



ABM Fujiya Berhad
(628324-W)



**Energize the
future with power**

ANNUAL REPORT 2017

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2 Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting (“14th AGM”) of ABM Fujiya Berhad (“the Company”) will be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Wednesday, 23 May 2018 at 11:00 a.m. for the transaction of the following business:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors’ fees of RM116,000.00 for the financial year ending 31 December 2018. **(Resolution 1)**
3. To approve the payment of Directors’ benefits to the Directors up to RM16,000.00 from 24 May 2018 to the conclusion of the next Annual General Meeting. **(Resolution 2)**
4. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company’s Articles of Association and who being eligible offer themselves for re-election :
 - (a) Dato’ Tay Tze How **(Resolution 3)**
 - (b) Dato’ Tay Tze Poh **(Resolution 4)**
 - (c) Mr Sim Chong Hong **(Resolution 5)**
5. To re-appoint Messrs. KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolution:-

6. **Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act, 2016 (“the Act”)** **(Resolution 7)**

“THAT subject to the Act, the Articles of Association of the Company, and the approvals from Bursa Malaysia Securities Berhad and any relevant governmental/regulatory authority, the Directors of the Company be and are hereby empowered pursuant to the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten (10) percent of the issued and paid up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.
7. To transact any other business of which due notice shall have been given.

Notice of Annual General Meeting (continued)

By order of the Board,

Yeo Puay Huang (LS0000577)

Company Secretary

Dated : 24 April 2018

NOTES TO THE NOTICE OF THE 14TH AGM

1.0 Proxy

- 1.1 In respect of deposited securities, only members whose names appear on the Record of Depositors as at 16 May 2018 shall be entitled to attend, speak and vote at the Meeting.
- 1.2 A proxy may but need not be a member of the Company.
- 1.3 If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- 1.4 Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- 1.5 Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 1.6 The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
- 1.7 Pursuant to Paragraph 8.29A of Bursa Malaysia Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 14th AGM will be put to vote on a poll.

2.0 Audited Financial Statements for the financial year ended 31 December 2017

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put forward for voting.

3.0 Directors' fees and benefits payable to Directors

Pursuant to Section 230(1) of the Companies Act 2016, shareholders' approval shall be sought at the 14th AGM in two separate resolutions on the payment of Directors' fees amounting to RM116,000 for year 2018 and Directors' benefits up to RM16,000 from 24 May 2018 to the conclusion of the next AGM.



Notice of Annual General Meeting (continued)

4.0 Re-election of directors

Article 82 of the Company's Articles of Association provides that one third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. All the Directors shall retire from office once at least in every three (3) years, and shall be eligible for re-election.

The profile of the directors who are standing for re-election, namely Dato' Tay Tze How, Dato' Tay Tze Poh and Sim Chong Hong as per Agenda 4 of the Notice of 14th AGM are stated on pages 10 to 12 of the Annual Report 2017.

5.0 Re-appointment of Messrs KPMG PLT as Auditors

The Board at its meeting held on 6 April 2018 recommended the re-appointment of Messrs. KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2018 for the approval of the shareholders. KPMG PLT has met the criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities Berhad.

6.0 Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Thirteenth Annual General Meeting of the Company held on 18 May 2017 to issue shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "General Mandate").

The General Mandate granted by the shareholders at the Thirteenth Annual General Meeting of the Company had not been utilised and hence no proceed was raised therefrom.

The new General Mandate will enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost of convening general meetings to approve such issue of shares.

Corporate Information

BOARD OF DIRECTORS

Datuk Tay Ah Ching @ Tay Chin Kin

Non-Independent Executive Group Chairman

Dato' Tay Tze How

Non-Independent Managing Director

Dato' Tay Tze Poh

Non-Independent Deputy Managing Director

Puan Sri Corinne Bua Nyipa

Independent Non-Executive Director

Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai

Independent Non-Executive Director

Dato' Ooi Teik Heng

Independent Non-Executive Director

Wong Siaw Wei

Independent Non-Executive Director

Sim Chong Hong

Independent Non-Executive Director

COMPANY SECRETARY

Yeo Puay Huang (LS 0000577)

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)

Chartered Accountants
Level 2, Lee Onn Building
Jalan Lapangan Terbang
93250 Kuching, Sarawak



REGISTERED OFFICE AND CORPORATE OFFICE

Lot 2224, Section 66
Lorong Pangkalan, Off Jalan Pangkalan
Pending Industrial Estate
93450 Kuching, Sarawak
Telephone No. : 082-333 344
Facsimile No. : 082-483 603
E-mail: admin@abmfujiya.com.my
Website: <http://www.abmfujiya.com>

REGISTRAR

Securities Services (Holdings) Sdn Bhd (36869-T)

Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone No. : 03-2084 9000
Facsimile No. : 03-2094 9940

