont'd)

During the financial year, the Company repurchased 15,832,500 of its issued ordinary shares from the open market at an average price of RM0.398 per share. The total consideration paid for the repurchase including transaction costs was RM6,333,360. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

During the financial year ended 31 December 2016, the Company repurchased 11,892,500 shares of its issued shares from the open market. The average price paid for the shares repurchased was RM0.415 per share. The details of repurchase of treasury shares during the financial year are as follows:

Month	No. of shares repurchased Units ('000)	Price per share			Total consideration RM'000
		Highest RM	Lowest RM	Average RM	
<b>2017</b>					
January 2017	-				
February 2017	1,758	0.385	0.380	0.384	677
March 2017	2,628	0.405	0.395	0.403	1,065
April 2017	685	0.405	0.405	0.405	280
May 2017	2,416	0.400	0.410	0.405	985
June 2017	50	0.400	0.400	0.400	20
July 2017	2,632	0.405	0.400	0.403	1,064
October 2017	1,341	0.375	0.370	0.369	497
November 2017	2,070	0.405	0.395	0.405	841
December 2017	2,253	0.410	0.395	0.399	904
	15,833				6,333

## 30. OTHER RESERVES

	Asset revaluation reserve RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
<b>Group</b>				
At 1 January 2016	18,247	7,275	10,640	36,162
Foreign currency translation	-	-	(857)	(857)
Realisation of revaluation reserve	(94)	-	-	(94)
At 31 December 2016	18,153	7,275	9,783	35,211
Foreign currency translation	-	-	(9,242)	(9,242)
Realisation of revaluation reserve	(94)	-	-	(94)
Revaluation gain on land and building (net of deferred tax of RM1,536,000)	4,981	-	-	4,981
At 31 December 2017	23,040	7,275	541	30,856

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 30. OTHER RESERVES (cont'd)

	<b>Asset revaluation reserve RM'000</b>	<b>Capital reserve RM'000</b>	<b>Total RM'000</b>
<b>Company</b>			
At 1 January 2016	7,405	5,915	13,320
Realisation of revaluation reserve	(69)	-	(69)
At 31 December 2016	7,336	5,915	13,251
Realisation of revaluation reserve	(69)	-	(69)
At 31 December 2017	7,267	5,915	13,182

The nature and purpose of each category of reserve are as follows:

**(a) Asset revaluation reserve**

Asset revaluation reserve represents the cumulative net change in fair value of land and buildings, net of deferred tax.

**(b) Capital reserve**

Included in the capital reserve, RM1,360,010 represents a reserve set aside for bonus issues made by subsidiaries. The balance of the capital reserve represents balance of the unexercised warrants in the previous years.

**(c) Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 31. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>					
<u>Secured:</u>					
Finance lease liabilities	(a) 2021	751	994	273	367
Term loans	(b) 2023	63,894	85,394	11,750	15,186
		64,645	86,388	12,023	15,553
<b>Current</b>					
<u>Secured:</u>					
Finance lease liabilities	(a) 2017	345	370	94	90
Term loans	(b) 2017	26,114	33,964	3,436	3,436
Bank overdrafts	(c) 2017	596	-	341	-
Bankers' acceptances	(d) 2017	21,356	16,212	-	-
Revolving credit	(e) 2017	10,245	16,245	10,245	16,245
		58,656	66,791	14,116	19,771
<u>Unsecured:</u>					
Bank overdrafts	(c) 2017	1,390	1,307	-	-
Bankers' acceptances	(d) 2017	3,533	6,013	-	-
Revolving credit	(e) 2017	6,700	13,900	5,700	10,800
		11,623	21,220	5,700	10,800
		70,279	88,011	19,816	30,571
Total loans and borrowings		134,924	174,399	31,839	46,124

The remaining maturities of the loans and borrowings as at 31 December 2017 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within 1 year	70,279	88,011	19,816	30,571
More than 1 year and less than 2 years	23,324	26,385	3,534	3,530
More than 2 year and less than 5 years	39,893	56,511	7,489	10,023
More than 5 years	1,428	3,492	1,000	2,000
	134,924	174,399	31,839	46,124

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 31. LOANS AND BORROWINGS (cont'd)

### (a) Finance lease liabilities

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Future minimum lease payments:</b>				
Not later than 1 year	388	426	109	109
Later than 1 year and not later than 2 years	350	370	108	108
Later than 2 years and not later than 5 years	444	696	181	289
Total minimum lease payments	1,182	1,492	398	506
Less: Future finance charges	(86)	(128)	(31)	(49)
Present value of finance lease liabilities	1,096	1,364	367	457
<b>Analysis of present value of finance lease liabilities:</b>				
Not later than 1 year	345	370	94	90
Later than 1 year and not later than 2 years	324	332	99	94
Later than 2 years and not later than 5 years	427	662	174	273
	1,096	1,364	367	457
Less: Amount due within 12 months	(345)	(370)	(94)	(90)
Amount due after 12 months	751	994	273	367

#### Group

The weighted average effective interest rate implicit in the leases is 4.9% per annum (2016: 4.9% per annum). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

#### Company

The average effective interest rate implicit in the leases is 4.8% per annum (2016: 4.8% per annum).



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 31. LOANS AND BORROWINGS (cont'd)

### (b) Term loans

#### Group

- (a) The term loans of the Group bear a weighted average effective interest rate of 5.54% (2016: 6.03%) per annum.
- (b) The term loans of the Group are secured by way of :
- (i) a first party first legal charge over a freehold land and all the plant and machineries on the said land of the Group at Baling, Kedah;
  - (ii) corporate guarantees provided by the Company;
  - (iii) first party first legal charge over a freehold land and building of the Company at Sri Damansara, Kuala Lumpur;
  - (iv) first party first legal charge over a leasehold land of the Company at Kuantan, Pahang;
  - (v) a debenture creating first fixed and floating charges over all present and future assets of the Group located at Kuantan, Pahang;
  - (vi) a third party debenture by the Group creating second fixed and floating charges over all present and future assets of the Group located at Kuantan, Pahang;
  - (vii) a third party legal charge over a freehold land at Jalan Ipoh, Kuala Lumpur;
  - (viii) specific debenture incorporating first fixed and floating charges over all assets in relation to a development project of the Group at Jalan Ipoh, Kuala Lumpur;
  - (ix) fixed charge over an industrial land together with the building of the Group at Sendayan, Negeri Sembilan and short term fixed deposits with licensed bank amounting to RM5,000,000;
  - (x) a debenture creating a fixed and floating charge over all present and future assets of the Group located at Sendayan, Negeri Sembilan;
  - (xi) charge over a leasehold land of the Group at Rawang, Selangor; and
  - (xii) first party legal charge over the freehold land and building of the Group at Jalan Tun Razak, Kuala Lumpur.