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME

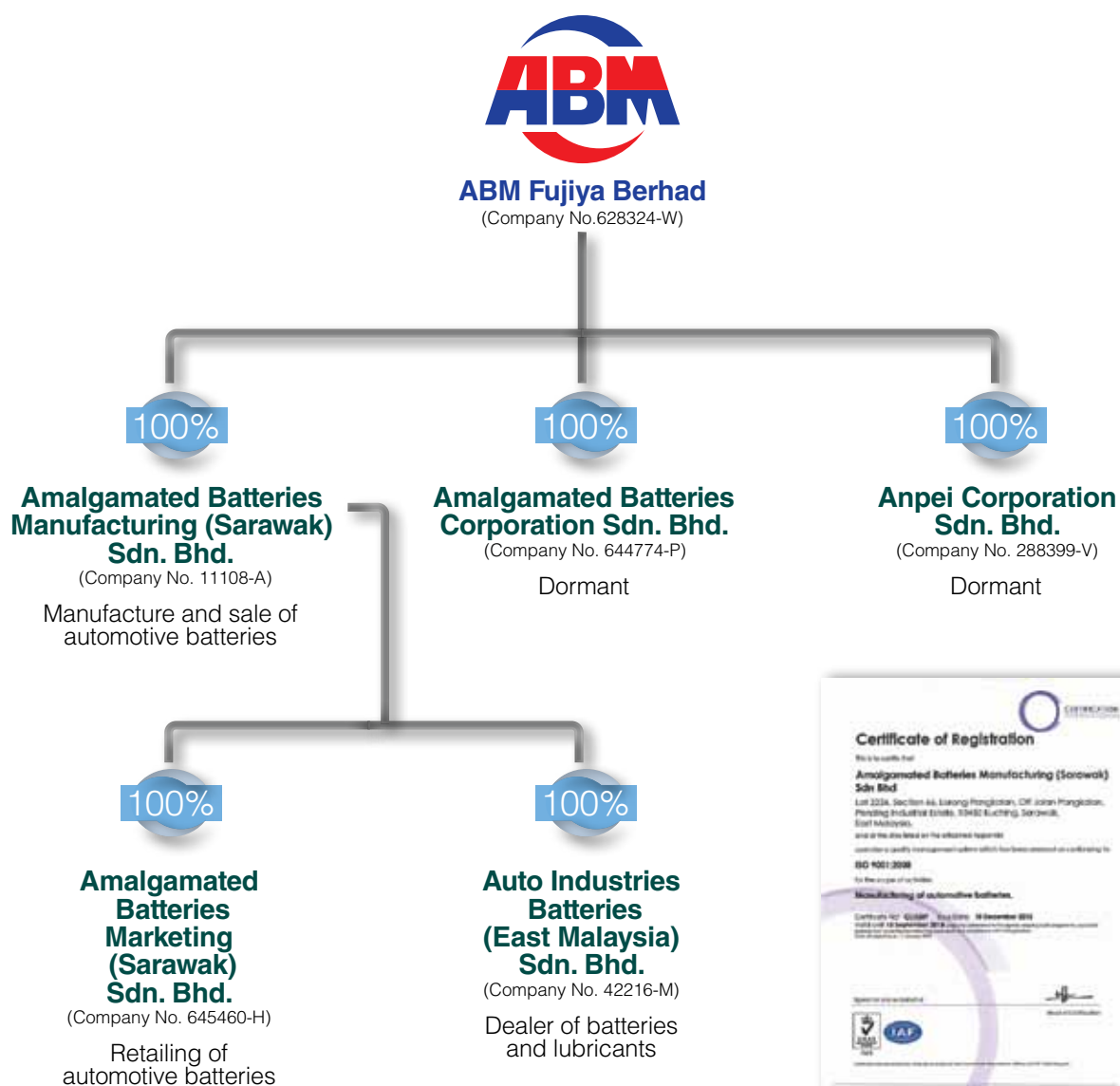
AFUJIYA

STOCK CODE

5198



Corporate Structure



Management Discussion and Analysis

BUSINESS OVERVIEW

ABM Fujiya Berhad ("ABM Fujiya") was incorporated in Malaysia on 16 September 2003 under the Companies Act 1965, as a public limited company. ABM Fujiya was listed on the Main Board of Bursa Malaysia Securities Berhad on 23 July 2013.

ABM Fujiya is an investment holding company, whilst its subsidiary Amalgamated Batteries Manufacturing (Sarawak) Sdn Bhd ("ABM") is principally engaged in the manufacturing of a comprehensive range of automotive batteries and batteries for storage and electrical application. ABM and its subsidiaries companies, Amalgamated Batteries Marketing (Sarawak) Sdn Bhd and Auto Industries Batteries (East Malaysia) Sdn Bhd are involved in the trading, marketing and retailing of batteries, lubricants and other automotive parts.

As a key player in the batteries manufacturing and marketing business, ABM Fujiya and its group of companies ("the Group") operates from its manufacturing and sales facilities located in Kuching, Sarawak and Kota Kinabalu, Sabah. Over the years the Group has invested in high-tech and automated plants and machineries to equip us with capabilities to design, manufacture and supply a wide range of products to supply to our local and overseas customers.



PERFORMANCE

A brief analysis of key financial information of the Group for the financial year ended ("FYE") 2016 and FYE 2017 is as tabulated below:

	2017 RM	2016 RM
Revenue	100,114,356	100,310,351
Profit before tax	5,209,260	4,993,579
Earnings before interests, taxes, depreciation and amortisation (EBITDA)	17,835,536	17,544,434
Profit net of tax	6,364,623	3,546,631
Profit attributable to equity holders of the Company	6,364,623	3,546,631
Total assets	243,879,163	231,462,710
Total liabilities	90,228,346	84,176,516
Total borrowings	72,406,664	68,054,757
Total equity	153,650,817	147,286,194
FINANCIAL INDICATORS		
Earning per share (sen)	3.54	1.97
Net assets per share (RM)	0.85	0.82
Return on equity (%)	4.14	2.41
Return on total assets (%)	2.60	1.53

8 Management Discussion and Analysis (continued)

PERFORMANCE (continued)

The Group's revenue for FYE 31 December 2017 was RM100.1 million, as compared to RM100.3 million in the corresponding previous year. Although the Group's revenue does not change much there was a change in the composition whereby overseas sales has grown by 5% as compared to FYE2016.

The Group's profit before tax increased by 4.32% from RM4.99 million in 2016 to RM5.21 million in 2017. The improvement in gross profit was driven by improved operation efficiency. The strengthening of the USD in 2017 has also helped to boost sales as the pricing to overseas market are more competitive.

As a result of improved earnings, the Group's net asset per share increased by RM0.03 to RM0.85 from RM0.82 in 2016.

The Group remains committed to pursue continuous improvements in our products and technical capabilities, as well as operational and production efficiencies. In 2017, the Group invested RM8.83 million towards the purchase of machineries and equipments to modernize and to increase automation in our production processes.

RISK MANAGEMENT

Business and operational risks that are inherent in the industry which we operate include, amongst others, labour and raw material shortages, increase in labour costs and fluctuation in the price of raw materials.

The Group Chairman and factory general manager have over 40 years of relevant experience in the battery industry. While other Directors and key management personnels also have exposure in the manufacturing, trading, marketing, management and banking industry. The group is optimistic that having experienced Directors and key management is one of the major mitigating factors in managing the risks mentioned above.

Political, economic and regulatory conditions in Malaysia and overseas could affect the profitability and business prospect of the Group. These uncertainties includes, but not limited to changes in political leadership, changes in investment policies, taxation, nationalisation, changes in interest rates, risks of war and global economic downturn. The sales and marketing team maintains overview of the business environment of the overseas markets and ensures that the credit facilities offered are in a manner to minimise financial risks to the Group.

As shown on page 70 of this annual report, 50% of the Group's revenue is derived from exports and is mainly denominated in United States Dollar ("USD"). As such, the Group is exposed to foreign currency exchange losses or gains arising from timing differences. As a countermeasure, the Group maintains foreign currency accounts to off-set some of the purchases made in foreign currency to provide a certain degree of natural hedge against sudden fluctuations in USD.

Although the Group has put in place various initiatives to mitigate the risks mentioned above, the Group acknowledges that some of these risks are beyond the Group's control. There is no assurance that these risks will not have adverse material impact on the Group's performance.



Management Discussion and Analysis (continued)

BUSINESS OUTLOOK

The Malaysia's Gross Domestic Product ("GDP") growth for 2017 is forecasted at 4.3% to 4.8%, up from 4.2% in 2016. Instead, the GDP had recorded higher than expected, with recorded GDP of 5.9% in 2017.

The exceptional performance of the Malaysian economy in 2017 was driven by strong domestic demand together with increase in investment and consumption, sustained manufacturing activities, coupled with surging external demand.

According to the International Monetary Fund ("IMF"), the Malaysia's GDP growth is projected to remain above potential at 5.3% in 2018, with domestic demand continues to be the key driver of growth. Furthermore, both Frost and Sullivan and Malaysian Automotive Association have forecasted Malaysia's vehicle sales to reach 601,000 units and 619,000 units respectively in 2018.

Despite the positive economic outlook in Malaysia, the global economy and environment will remain challenging. The global geopolitical tensions, political uncertainties and rising interest rates and inflation in the US, continues to be a source of concern.

The Group will take prudence steps in pursuing our commitment towards continuous improvements in our products and services and our long term strategies to expand our presence in the existing and new markets to ensure sustainable growth.

Barring unforeseen circumstances, we are optimistic that the prospect of the Group would be favourable.

DIVIDEND

No dividends have been paid by the Group for the current financial year. Payments of future dividends is subject to profitability, cashflow, capital commitments and other matters the Board deems relevant from time to time.

APPRECIATION

On behalf of the Board, I would like to assure all our stakeholders of our commitment to continue to take steps to achieve higher customer satisfaction and established long term relationship with customers which will lead us to sustainable and continuous growth.

The achievements of our Group today are the result of the support and trust of our shareholders, customers and business partners, and the dedication and resilience of our team at ABM Fujiya. I sincerely thank you all for your commitment and loyalty. A special note of appreciation to the Board members for their wisdom and guidance, which were instrumental in navigating our Group through the year's opportunities and challenges.

DATUK TAY AH CHING @ TAY CHIN KIN

Chairman



Directors' Profile

Datuk Tay Ah Ching @ Tay Chin Kin

Malaysian, male, aged 71, is the founder and Non-Independent Executive Group Chairman of the Company. Datuk Tay was appointed to the Board on 30 November 2009. He has vast experience and well versed with the operations, planning and business development of our Group and his management style encompasses a very hands-on approach. He is the father of Dato' Tay Tze How (Managing Director) and Dato' Tay Tze Poh (Deputy Managing Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.



Dato' Tay Tze How

Malaysian, male, aged 47, Non-Independent Managing Director. Dato' Tay was appointed to the Board on 30 November 2009. He holds a Bachelor of Commerce Degree from the Curtin University of Technology, Australia. He is the son of Datuk Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the brother of Dato' Tay Tze Poh (Deputy Managing Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.



Dato' Tay Tze Poh

Malaysian, male, aged 46, Non-Independent Deputy Managing Director. Dato' Tay was appointed to the Board on 30 November 2009. He holds a Bachelor of Arts Degree from the Curtin University of Technology, Australia. He is the son of Datuk Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the brother of Dato' Tay Tze How (Managing Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.



Directors' Profile (continued)

Puan Sri Corinne Bua Nyipa

Malaysian, female, aged 55, Independent Non-Executive Director. Puan Sri Corinne was appointed to the Board on 22 January 2010. She is a Member of the Nominating Committee. She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years. She attended four (4) out of five (5) meetings of the Board of Directors during the financial year.



Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai

Malaysian, male, aged 67, Independent Non-Executive Director. Datuk Haji Abang Abdul Wahap was appointed to the Board on 30 November 2009. He is the Chairman of the Remuneration Committee and also a Member of the Audit Committee. He holds an Advance Diploma in Police Science and a Bachelor of Law (LLBs Hon) - Honours Second Upper Class. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended four (4) out of five (5) meetings of the Board of Directors during the financial year.



Dato' Ooi Teik Heng

Malaysian, male, aged 63, Independent Non-Executive Director. Dato' Ooi was appointed to the Board on 18 August 2010. He is the Chairman of the Nominating Committee and also a Member of the Remuneration Committee. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.