#### Company

- (a) The term loans of the Company bear a weighted average effective interest rate of 5.54% (2016:5.54%) per annum.
- (b) The term loans of the Company are secured by way of:
- (i) first party first legal charge over a freehold land and building of the Company at Sri Damansara, Kuala Lumpur;
  - (ii) first party first legal charge over a leasehold land of the Company at Kuantan, Pahang; and
  - (iii) third party debenture by its subsidiary, Molecor (SEA) Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 31. LOANS AND BORROWINGS (cont'd)

#### (c) Bank overdrafts

##### Group

- (a) Bank overdrafts are denominated in RM, bear interest at 7.90% to 8.22% (2016: 8.65%) per annum.
- (b) The bank overdrafts of the Group are secured by way of:
  - (i) corporate guarantees provided by the Company;
  - (ii) short term fixed deposit with licensed bank of the Group amounting to RM5,000,000 (2016: RM5,000,000); and
  - (iii) properties owned by a debtor of the Group.

##### Company

- (a) Bank overdrafts are denominated in RM, bear interest at 7.96% (2016: Nil) per annum.
- (b) The bank overdraft of the Company are secured by the properties owned by a debtor of the Company.

#### (d) Bankers' acceptances

##### Group

- (a) Bankers' acceptances are unsecured but are corporate guaranteed by the company and bear interest at 3.53% to 5.05% (2016: 3.88% to 4.83%) per annum.
- (b) First party first legal charge over a leasehold land of the Company at Kuantan, Pahang;

#### (e) Revolving credit

##### Group

The revolving credit of the Group are secured by way of:

- (i) corporate guarantees provided by the Company; and
- (ii) properties owned by a debtor of the Group.

##### Company

The revolving credit of the Company is secured by the properties owned by a debtor of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 32. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>				
<b>Trade payables</b>				
Retention sum	377	-	-	-
<b>Current</b>				
<b>Trade payables</b>				
Retention sum	4,901	-	-	-
Third parties	17,711	29,832	-	-
Amount owing to related parties	11,283	5,283	-	-
Accruals	666	2,062	-	-
	34,561	37,177	-	-
<b>Other payables</b>				
Other payables	11,784	7,776	43	44
Deposits received	83	65	1	-
Accruals	4,900	4,548	789	748
Deferred income	2,026	4,672	-	-
GST payable	378	1,729	92	77
Provision for cost to completion	1,410	3,717	-	-
Amount owing to director	500	-	500	-
Amount owing to related parties	-	5,687	-	-
Amount owing to subsidiaries	-	-	28,595	9,282
	21,081	28,194	30,020	10,151
	55,642	65,371	30,020	10,151
Total trade and other payables (current and non-current)	56,019	65,371	30,020	10,151

### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2016: 30 to 90 days) terms.

### (b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 3 months (2016: average term of 3 months).

### (c) Amounts owing to subsidiaries and related parties

The amount owing to subsidiaries are unsecured, repayable on demand and expected to be settled in cash.

Included in amount owing to related party is an amount totalling RM6,100,000 (2016: RM5,600,000) which subject to interest at 8% (2016: 8%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 32. TRADE AND OTHER PAYABLES (cont'd)

### (d) Amounts owing to director

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

## 33. OTHER CURRENT LIABILITIES

	Group	
	2017 RM'000	2016 RM'000
Amount owing to customers for contracts (Note 26)	13,434	6,354

## 34. RELATED PARTY DISCLOSURES

### (a) Identify of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Details of the related party relationships are as follows:

Related parties	Relationship
Fitters (Sabah) Sdn. Bhd.	Dato' Wong Swee Yee who is a director and major shareholder of the Company, is also a director and major shareholder of Fitters (Sabah) Sdn. Bhd.
Wai Soon Engineering Sdn. Bhd.	Wong Swee Loy who is the brother of Dato' Wong Swee Yee, is the director and major shareholder of Wai Soon Engineering Sdn. Bhd.
Syarikat Logam Unitrade Sdn. Bhd.	Nomis Sim Siang Leng, a director of Molecor (SEA) Sdn. Bhd. ("MSSB"), and Sim Keng Chor, father of Nomis Sim Siang Leng owns 50% shareholding in Syarikat Logam Unitrade Sdn. Bhd.
Ricwil (Malaysia) Sdn. Bhd.	Ricwil (Malaysia) Sdn. Bhd. owns 25% shareholding in MSSB in 2016. Nomis Sim Siang Leng is a director of MSSB and shareholder of Ricwil (Malaysia) Sdn. Bhd. Sim Keng Chor is the father of Nomis Sim Siang Leng and major shareholder of Ricwil (Malaysia) Sdn. Bhd. During the year the Ricwill (Malaysia) Sdn. Bhd. has transferred the shareholding to Sanlens Sdn. Bhd.
Sanlens Sdn. Bhd.	Sanlens Sdn. Bhd. owns 25% shareholding in MSSB in 2017. Nomis Sim Siang Leng is a director of MSSB and shareholder of Sanlens Sdn. Bhd. Sim Keng Chor is the father of Nomis Sim Siang Leng and major shareholder of Sanlens Sdn. Bhd.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 34. RELATED PARTY DISCLOSURES (cont'd)

### (b) Significant related party transactions

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

	2017 RM'000	2016 RM'000
<b>Group</b>		
<b>Transaction with related parties</b>		
Wai Soon Engineering Sdn. Bhd.		
- contract fees	5,824	7,641
Fitters (Sabah) Sdn. Bhd.		
- sales to	(478)	(679)
- rental expenses	5	5
Syarikat Logam Unitrade Sdn. Bhd.		
- sales to	(5,406)	(13)
- purchases from	7,265	12,244
Ricwil (Malaysia) Sdn. Bhd.		
- sales to	-	(2,468)
- purchases from	-	120
- interest payable to	460	87
<b>Company</b>		
<b>Transaction with subsidiaries</b>		
Administrative income receivable	(2,220)	(2,096)
Rental income	(3,732)	(3,580)
Dividend income	(13,000)	(5,850)
Interest income	(1,077)	(296)

### (c) Compensation of key management personnel

The Group considers the directors to be the key management personnel. Disclosure of their remuneration is made in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 35. CAPITAL COMMITMENT

Capital commitment as at the reporting date is as follows:

	Group	
	2017	2016
	RM'000	RM'000
Capital expenditure approved and contracted for:		
Property, plant and equipment	522	7,669

## 36. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ("LR");
- (ii) Held for trading;
- (iii) Fair value through profit or loss;
- (iv) Available-for-sale; and
- (v) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount	LR/ (OL)	Held for trading	Fair value through profit or loss	Available for sale
2017	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
<b>Financial assets</b>					
Trade and other receivables (exclude prepayments)	116,407	116,407	-	-	-
Amount owing from customers for contracts	26,794	26,794	-	-	-
Investment securities	2,322	-	1	-	2,321
Cash and short-term deposits	20,534	20,534	-	-	-
	166,057	163,735	1	-	2,321
<b>Financial liabilities</b>					
Trade and other payables (exclude deposits received)	(55,936)	(55,936)	-	-	-
Loans and borrowings	(134,924)	(134,924)	-	-	-
Amount owing to customers for contracts	(13,434)	(13,434)	-	-	-
	(204,294)	(204,294)	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 36. FINANCIAL INSTRUMENTS (cont'd)

### (a) Categories of financial instruments (cont'd)

2017	Carrying amount RM'000	LR/ (OL) RM'000	Held for trading RM'000	Fair value through profit or loss RM'000	Available for sale RM'000
<b>Company</b>					
<b>Financial assets</b>					
Trade and other receivables (exclude prepayments)	215,448	215,448	-	-	-
Cash and short-term deposits	982	982	-	-	-
	216,430	216,430	-	-	-
<b>Financial liabilities</b>					
Trade and other payables (exclude deposits received)	(30,019)	(30,019)	-	-	-
Loans and borrowings	(31,839)	(31,839)	-	-	-
	(61,858)	(61,858)	-	-	-
<b>2016</b>					
<b>Group</b>					
<b>Financial assets</b>					
Trade and other receivables (exclude prepayments)	108,764	108,764	-	-	-
Amount owing from customers for contracts	35,075	35,075	-	-	-
Investment securities	2,322	-	1	-	2,321
Cash and short-term deposits	49,202	49,202	-	-	-
	195,363	193,041	1	-	2,321
<b>Financial liabilities</b>					
Trade and other payables (exclude deposits received)	(65,306)	(65,306)	-	-	-
Loans and borrowings	(174,399)	(174,399)	-	-	-
Amount owing to customers for contracts	(6,354)	(6,354)	-	-	-
	(246,059)	(246,059)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 36. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Categories of financial instruments (cont'd)

2016	Carrying amount RM'000	LR/ (OL) RM'000	Held for trading RM'000	Fair value through profit or loss RM'000	Available for sale RM'000
<b>Company</b>					
<b>Financial assets</b>					
Trade and other receivables (exclude prepayments)	215,272	215,272	-	-	-
Cash and short-term deposits	775	775	-	-	-
	216,047	216,047	-	-	-
<b>Financial liabilities</b>					
Trade and other payables (exclude deposits received)	(10,151)	(10,151)	-	-	-
Loans and borrowings	(46,124)	(46,124)	-	-	-
	(56,275)	(56,275)	-	-	-

#### (b) Fair value of financial instruments

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and assumptions required in an active market for valuing these financial instruments using valuation techniques and the fair value cannot be reliably measured.



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 36. FINANCIAL INSTRUMENTS (cont'd)

### (b) Fair value of financial instruments (cont'd)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

Group	Carrying amount Total RM'000	Fair value of financial instruments carried at fair value				Total RM'000	Fair value of financial instruments not carried at fair value				Total RM'000
		Fair value					Fair value				
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>2017</b>											
<b>Financial assets</b>											
Trade receivables	33,599	-	-	-	-	-	-	33,599	-	-	33,599
<b>Financial liabilities</b>											
Finance lease liabilities	751	-	-	-	-	-	-	1,189	-	-	1,189
Term loans	63,894	-	-	-	-	-	-	63,894	-	-	63,894
<b>Company</b>											
<b>2017</b>											
<b>Financial liabilities</b>											
Finance lease liabilities	273	-	-	-	-	-	-	372	-	-	372
Term loans	11,750	-	-	-	-	-	-	11,750	-	-	11,750
<b>Group</b>											
<b>2016</b>											
<b>Financial assets</b>											
Trade receivables	4,117	-	-	-	-	-	-	4,117	-	-	4,117
<b>Financial liabilities</b>											
Finance lease liabilities	994	-	-	-	-	-	-	969	-	-	969
Term loans	85,394	-	-	-	-	-	-	80,300	-	-	80,300
<b>Company</b>											
<b>2016</b>											
<b>Financial liabilities</b>											
Finance lease liabilities	367	-	-	-	-	-	-	358	-	-	358
Term loans	15,186	-	-	-	-	-	-	14,337	-	-	14,337

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 36. FINANCIAL INSTRUMENTS (cont'd)

### (b) Fair value of financial instruments (cont'd)

#### Level 3 fair value

##### Fair value of financial instruments carried at fair value

The fair value of trade receivables is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

##### Fair value of financial instruments not carried at fair value

The fair value of the finance lease liabilities and term loans are determined using the discounted cash flows method based on the discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

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

### (a) Credit risk

#### Trade and other receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) The carrying amounts in the statements of financial position,

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (a) Credit risk (cont'd)

#### Trade and other receivables (cont'd)

(ii) The nominal amount relating to the corporate guarantee provided by the Company is as follow:

	2017 RM'000	2016 RM'000
<b>Secured</b>		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	233,976	244,475
<b>Unsecured</b>		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	69,400	79,400
Corporate guarantee given to corporations for credit facilities granted to subsidiaries	150,910	150,910
	454,286	474,785

As at the end of the reporting date, it was not probable that the counter party to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantee is NIL.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 22. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. A significant portion of these trade receivables are regular customers that have been transacting with the Group. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective that the Group will not be able to collect all amounts due.