Directors' Profile (continued)

Miss Wong Siaw Wei

Malaysian, female, aged 42, Independent Non-Executive Director. Ms Wong was appointed to the Board on 30 November 2009. She is the Chairperson of the Audit Committee and also a Member of the Nominating and Remuneration Committees. She is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA). She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years. She attended all the five (5) meetings of the Board of Directors held during the financial year.



Mr Sim Chong Hong

Malaysian, male, aged 45, Independent Non-Executive Director. Mr Sim was appointed to the Board on 4 June 2015. He is the Member of the Audit, Nominating and Remuneration Committees. He is a Member of the Advocates Association of Sarawak. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.



Profile of Senior Management

Ong Hui Lian *Finance Manager*

Malaysian, female, aged 53, was appointed as Finance Manager in 2009. Ms Ong graduated with Bachelor of Commerce from the University of Tasmania, Australia in 1990.

Ms Ong has more than 18 years of work experience in the banking industry with vast experience in the finance, risk management, business development, customer service, staff development and is well versed in the manufacturing and trading businesses.

She does not hold any directorship of public companies and has no family relationship with other Directors or major shareholders of the Company. She has no conflict of interest with the Company and no conviction for any offences within the past five years.

Desmond Hii Hiong Sion *Accountant*

Malaysian, male, aged 36, was appointed as an Accountant in 2016. Mr Hii graduated with Bachelor of Business (Accounting) from Swinburne University of Technology, Australia in 2008.

Mr Hii is a member of the Certified Practising Accountants Australia (CPA Australia) and a member of the Malaysian Institute of Accountants (MIA). He has more than 9 years of work experience in various industries, such as audit, tax and commercial fields.

He does not hold any directorship of public companies and has no family relationship with other Directors or major shareholders of the Company. He has no conflict of interest with the Company and no conviction for any offences within the past five years.

Ir. Lim Tee *Factory General Manager*

Malaysian, male, aged 78, joined the Company since 1991. Ir. Lim Tee graduated with Bachelor of Science and Engineering from National Cheng Kung University, Taiwan. He has been involved in the battery manufacturing industry since 1966, working in various companies as Quality Manager and Works Manager.

He does not hold any directorship of public companies and has no family relationship with other Directors or major shareholders of the Company. He has no conflict of interest with the Company and no conviction for any offences within the past five years.

Tay Siew Ling *Administration cum Human Resource Manager*

Malaysian, female, aged 42, joined the Company since 2000. Ms Tay graduated with Bachelor of Commerce from the University of Western Australia. Ms Tay has commenced her career in the Warehouse and Purchasing Department before joining the Administration Department.

Ms Tay does not hold any directorship of public companies. She is the daughter of Datuk Tay Ah Ching @ Tay Chin Kin (Group Chairman) and sister of Dato' Tay Tze How (Managing Director) and Dato' Tay Tze Poh (Deputy Managing Director). She has no conflict of interest with the Company and no conviction for any offences within the past five years.

Sustainability Report

ABM Fujiya Berhad ("ABM Fujiya") is continuously committed to fulfill Corporate Social Responsibility ("CSR") by emphasising on the welfare of the employees, customers, shareholders, communities and other stakeholder and the environment.

The Group ensures that its business is conducted accordingly in the aspects of ethical, social, environmental, cultural and economic to sustain organisational growth in the long run.

Community

As part of CSR, ABM Fujiya had successfully organised two blood donation campaigns in year 2017. The main objective of such campaigns is to replenish the blood supply for the blood bank of Sarawak General Hospital. This also helps to raise public awareness on the importance of helping those in need and together we aim to create a positive impact on the community.



Sustainability Report (continued)



By giving back to the community, ABM Fujiya sponsored some paints and our staffs also volunteered to lend a helping hand in a “gotong-royong” campaign at Sarawak Breast Cancer Support Group, together with other organisations and associations.

Employees and Workplace

ABM Fujiya emphasises on work-life balance of its employees. The Group organised a few social events and sport activities during the year to encourage interaction and teamwork across all the departments within the Group.



Sustainability Report (continued)



Besides that, the Group also put a lot of emphasis on the health and safety of its employees and the public in general. We foster a proper occupational health and safety culture in our workplace to ensure a healthy and safe workplace to work in.

Our core safety and health activities include the following briefings:

- Lead safety;
- Working near moving parts;
- Manual lifting; and
- Personal protective equipment usage.

We provide basic safety training such as fire extinguisher training, emergency evacuation process and emergency response planning in a timely manner to ensure all our workers are well educated and trained to handle emergencies should they occur and to minimise accidents at workplace. We constantly engage the services of Occupational Safety and Health consultants and clinical services to assist us in carrying out various monitoring and tests such as blood and hearing tests yearly to identify and propose safety measures at site.



Environment

In the battery manufacturing industry, the emission of lead is inevitable. ABM Fujiya has undertaken engineering controls to mitigate the risk in relation to the environment. We installed effluent treatment plants to treat the effluent of water before discharging to civil drain. The coagulated and flocculated solid wastes are filtered and then disposed to a licensed scheduled waste disposer. Our procedures and standards adhere to the requirements of the Department of Environment.

Statement on Corporate Governance

The Board of Directors (“the Board”) is committed to upholding high standards of good Corporate Governance in conducting the affairs of the Company and its subsidiaries (“the Group”). The Board will continue to enhance corporate governance in order to safeguard the interests of shareholders and other stakeholders.

The Board is pleased to share the manner in which the Principles of the Malaysian Code of Corporate Governance 2017 (“MCCG 2017”) issued by the Securities Commission Malaysia has been applied within the Group and the extent to which the Group has complied with the Recommendations of the MCCG 2017 during the financial year ended 31 December 2017.

I. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Board is responsible for the stewardship of the business and affairs of the Group on behalf of the shareholders with view of enhancing long-term value of their investment. The functions and responsibilities of the Board include the following six (6) specific responsibilities:-

- i. Adopting and reviewing a strategic plan for the Group;
- ii. Overseeing and evaluating the conduct and performance of the Group's businesses;
- iii. Identifying and managing principal risks and ensuring the implementation of appropriate systems to manage these risks;
- iv. Succession planning, including appointing, training, fixing the remuneration of senior management of the Group;
- v. Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- vi. Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group is also committed towards sustainable development. Employees' welfare, environment and community responsibilities are integral to the conduct of the Group's business. The sustainability report is set out on pages 14 to 16 of this Annual Report.

In performing its duties, the Board has access to the advice and services of the Company Secretaries and, if necessary, may seek independent professional advice about the affairs of the Group.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and for them to report to the Board their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board has adopted a Board Charter, setting out, inter-alia, the roles and responsibilities of the Board, Board Committees, Executive and Non-Executive and Management. The Charter includes the limits of authority accorded and also contains a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Group's businesses are in its trends. The Board will review Board Charter from time to time to ensure consistency with the Board's Strategies and relevance to standard of corporate governance.

In line with the practices in the MCCG 2017 to make public the Board Charter, the Company has established and uploaded the Board Charter on its website at www.abmfujiya.com.



Statement on Corporate Governance (continued)

Directorships in Other Companies

In compliance with Paragraph 15.06 restriction on directorship in listed issuers of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Directors of the Company do not hold more than five (5) directorships in Public Listed Companies and the listing of directorships held by Directors is confirmed by each Director.

Board Meetings and Access to Information

Each member of the Board is expected to commit sufficient time and attention to the affairs of the Group. To allow Directors to plan ahead and to maximise their participation, a meeting schedule is set before the beginning of the year.

The Board meets at least four times a year, with additional meetings convened as and when the Board's approval and guidance are required. Upon consultation with the Chairman and the Managing Director, due notice shall be given of proposed dates of meetings during the financial year and standard agenda and matters to be tabled to the Board.

Prior to the Board meetings, the Company Secretary will furnish a notice together with an agenda to the Directors to allow them to have adequate preparation time to ensure effectiveness at the proceedings of the meeting. The Company Secretary will ensure Board's proceedings are followed regularly and reviewed and will also provide guidance to the Board on Director's obligation arising from the rules and regulations including the MCCG 2017 and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia.

Technology and information technology are effectively used in Board meetings and communications with the Board, where Directors may participate in meetings by audio or video conference, and Board materials are shared electronically.

Five (5) Board meetings were held during the financial year ended 31 December 2017 and details of the attendance of each Director are as follows:

Name of Directors	Meetings Attended
Datuk Tay Ah Ching @ Tay Chin Kin	5/5
Dato' Tay Tze How	5/5
Dato' Tay Tze Poh	5/5
Puan Sri Corinne Bua Nyipa	4/5
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	4/5
Dato' Ooi Teik Heng	5/5
Wong Siaw Wei	5/5
Sim Chong Hong	5/5

The Company Secretary will circulate Board meeting papers including Quarterly and Annual “year-to-date” Financial Statements, Minutes of Past Meetings, updates by Regulatory Authorities, Internal and External Auditors' Report.

The Board has full access to the Company Secretary, all information including the advice and services of the Company Secretary in furtherance of their duties. Non-Executive Directors also have the same right of access to all data including seeking independent professional advice as and when required at the Company's expenses.

Statement on Corporate Governance (continued)

Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR, Companies Act, 2016 and other relevant laws and regulations.

The Company Secretary who is qualified, has relevant working experience and competent on statutory and regulatory requirements, briefs the Board on the necessary contents and timing of material announcements to be made to regulators. The removal of the Company Secretary, if any, is the matter for the Board as a whole to make decision.

The Company Secretary attends all Board and Board Committee meetings and ensures that there is a quorum for each of the meeting. She is also responsible for ensuring that all the meetings are convened in accordance with the Board procedures and relevant terms of references.

The minutes of the meetings are prepared to include amongst others, pertinent issues, substance of enquiries and responses, recommendations and decisions made by the Directors. The minutes of the meetings are properly kept in accordance with the relevant statutory requirements of the Companies Act, 2016.

II. BOARD STRENGTH

Appointments

The Nominating Committee ("NC") makes independent recommendations for appointments to the Board, based on criteria which they develop, maintain and review. The NC may consider the use of external consultants in the identification of potential Directors. In making these recommendations, the NC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval. Prior to the appointment of a director, the potential Director should be required to disclose any other business interest that may result in a conflict of interest in relation to the Company, and shall be required to report any future business interest which may develop post-appointment, that could result in conflict of interest. The Board makes clear at the outset its expectations of its new Directors in terms of their time commitment as recommended by the MCCG 2017.

Re-election of Directors

Pursuant to the Company's Articles of Association, at least one-third (1/3) of all the Directors are subject to retirement by rotation at each Annual General Meeting. Retiring Directors may offer themselves for re-election to the Board. Details of Directors seeking re-election such as inter-alia, age, relevant experience and list of directorships, participation in the Board Committees are disclosed separately in this Annual Report.

Board Diversity Policy

The Board recognises that diversity in its composition is critical in ensuring its effectiveness and good corporate governance. A truly diverse board will include and make use of the variation in the skills, experience, background, race, gender and nationality of its members.

As part of its commitment to enhance its diversity, including gender diversity, the Board is pleased to report that the Company has two (2) female Board members.