The Company provides unsecured advances to its subsidiaries. The Company monitors the results of the subsidiaries and related companies regularly.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (a) Credit risk (cont'd)

#### Trade and other receivables (cont'd)

##### Credit risk concentration profile

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

	Group			
	2017 RM'000	% of total	2016 RM'000	% of total
<b>By country:</b>				
Malaysia	71,597	100%	61,591	98%
Singapore	207	0%	1,243	2%
	71,804	100%	62,834	100%

#### **By industry sectors:**

	Group			
	2017 RM'000	% of total	2016 RM'000	% of total
Fire services division	36,466	51%	39,402	63%
Property development and construction	26,344	37%	15,980	25%
Renewable and waste-to- energy and green palm oil mill	5,458	7%	4,611	7%
HYPRO® PVC-O pipes manufacturing and distribution	3,536	5%	2,841	5%
	71,804	100%	62,834	100%

At the reporting date, there is no concentration of credit risk by individual debtors.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (a) Credit risk (cont'd)

#### Other financial assets

For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

#### Maturity analysis

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

	← Contractual Cash Flows →				Total RM'000
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	
<b>2017</b>					
<b>Group</b>					
Trade and other payables	56,019	55,642	377	-	56,019
Loans and borrowings	134,924	70,618	69,200	1,967	141,785
Total undiscounted financial liabilities	190,943	126,260	69,577	1,967	197,804
<b>Company</b>					
Trade and other payables	30,020	30,020	-	-	30,020
Loans and borrowings	31,839	20,283	8,425	180,849	209,557
Financial guarantee contracts	-	454,286	-	-	454,286
Total undiscounted financial liabilities	61,859	504,589	8,425	180,849	693,863

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	← Contractual Cash Flows →				Total RM'000
	Carrying amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	
<b>2016</b>					
<b>Group</b>					
Trade and other payables	65,371	65,371	-	-	65,371
Loans and borrowings	174,399	88,157	82,179	4,342	174,678
Total undiscounted financial liabilities	239,770	153,528	82,179	4,342	240,049
<b>Company</b>					
Trade and other payables	10,151	10,151	-	-	10,151
Loans and borrowings	46,124	30,607	13,358	2,300	46,265
Financial guarantee contracts	-	474,785	-	-	474,785
Total undiscounted financial liabilities	56,275	515,543	13,358	2,300	531,201

### (c) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings with floating interest rates. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM68,000 and RM12,000 (2016: RM109,000 and RM14,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### (d) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Sterling Pound ("GBP"), United States Dollar ("USD"), European Dollar ("EURO"), Singapore Dollar ("SGD") and Renminbi ("RMB").

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (d) Foreign currency risk (cont'd)

Approximately 0.90% (2016: 0.5%) of the Group's sales are denominated in foreign currencies whilst almost 0.69% (2016: 1.76%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in SGD, USD and RMB) amount to RM1,514,000 (2016: RM77,000), RM259,000 (2016 : RM316,000) and RM Nil (2016: RM300,000) for the Group respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Singapore and British Virgin Islands ("BVI"). The Group's net investments in Singapore and BVI are not hedged as currency positions in SGD and USD are considered to be long-term in nature.

#### Sensitivity analysis for foreign currency risk

A sensitivity analysis had been performed to determine the sensitivity of the Group's profit net of tax to a reasonably possible change in the foreign exchange rates against the respective functional currencies of the Group's entities. This analysis assumes that all other variables, in particular interest rates, remain constant. Based on the analysis, there is no material impact on the Group's profit net of tax on potential fluctuation of foreign currencies relevant to the Group.

## 38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) FITTERS-Nrg Limited, a wholly owned subsidiary of FITTERS , had been deregistered on 6 February 2017 from the Registrar of Australian Securities and Investments Commission.

The company has not commenced operation since the date of incorporation.

- (b) Subsequent to application submitted on 5 December 2016 to the Accounting and Corporate Regulatory Authority of Singapore, Future NRG Pte Ltd, a wholly-owned subsidiary of FITTERS, had been officially struck off from the Registrar of Companies on 6 April 2017.

The company has not commenced operation since the date of incorporation.

- (a) Future NRG Asia Limited, a wholly owned subsidiary of FITTERS Group, had been struck off by the Registrar of Companies in British Virgins Islands on 4 May 2017.

The company has not commenced operation since the date of incorporation.

- (b) On 13 May 2017, FITTERS-NRG Sdn Bhd, a wholly owned subsidiary of FITTERS, had entered into a Share Sale Agreement for the disposal of its 100% owned subsidiary, Liangshan Future NRG Biology Electric Power Co., Ltd ("Liangshan") for a total cash consideration of RMB40 million (equivalent to RM24.6 million).

## 39. SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

There was no significant events after the financial year ended.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 40. CAPITAL MANAGEMENT

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by capital. Net debt includes loans and borrowings, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings	134,924	174,399	31,839	46,124
Less: Cash and bank balances	(20,534)	(49,202)	(982)	(775)
Net debt	114,390	125,197	30,857	45,349
Equity attributable to the owners of the Company	343,136	354,154	268,247	274,068
Gearing ratio	33%	35%	12%	17%

The Group is required to maintain a gearing ratio of not more than 1.5 times to 2.5 times to comply with bank loan covenants. The Group has complied with this covenant during the year.

## 41. SEGMENT INFORMATION

### Factors used to identify reportable segments

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

(i) Fire services division

Manufacturing and trading of safety, fire fighting equipment, industrial products, installation and maintenance of the Fire Department's privatised Computerised Fire Alarm Monitoring System ("CMS"), contract for mechanical and electrical engineering works, corrective and preventive maintenance within the fire industry and speciality construction industry.

(ii) Property development and construction

Development and construction in the property industry.

(iii) Renewable and waste-to-energy and green palm oil mill

Providing renewable, alternative and waste-to-energy, and operation of palm oil mill for the purposes of treatment, cure and extraction of palm oil.

(iv) HYPRO® PVC-O pipes manufacturing and distribution

Manufacturing and distribution of HYPRO® PVC-O pipes.



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 41. SEGMENT INFORMATION (cont'd)

### Factors used to identify reportable segments (cont'd)

- (v) Investment holding

The investment segment is in the business of investment holding.

The fire services division is involved in the manufacturing, trading and specialised installation of fire fighting materials and equipment as well as the supply of fire safety protection services and products. It also manages and operates the Fire Department's privatised computerised fire alarm monitoring system. The division also provides mechanical and electrical services related to fire protection, gas supply, electrical power, air conditioning, ventilation and water supply. These operating segments are aggregated into the reportable fire services segment due to the similarity of the nature of business. The performance of these operations is evaluated internally as a single business unit.

Property development and construction segment are aggregated into one reportable segment due to the regulatory environments in which the businesses operate. The performance of these operations is evaluated internally as a single business unit.

The renewable and waste-to-energy operating segment and the green palm oil mill operating segment are aggregated into one reportable segment due to similar construction technology and business objectives. The two operating segments are evaluated internally as a single business unit.

HYPRO® PVC-O pipes manufacturing and distribution is organised and identified as separate reportable segment due to the industry in which it operates.

### Segment profit

Segment performance is used to measure performance as Group's Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

### Segment assets

The total of segment asset is measured based on all assets (excluding investment in associate) of a segment, as included in the internal reports that are reviewed by the Group's Managing Director.

### Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Group's Managing Director, hence no disclosures are made on segment liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 41. SEGMENT INFORMATION (cont'd)

	Fire services division	Property development and construction	Renewable and waste-to- energy and green palm oil mill	HYPRO® PVC-O pipes manufacturing and distribution	Investment holding and others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>							
<b>Revenue</b>							
External sales	113,381	10,419	166,445	13,159	-		303,404
Inter-segment sales	5,953	3,910	10	-	-	(9,873) (a)	-
	119,334	14,329	166,455	13,159	-	(9,873)	303,404
<b>Results</b>							
Segment results	7,748	3,437	2,189	(5,014)	(29,539)	32,161 (b)	10,982
Finance costs							(6,271)
Income tax expense							(4,671)
Loss for discontinued operation							(475)
Loss on disposal of subsidiary							(2,944)
Loss for the financial year							(3,379)
<b>Assets</b>							
Segment assets	149,836	315,961	211,511	70,358	347,751	(541,749) (c)	553,668
Unallocated assets							1,625
<b>Total assets</b>							555,293
Other information:							
Capital expenditure	199	124	8,890	285	423	(9)	9,912
Depreciation and amortisation	558	76	2,987	3,425	872	-	7,918
Net gain on disposal of property, plant and equipment	153	(20)	(18)	-	-	-	115
Impairment for trade receivables	2,251	-	-	-	-	-	2,251
Inventories written down	23	-	-	-	-	-	23



# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 41. SEGMENT INFORMATION (cont'd)

### Notes

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

- (a) Inter-segment revenues are eliminated on consolidation.
- (b) Profit from inter-segment sales are eliminated on consolidation.
- (c) Reconciliation of assets

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-reportable segments	(96,505)	(125,843)
Inter-segment assets	(445,244)	(419,794)
	<u>(541,749)</u>	<u>(545,637)</u>

Information about major customers

Major customers' information is revenue from transactions with a single external customer amount to ten percent or more of the Group's revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

Major customer include revenue from one major customer amounting to RM84,815,773 arising from sales of palm oil in Malaysia.

Geographical information

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by geographical segments:

	<b>Segments assets</b>		<b>Capital expenditure</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	542,041	562,709	9,911	21,014
Singapore	13,252	14,077	1	5
China	-	34,458	-	-
	<u>555,293</u>	<u>611,244</u>	<u>9,912</u>	<u>21,019</u>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FITTERS DIVERSIFIED BERHAD

(Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### **Opinion**

We have audited the financial statements of FITTERS Diversified Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 146.

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 2017 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, 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.

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#### **Property, plant and equipment (Note 4(b) and 14 to the financial statements)**

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Included in the property, plant and equipment of the Group are property, plant and equipment of RM58,252,316 where indications of impairment existed. There is a risk the future performance of the assets may not lead to their carrying values being recoverable in full. Significant judgements arise over the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margins.

#### **Our audit response:**

Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:

- understanding the recoverable amount methodology adopted by the Group in compliance with FRS136 Impairment of Assets;
- comparing the actual results with previous budgets to assess the performance of the business and reliability of the forecasting process;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key assumptions to assess the reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FITTERS DIVERSIFIED BERHAD

(Incorporated in Malaysia)  
(cont'd)

## KEY AUDIT MATTERS (cont'd)

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### Construction Contracts (Note 4(a) and 26 to the financial statements)

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The Group recognises construction revenue and costs, including rendering of services by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

#### Our audit response:

Our audit procedures on the sample of selected projects included, among others;

- understanding the design and the implementation of controls in recording project costs, preparing project budgets and calculating the stage of completion;
- reviewing the terms and the agreement of the contracts to ensure the accounting treatment in accordance to FRS 111: Construction Contracts.
- comparing major assumptions to evidence including historical accuracy of the Group's estimates in previous periods, an assessment of the consistency of the estimates across projects, and discussing project progress with project managers;
- agreeing the revenue for projects on a sample basis to contracts, variation orders and other correspondences;
- vouching a sample of costs incurred to date to relevant documents and that they are recorded in the correct accounting period; and
- recomputing the percentage of completion of the projects and testing the mathematical computation of the application of the percentage of completion of the projects to the contract revenue and contract costs recognised in the profit or loss.

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### Investment in a subsidiary (Note 4(c) and 18 to the financial statements)

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The Company determined whether there is any indication of impairment in its investments in subsidiaries. Where there is indication of impairment, the recoverable amount of the investments in subsidiaries were determined based on value-in-use which involves exercise of significant judgement on the discount rates applied and the assumptions supporting the underlying cash flow projections which include future revenue, gross profit margins and operating expenses.