Statement on Corporate Governance (continued)

Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to the following Board Committees and the composition is as follows:-

Audit Committee	• Wong Siaw Wei (Chairperson) • Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai • Sim Chong Hong
Nominating Committee	• Dato' Ooi Teik Heng (Chairperson) • Puan Sri Corinne Bua Nyipa • Wong Siaw Wei • Sim Chong Hong
Remuneration Committee	• Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai (Chairperson) • Dato' Ooi Teik Heng • Wong Siaw Wei • Sim Chong Hong

All Board Committees consist of members who are exclusively Independent and Non-Executive Directors.

In addition, from time to time the Board reviews the functions and terms of reference of Board Committees to ensure that they are relevant and updated in line with the latest provision of the MCCG 2017 and other related policies or regulatory requirements.

The Chairperson of the respective Board Committees reports to the Board on the outcome of Board Committee meetings which require the Board's attention and direction and the Board also reviews the minutes of the Board Committee meetings.

Meetings and Activities of the Board Committees

Audit Committee

The details of meetings and activities of the Audit Committee can be found in the Audit Committee Report on pages 28 to 30 of this Annual Report.

Nominating Committee

The Committee met twice during the financial year 2017 and all members of the Committee attended the meetings.

During the financial year 2017, the Committee has undertaken the following activities:-

- Reviewed the proposed format of the Self-Assessment of individual Directors;
- Reviewed the composition of the Board and the Board Committees;
- Performed Annual Assessment of the Independent Directors; and
- Considered the timetable, process and methodology and outcome of the assessment of the Board of Directors, Board Committees and Directors' training for 2017.

During the year, the Company did not engage any external party in respect of the annual review of the Board of Directors or Board Committees.

Statement on Corporate Governance (continued)

Remuneration Committee

The Remuneration Committee ("RC") assists the Board in reviewing and assessing the remuneration packages of Executive Directors, although determination of remuneration packages of both Executive and Non-Executive Directors remains with the Board. The Committee is responsible to ensure the level of remuneration is sufficiently attractive to retain a stable management team and to further encourage creation of value for the shareholders and link rewards to corporate goals and individual performance. Further, the RC also keeps abreast with changes in the external market for remuneration comparable, reviews and recommends changes to the Board as it deems appropriate.

The Committee met once during the financial year 2017 and all members of the Committee attended the meeting.

Directors' Remuneration

The RC determines the remuneration of each Executive Director, Executive Group Chairman and Group Managing Director reflecting the level of responsibility, experience and commitment. The fees paid to Non-Executive Directors are the responsibilities of the entire Board. No Director is involved in determining his/her own remuneration.

The aggregate remuneration of Directors are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors' Remuneration:				
Salaries and other emoluments	2,973,939	2,819,766	52,000	52,000
Defined contribution plan - EPF	151,460	138,437	—	—
Estimated monetary value of benefits-in-kind	21,089	14,260	—	—
	3,146,488	2,972,463	52,000	52,000
Non-executive Directors' Remuneration:				
Fees	64,000	64,000	64,000	64,000
Other emoluments	8,000	9,800	8,000	9,800
	72,000	73,800	72,000	73,800
Total Directors' remuneration:				
Total Directors' remuneration excluding benefits-in-kind	3,197,399	3,032,003	124,000	125,800
Estimated monetary value of benefits-in-kind	21,089	14,260	—	—
Total Directors' remuneration including benefits-in-kind	3,218,488	3,046,263	124,000	125,800

Statement on Corporate Governance (continued)

Directors' Remuneration (continued)

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2017 are as follows:

Group	2017		2016	
	Directors' Fee RM	Other allowances (Note A)/ Salaries RM	Directors' Fee RM	Other allowances (Note A)/ Salaries RM
Datuk Tay Ah Ching @ Tay Chin Kin	200,000	480,000	200,000	480,600
Dato' Tay Tze How	76,000	261,062	76,000	261,415
Dato' Tay Tze Poh	76,000	259,231	76,000	259,898
Puan Sri Corinne Bua Nyipa	12,000	900	12,000	1,400
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	12,000	1,600	12,000	1,600
Dato' Ooi Teik Heng	12,000	1,500	12,000	1,300
Wong Siaw Wei	16,000	2,000	16,000	3,500
Sim Chong Hong	12,000	2,000	12,000	2,000
Liew Wee Sam	228,000	134,705	178,000	125,800
Tay Yoke Ling	276,000	67,800	226,000	67,800
Pauline Tay	60,000	204,212	60,000	204,169
Tay Siew Ling	60,000	230,612	60,000	230,965
Tay Tze Kok	—	233,465	—	221,575
Lim Tee	58,800	39,141	58,800	37,163
Datin Seri Sharipah Hishmah Binti Sayed Hassan	4,000	—	4,000	—
Kok Swee Ping	120,000	77,460	70,000	74,278
Company				
Datuk Tay Ah Ching @ Tay Chin Kin	20,000	—	20,000	—
Dato' Tay Tze How	16,000	—	16,000	—
Dato' Tay Tze Poh	16,000	—	16,000	—
Puan Sri Corinne Bua Nyipa	12,000	900	12,000	1,400
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	12,000	1,600	12,000	1,600
Dato' Ooi Teik Heng	12,000	1,500	12,000	1,300
Wong Siaw Wei	16,000	2,000	16,000	3,500
Sim Chong Hong	12,000	2,000	12,000	2,000

Note A:

Other allowances comprise the meeting and seminar allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings and seminars attended during the year

Statement on Corporate Governance (continued)

III. BOARD BALANCE AND INDEPENDENCE

The Board gives close consideration to its size, composition and spread of experience and expertise that enables the Board to provide effective leadership as well as independent judgment on business decisions, taking into account long term interest of shareholders, customers, suppliers and other business associates with whom the Group conducts its business.

During the financial year ended 31 December 2017, the Directors individually complete a formal written assessment of the Board, its performance, composition and conduct. The Chairman collates the opinions and responses of Directors and tables the results for review, comment and recommendation by the Board.