#### Our response:

Our audit procedures focused on evaluating the cash flow projections and the Company's forecasting procedures which included, among others:

- comparing the actual results with previous budget to assess the performance of the business and reliability of the forecasting process;
- comparing the Company's assumptions to externally derived data as well as our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment;
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FITTERS DIVERSIFIED BERHAD

(Incorporated in Malaysia)  
(cont'd)

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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 FITTERS DIVERSIFIED BERHAD

(Incorporated in Malaysia)  
(cont'd)

## 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

## OTHER MATTERS

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

**Baker Tilly Monteiro Heng**  
No. AF 0117  
Chartered Accountants

**Heng Fu Joe**  
No. 02966/11/2018 J  
Chartered Accountant

Kuala Lumpur

Date: 10 April 2018



## LIST OF MATERIAL PROPERTIES HELD BY THE GROUP

as at 31 December 2017

Description	Address	Net Book Value RM'000	Tenure	Date of last valuation/ acquisition	Existing Use	Age Of Building (Year)
1 5-storey office block 1,779.20 m <sup>2</sup>	No. 1 Jalan Tembaga SD 5/2 Bandar Sri Damansara 52200 Kuala Lumpur	14,117	Freehold	03-06-2013	Office	24
2 Land 20.23 hectares	HS(D) 15865, Lot 18059 Mukim Rawang District of Gombak Selangor Darul Ehsan	32,670	Leasehold expire on 26-10-2102	27-11-2012	Development	-
3 18-storey office tower 290,798 sq ft	No. 2 Jalan Tun Razak 50400 Kuala Lumpur	28,280	Freehold	28-08-2015	Commercial	35
4 1-storey factory & 2-storey office 34,358 m <sup>2</sup>	Lot 5/129 and 6/129 Kawasan Perindustrian Gebeng Phase II, Kuantan Pahang Darul Makmur	25,466	Leasehold expire on 30-06-2113	14-03-2018	Industrial	4
5 Land 8.094 hectares (20 acres)	HS(D) 34685, Lot 5585 Mukim of Ulu Telom District of Cameron Highlands Pahang Darul Makmur	12,000	Freehold	18-04-2014	Agriculture	-
6 Factory complex 125,130 m <sup>2</sup>	No. 3998, Batu 5 Jalan Baling 09300 Kuala Ketil Kedah Darul Aman	11,500	Freehold	15-03-2018	Industrial	12
7 1-storey factory & 2-storey office 4,155.878 m <sup>2</sup>	Lot PT 6127 Jalan Tech Valley 3A/1 Sendayan Tech Valley Bandar Sri Sendayan 71950 Negeri Sembilan Darul Khusus	12,980	Freehold	21-09-2010	Industrial	2
8 3-storey shop house 143.07 m <sup>2</sup>	66 Lintang Angsana Bandar Baru Ayer Itam 11500 Pulau Pinang	1,183	Leasehold expire in 2093	25-04-2013	Office	23
9 2-storey shop office 130.0 m <sup>2</sup>	13 Jalan Dato' Haji Megat Khas Taman Bandaraya Utama 31400 Ipoh Perak Darul Ridzuan	329	Leasehold expire in 2093	02-05-2013	Office	23
10 2-storey shop house 143.07 m <sup>2</sup>	12 Jalan Sagu 5 Taman Daya 81100 Johor Bahru Johor Darul Takzim	320	Freehold	21-05-2013	Office	24

# ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

Total number of Issued Share : 480,497,159  
 Class of Shares : Ordinary Shares  
 Voting Right : One (1) vote per share on a poll

## DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	529	10.31	27,680	0.01
100 to 1,000	357	6.95	147,384	0.03
1,001 to 10,000	1,620	31.56	9,776,395	2.23
10,001 to 100,000	2,308	44.96	70,574,984	16.10
100,001 to less than 5% of issued shares	315	6.14	229,535,200	52.37
5% and above of issued shares	4	0.08	128,215,516	29.25
<b>Total</b>	<b>5,133</b>	<b>100.00</b>	<b>438,277,159 #</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2018

Directors	Direct Interest		Indirect Interest	
	No. of Shares Held	%#	No. of Shares Held	%#
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	723,332	0.17	-	-
Dato' Wong Swee Yee	133,850,940	30.54	2,343,416 <sup>(1)</sup>	0.53
Datin Goh Hooi Yin	2,143,416	0.49	134,050,940 <sup>(2)</sup>	30.59
Datuk Dr. Soh Chai Hock @ Soh Hai San	-	-	-	-
Mr Chan Seng Fatt	-	-	-	-
Dato' Ir. Low Keng Kok	25,895,332	5.91	-	-
Mr Chong Kwea Seng	-	-	-	-

Notes:-

(1) Deemed interested in his spouse, Datin Goh Hooi Yin's and his sons, Martyn Wong Jing Xiong's and Marvyn Wong Jing Wen's direct shareholdings in FITTERS Diversified Berhad ("FITTERS").

(2) Deemed interested in her spouse, Dato' Wong Swee Yee's and her sons, Martyn Wong Jing Xiong's and Marvyn Wong Jing Wen's direct shareholdings in FITTERS.

# Excluding a total of 42,220,000 shares bought back by the Company and retained as treasury shares.

# ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018  
(cont'd)

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 30 MARCH 2018

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares Held	%#	No. of Shares Held	%#
Dato' Wong Swee Yee	133,850,940	30.54	2,343,416 <sup>(1)</sup>	0.53
Datin Goh Hooi Yin	2,143,416	0.49	134,050,940 <sup>(2)</sup>	30.59
Dato' Ir. Low Keng Kok	25,895,332	5.91	-	-
Dato' Leong Kok Wah	27,910,020	6.37	-	-

Notes:-

(1) Deemed interested in his spouse, Datin Goh Hooi Yin's and his sons, Martyn Wong Jing Xiong's and Marvyn Wong Jing Wen's direct shareholdings in FITTERS Diversified Berhad ("FITTERS").

(2) Deemed interested in her spouse, Dato' Wong Swee Yee's and her sons, Martyn Wong Jing Xiong's and Marvyn Wong Jing Wen's direct shareholdings in FITTERS.