The Board comprises three (3) Executive Directors and five (5) Independent Non- Executive Directors. The Board comprises a majority of Independent Non-Executive Directors, which is in line with the Recommendation of the MCCG 2017 and the MMLR that requires half (1/2) of Board members to be independent directors.

The Board is satisfied with the composition and good mix of Executive Directors and Independent Non-Executive Directors to carry out the Board's priorities objectively and impartially and to grow the Group effectively. The Board is mindful of the MCCG 2017 which stipulates the requirement for Board to comprise majority of Independent Directors if the Chairman is also the Group Managing Director. The Board will give careful consideration and take necessary measure to comply including any restructuring when the need arises whilst simultaneously ensuring an effective and suitable composition, including Board size, is achieved in the interest of the Company.

The NC is established to regularly assess the independence of independent directors. The Independent Non-Executive Directors are also free from any business or related parties relationships that could materially interfere with independent judgment. Brief profile of each Director is presented from pages 10 to 12 of this Annual Report.

At end of the financial year, none of the Independent Non-Executive Directors has served for a cumulative period exceeding nine (9) years.

Division of roles and responsibilities between the Executive Chairman and the Managing Director

The Group practises a division of responsibility between the Chairman and the Managing Director in order to ensure there is an appropriate balance of power. The roles of the Chairman and Managing Director are separate and clearly defined responsibilities, and are held individually by two persons.

The Chairman's main responsibility is to ensure effective conduct of the Board and that all Directors, have unrestricted and timely access to all relevant information necessary for informed decision-making. The Chairman encourages participation and deliberation by all Board members to enable the knowledge of all the Board members to be tapped and to promote consensus building as much as possible.

The Managing Director has overall responsibilities over the Group's operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions on a day to day basis. In addition, the Managing Director also functions as the intermediary between the Board and Management.



Statement on Corporate Governance (continued)

IV. COMMITMENT OF THE BOARD

All Board members shall notify the Chairman of the Board before accepting any new directorships in any other organisation. The notification shall include an indication of time commitment required under the new appointment as recommended by MCCG 2017.

Training and Development of Directors

The NC and the Board assess the training needs of each of its Directors on an on-going basis, by determining areas that would best strengthen their contributions to the Board.

All Directors have completed the Mandatory Accreditation Programme (“MAP”) required under the MMLR. They are also mindful that training is essential to all Directors and they should continue to update their skills and knowledge to effectively execute their duties.

Since the date of last report, the Directors attended the following training/courses:

Name of Directors	Description of Training	Date
Datuk Tay Ah Ching @ Tay Chin Kin	• Suruhanjaya Syarikat Malaysia - Companies Act 2016 Made Simple: A Practical Guide for Company Directors	9 Oct 2017
	• Deloitte - TaxMax: One Bold Step In The Right Direction	28 Nov 2017
Dato' Tay Tze How	• Suruhanjaya Syarikat Malaysia - Companies Act 2016 Made Simple: A Practical Guide for Company Directors	9 Oct 2017
Dato' Tay Tze Poh	• Securities Industry Development Corporation - Malaysian Code on Corporate Governance	29 Aug 2017
	• Malaysian Institute of Accountants - 2018 Budget Seminar: Encompassing TN50 Aspirations	24 Nov 2017
Puan Sri Corinne Bua Nyipa	• Suruhanjaya Syarikat Malaysia - Companies Act 2016 Made Simple: A Practical Guide for Company Directors	9 Oct 2017
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	• Suruhanjaya Syarikat Malaysia - Companies Act 2016 Made Simple: A Practical Guide for Company Directors	9 Oct 2017
	• KPMG PLT - Tax Seminar 2018 Budget Proposals	16 Nov 2017
Dato' Ooi Teik Heng	• Bursatra Sdn Bhd - Are We Heading For Another Global Recession or Do We Care?	7 Nov 2017

Statement on Corporate Governance (continued)

Training and Development of Directors (continued)

Name of Directors	Description of Training	Date
Wong Siaw Wei	• Malaysian Institute of Accountants - Latest Developments MFRS 15 & MFRS 16	11 Aug 2017
	• Securities Industry Development Corporation - Malaysian Code on Corporate Governance	29 Aug 2017
	• Dr. Choong Kwai Fatt - GST and Budget 2018 Talk	22 Nov 2017
Sim Chong Hong	• Suruhanjaya Syarikat Malaysia - Companies Act 2016 Made Simple: A Practical Guide for Company Directors	9 Oct 2017
	• KPMG PLT - Tax Seminar 2018 Budget Proposals	16 Nov 2017

V. BOARD INTERGRITY IN FINANCIAL REPORTING, RISK RECOGNITION AND MANAGEMENT ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible to provide and present the Company and Group's financial statements in accordance with applicable financial reporting standards in Malaysia and the provisions of the Companies Act, 2016. The Audit Committee oversees the Company and Group's financial reporting processes, to determine that the reports fairly present the Group's financial position and financial performance and ensure the accuracy and adequacy of the information announced.

The Audit Committee is an independent platform for regular discussions between Independent Directors and External Auditors and to review the Company's process including internal control and communication with Internal Auditors.

The Statement of Responsibilities by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 33 of this Annual Report.

Risk Management and Internal Control

The Board is responsible for establishing a sound system of internal control to identify, evaluate, monitor key business risk in order to safeguard shareholders' investments and the Group's assets. The information on Group's Internal Control System is presented in the Statement on Risk Management and Internal Control as set out in this Annual Report.

The Audit Committee reviews and evaluates independently its effectiveness and adequacy with the assistance of the Internal Auditors. In addition to the Audit Committee's independent evaluation of the Internal Control System, the head of individual department and key management personnel ("the management team") also ensures the implementation of a Risk Management Framework relating to all the Group's operations and business activities. The management team reports and recommends to the Board on its finding for approval on solutions.