# Excluding a total of 42,220,000 shares bought back by the Company and retained as treasury shares.

## THE THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%#
1.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	46,936,910	10.71
2.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	29,349,098	6.70
3.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee (PJCAC)	26,034,176	5.94
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Keng Kok	25,895,332	5.91
5.	Leong Kok Wah	17,910,020	4.09
6.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Wong Swee Yee (PBCL-0G0107)	14,400,000	3.29
7.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Tiam Lee	14,380,800	3.28
8.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	12,254,400	2.80
9.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Kok Wah	10,000,000	2.28
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wong Swee Yee (PB)	9,600,000	2.19
11.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	7,530,756	1.72
12.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Seow Fong	7,187,240	1.64

## ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

(cont'd)

### THE THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares	%#
13.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	6,780,000	1.55
14.	Tee Tiam Lee	6,577,000	1.50
15.	CitiGroup Nominees (Asing) Sdn Bhd CEP for PHEIM SICAV-SIF	5,141,500	1.17
16.	Ho Shu Keong	5,000,000	1.14
17.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	2,852,398	0.65
18.	Yon Yu Hon @ Hon Yew Hon	2,585,868	0.59
19.	Lai Lan @ Loow Lai Lan	2,478,551	0.57
20.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Seong Liam	2,420,700	0.55
21.	Goh Wee Hoon	2,175,846	0.50
22.	Goh Hooi Yin	2,143,416	0.49
23.	MayBank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Tze Yu @ Ho Chue Yu	2,001,360	0.46
24.	Sim Keng Chor	1,960,000	0.45
25.	Tay Kak Chok	1,800,000	0.41
26.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kuek Eng Mong	1,750,000	0.40
27.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Sii Ming @ Kong Chak Ming	1,680,000	0.38
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Sze Yan (E-TJJ)	1,650,000	0.38
29.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock	1,640,500	0.37
30.	RHB Capital Nominees (Tempatan) Sdn Bhd Phua Sin Mo	1,606,000	0.37

# Excluding a total of 42,220,000 shares bought back by the Company and retained as treasury shares.

# ANALYSIS OF WARRANT HOLDINGS

as at 30 March 2018

Free Issue of Warrants 2014/2019	: 137,216,949
No. of Warrants Unexercised	: 136,980,749
Exercise Period	: From the date of issuance of 13 October 2014 to the maturity date on 12 October 2019
Exercise Price	: RM1.00 which shall be satisfied fully in cash
Exercise Right	: Each warrant entitles the holder during the Exercise Period to subscribe for one (1) new ordinary share at the Exercise Price

## DISTRIBUTION OF WARRANT HOLDINGS AS AT 30 MARCH 2018

Size of Holdings	No. of Holders	%	No. of Warrants Held	%
Less than 100	771	21.87	22,342	0.02
100 to 1,000	359	10.18	177,381	0.13
1,001 to 10,000	1,613	45.75	6,288,490	4.59
10,001 to 100,000	639	18.12	22,892,964	16.71
100,001 to less than 5% of total warrants	140	3.97	62,720,841	45.79
5% and above of total warrants	4	0.11	44,878,731	32.76
<b>Total</b>	<b>3,526</b>	<b>100.00</b>	<b>136,980,749</b>	<b>100.00</b>

## DIRECTORS' WARRANT HOLDINGS AS AT 30 MARCH 2018

Directors	Direct		Indirect	
	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	206,666	0.15	-	-
Dato' Wong Swee Yee	43,620,268	31.84	612,404 <sup>(1)</sup>	0.45
Datin Goh Hooi Yin	612,404	0.45	43,620,268 <sup>(2)</sup>	31.84
Datuk Dr. Soh Chai Hock @ Soh Hai San	-	-	-	-
Mr Chan Seng Fatt	-	-	-	-
Dato' Ir. Low Keng Kok	7,398,666	5.40	-	-
Mr Chong Kwea Seng	-	-	-	-

Notes:-

- (1) Deemed interested in his spouse, Datin Goh Hooi Yin's direct warrant holdings in FITTERS Diversified Berhad ("FITTERS").  
 (2) Deemed interested in her spouse, Dato' Wong Swee Yee's direct warrant holdings in FITTERS.

# ANALYSIS OF WARRANT HOLDINGS

as at 30 March 2018

(cont'd)

## THE THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants	%
1.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	15,242,599	11.13
2.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	14,799,130	10.80
3.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee (PJCAC)	7,438,336	5.43
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Keng Kok	7,398,666	5.40
5.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	6,140,203	4.48
6.	Tee Tiam Lee	5,520,000	4.03
7.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Woo Chai Yoke (E-TSA)	2,752,700	2.01
8.	Mak Ngia Ngia @ Mak Yoke Lum	2,652,100	1.94
9.	AmSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	1,880,000	1.37
10.	Leong Kok Wah	1,794,320	1.31
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Seow Fong	1,609,240	1.17
12.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum (MM0749)	1,289,000	0.94
13.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tai Heng Ling	1,036,600	0.76
14.	Maybank Nominees (Tempatan) Sdn Bhd Nomura Singapore Limited for Lim Lian Hock (410242)	1,000,000	0.73
15.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Azhan Bin AB Latiff (Margin)	874,000	0.64
16.	Wong Kim Yin	869,600	0.63
17.	Teoh Wah Ing	840,900	0.61
18.	Lim Cheng Ten	750,000	0.55
19.	Yon Yu Hon @ Hon Yew Hon	738,819	0.54
20.	Lai Lan @ Loow Lai Lan	708,157	0.52

## ANALYSIS OF WARRANT HOLDINGS

as at 30 March 2018  
(cont'd)

### THE THIRTY (30) LARGEST WARRANT HOLDERS (cont'd)

No.	Name	No. of Warrants	%
21.	Lim Kai Sin	701,800	0.51
22.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Iskandar Bin Mohd Zaffa (Margin)	662,000	0.48
23.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Keng Chor	660,000	0.48
24.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Wise (E-SPI)	647,700	0.47
25.	Khoo Siew Luan	635,000	0.46
26.	Goh Hooi Yin	612,404	0.45
27.	Liew Kim Tong	600,000	0.44
28.	Chua Tik Pong	528,600	0.39
29.	Maybank Nominees (Tempatan) Sdn Bhd Vijaye Rajan A/L Tanabal	517,300	0.38
30.	Lim Hong Tian	515,000	0.38

# NOTICE OF 32ND ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Second Annual General Meeting of FITTERS Diversified Berhad (Company No. 149735-M) will be held at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 25 May 2018 at 10.00 a.m. for the following purposes:

## AGENDA

<b>ORDINARY BUSINESS</b>	<b>Ordinary Resolution</b>
1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon.	<b>Note A</b>
2. To approve the payment of Directors' fees of RM526,000 for the financial year ended 31 December 2017.	<b>1</b>
3. To approve the Directors' fees payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM528,000 until the next Annual General Meeting of the Company.	<b>2</b>
4. To re-elect the following Directors who retire pursuant to the Constitution of the Company:	
(a) Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	<b>3</b>
(b) Datuk Dr Soh Chai Hock @ Soh Hai San	<b>4</b>
5. To re-appoint Messrs Baker Tilly Monteiro Heng as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.	<b>5</b>
 <b>SPECIAL BUSINESS</b>	
6. To consider and, if thought fit, to pass with or without modifications, the following Ordinary Resolutions:	
6.1 <b>Authority to Allot and Issue Shares Pursuant to Section 76 of the Companies Act, 2016</b>	<b>6</b>
<p>"<b>THAT</b> pursuant to Section 76 of the Companies Act, 2016, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such price, upon such terms and conditions, for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued share/total number of voting shares of the Company (excluding treasury shares) at the time of issue and <b>THAT</b> the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and <b>THAT</b> such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p>	
6.2 <b>Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")</b>	<b>7</b>
<p>"<b>THAT</b> pursuant to paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad approval be and is hereby given to the Company and its subsidiaries ("FITTERS Group") to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature and with classes of the related parties as stated in Section 2.4 of the Circular to Shareholders dated 26 April 2018 which are necessary for the FITTERS Group's day to day operations subject to the following:</p>	
(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and on such terms that are not to the detriment of the minority shareholders of the Company;	



# NOTICE OF 32ND ANNUAL GENERAL MEETING

(cont'd)

## Ordinary Resolution

- (b) disclosure is made in the annual report of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the Shareholders' Mandate during the financial year;

**THAT** such approval shall take effect from the passing of the ordinary resolution and will continue to be in force (unless revoked or varied by the Company in general meeting) until:

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at that meeting whereby the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

**AND THAT** the Directors and the Secretaries of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the Proposed Mandate."

### 6.3 Proposed Renewal of Share Buy-Back Mandate

8

**THAT** subject to compliance with Section 127 of the Companies Act, 2016, the Constitution of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad and all other prevailing laws, rules, regulations, orders, guidelines and requirements issued and/or amended from time to time by any relevant authority, the Company be and is hereby authorised to renew the approval granted by the shareholders of the Company at Thirty-First Annual General Meeting of the Company held on 26 May 2017, authorising the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company for the time being ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits and/or the share premium account of the Company be allocated by the Company for the Proposed Share Buy-Back.

The retained profits of the Company stood at RM26,362,000 for the financial year ended 31 December 2017.

**AND THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Malaysia Securities Berhad or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

# NOTICE OF 32ND ANNUAL GENERAL MEETING

(cont'd)

## Ordinary Resolution

- (b) the expiration of the period within which the next Annual General Meeting 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 occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities.”

- 7. To transact any other ordinary business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board

TAI YIT CHAN (MAICSA 7009143)  
TAN SEIW LING (MAICSA 7002302)  
Company Secretaries

Kuala Lumpur  
26 April 2018

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”) as defined under Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or of his attorney duly authorised in writing.
5. The instrument appointing a proxy must be deposited at the Company's Registered Office at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or on his behalf.

# NOTICE OF 32ND ANNUAL GENERAL MEETING

(cont'd)

## **Explanatory Notes:**

### **Note A**

This item on the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

### **Ordinary Resolution 6**

#### **Authority to Allot and Issue Shares by Directors pursuant to Section 76 of the Companies Act, 2016**

The proposed Ordinary Resolution 6, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten per centum (10%) of the total number of issued share/total number of voting shares of the Company (excluding treasury shares) at the time of such allotment and issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The rationale for this resolution is to eliminate the need to convene general meeting(s) from time to time to seek shareholders' approval as and when the Company issues new shares for future business opportunities, for the purpose of funding investment project(s), working capital and/or acquisitions and thereby reducing administrative time and cost associated with the convening of such meeting(s).

### **Ordinary Resolution 7**

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

The proposed Ordinary Resolution 7, if passed, will allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Paragraph 10.09 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

Please refer to the Circular to Shareholders dated 26 April 2018 for further information.

### **Ordinary Resolution 8**

#### **Proposed Renewal of Share Buy-Back Mandate**

The proposed Ordinary Resolution 8, 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. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.

Please refer to the Share Buy-Back Statement dated 26 April 2018 for further information.

## **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty



Number of shares held :	
-------------------------	--

I/We ..... NRIC No : .....

(Full name in Capital Letters)

of ..... (Address)

being a member/members of FITTERS Diversified Berhad hereby appoint .....

..... NRIC No : .....

(Full Name)

of ..... (Address)

or failing him, ..... NRIC No : .....

(Full Name)

of ..... (Address)

as \*my/\*our proxy to vote for \*me/\*us on \*my/\*our behalf at the Thirty-Second Annual General Meeting of FITTERS DIVERSIFIED BERHAD to be held at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 25 May 2018 at 10.00 a.m. and at any adjournment thereof.

# The proportion of \*my/\*our holding to be represented by \*my/\*our proxies are as follows:  
(The next paragraph should be completed only when two proxies are appointed).

First Proxy (1) ..... %

Second Proxy (2) ..... %

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		

	FOR	AGAINST
RESOLUTION 5		
RESOLUTION 6		
RESOLUTION 7		
RESOLUTION 8		

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

Dated this ..... day of ..... 2018  
(\*Delete if not applicable)

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

**Notes :**

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or of his attorney duly authorised in writing.
5. The instrument appointing a proxy must be deposited at the Company's Registered Office at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or on his behalf.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 26 April 2018.

*Fold this flap for sealing*

*Then fold here*

Affix  
Stamp

**THE COMPANY SECRETARY**  
**FITTERS Diversified Berhad (149735-M)**  
No. 1, Jalan Tembaga SD 5/2  
Bandar Sri Damansara  
52200 Kuala Lumpur  
Malaysia

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[www.fittersgroup.com](http://www.fittersgroup.com)

FITTERS Diversified Berhad (149735-M)

Wisma FITTERS,

No. 1, Jalan Tembaga SD 5/2,

Bandar Sri Damansara

52200 Kuala Lumpur, Malaysia

Tel : +(603) 6276 7155 (General)

Fax : +(603) 6275 8692

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