Statement on Corporate Governance (continued)

Relationship with External Auditors

The Audit Committee has private session with the external auditors without the presence of Executive Directors and management at least twice in a year, to discuss the audit findings and any other observation they may have during the audit process. The external auditors also highlight to the Audit Committee and Board of Directors on matters that require the Audit Committee's or the Board's attention together with the recommended corrective actions thereof. The Management is held responsible for ensuring that all these corrective actions are undertaken within an appropriate time frame.

The role of the Audit Committee in relation to the external auditors is found in the Audit Committee Report on pages 28 to 30 of this Annual Report. The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standard, the requirements of the Companies Act, 2016 in Malaysia and the MMLR.

The Audit Committee also reviews the proposed re-appointment of the external auditors of the Company and their fees on annual basis to ensure that the independence of the external auditors is not compromised.

For the audit of the financial statements of ABM Fujiya Berhad and its subsidiaries for the financial year ended 31 December 2017, the external auditors of the Group have confirmed their independence in accordance with the terms of relevant professional and regulatory requirements.

VI. TIMELY AND HIGH QUALITY DISCLOSURE

The Board has also established and adopted the Corporate Disclosure Policy which includes feedback from management as recommended by the MCCG 2017 and the policies and procedures therein have been formulated with reference to the Best Practices published in the Corporate Disclosure Guide issued by Bursa Malaysia.

As recommended by the MCCG 2017, the Company will seek to leverage on the latest and most innovative information technology available to promote more efficient and effective ways to communicate with both its shareholders and stakeholders. The Company's Annual Reports, announcements to Bursa Malaysia, media releases and presentations relating to its quarterly financial results have been made available on the Company's website.

Various contact details are provided on the Company's website to address queries from customers, shareholders and other public.

VII. RELATIONSHIP WITH SHAREHOLDERS

1. Shareholders and Investor Relations

The Board believes that the Group should at all times be transparent and accountable to its shareholders and investors and the Board is proactive in evaluating the effectiveness of information dissemination to all shareholders and the wider investing community.

As such, the Board disseminates proper, timely and adequate relevant information to the shareholders through announcements, quarterly results, Annual Reports and press releases.

An online Investor Relations section can be accessed by shareholders and the general public via the Company's website at www.abmfujiya.com.

Statement on Corporate Governance (continued)

2. Annual General Meeting (“AGM”)

The AGM is the principal forum for dialogue with all shareholders who are encouraged and given sufficient opportunity to enquire about the Group’s activities and prospects as well as to communicate their expectations and concerns. Shareholders who are unable to attend are allowed to attend proxies in accordance with the Company’s Articles to attend and vote on their behalf. The Chairman and Board members are in attendance to provide clarification on shareholders’ queries.

Announcements are made in a timely manner to Bursa Malaysia and are made available electronically to the public via Bursa Malaysia’s website at www.bursamalaysia.com as well as the Company’s website at www.abmfujiya.com.

3. Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the MMLR. The Board will implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint one (1) scrutineer who is independent of the Group and the person undertaking the polling process to validate votes casted.

4. Whistle-Blowing

In light of the requirements stipulated under the Capital Markets and Services Act 2007, the Bursa Malaysia’s Corporate Governance Guide and the Companies Act, 2016, the Board recognises the importance of whistle-blowing and is committed to maintain the highest standards of ethical conduct within the Group.

This Statement is issued in accordance with a resolution of the Board of Directors dated 6 April 2018.

Audit Committee Report

The Audit Committee (“The Committee”) of ABM Fujiya Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2017. This report has been approved by the Board’s resolution dated 6 April 2018.

The Audit Committee comprises three (3) Independent Directors as listed below:

Committee Members	Designation
Wong Siaw Wei	Independent Non-Executive Director
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	Independent Non-Executive Director
Sim Chong Hong	Independent Non-Executive Director

TERM OF REFERENCE OF AUDIT COMMITTEE

Membership

The members of the Committee shall be appointed by the Board from amongst its directors. The Committee must be composed of no fewer than three (3) members of whom all shall be non-executive directors with a majority of them being Independent Directors.

- At least one (1) member of the committee must be a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years’ working experience and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 or he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).
- In the event of any vacancy resulting in the non-compliance of paragraph above, the Board shall within three (3) months of that event, appoint such number of new members required to fulfill the minimum requirement.
- The members of the Committee shall elect a Chairperson from among their number who shall be an independent non-executive director.

Quorum

Unless otherwise determined, two (2) members shall be a quorum. The majority of members present must be Independent Directors.

Functions

The Committee shall review the following and report the same to the Board of Directors:

- with external auditors, the audit plans, the scope of audit and the audit report;
- the assistance given by the Group’s and the Company’s employees to the internal and external auditors;
- the adequacy of the scope, functions and resources of the internal audit function and whether appropriate actions have been taken with respect to internal audit recommendations; and
- the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

Audit Committee Report (continued)

Functions (continued)

- a) changes in or implementation of major accounting policy;
 - b) significant and unusual events; and
 - c) compliance with accounting standards and other legal requirements.
- any related party transactions and conflict of interest situation that may arise within the Group and the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
 - the appointment or dismissal of the external auditors and their fees;
 - recommendation of the nomination of a person or persons as external auditors;
 - any letter of resignation from the external auditors of the Company; whether there is reason (supported by grounds) to believe that the external auditors of the Group and the Company are not suitable for re-appointment; and
 - to perform other related duties as may be agreed by the Committee and the Board.

Authority

The Committee is authorised by the Board to:

- investigate any matter within its terms of reference;
- have full and unrestricted access to any information pertaining to the Company and its subsidiaries;
- have the resources which are required to perform its duties;
- have direct communication channels with the internal and external auditors;
- be able to obtain independent professional advice; and
- be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

MEMBERS AND ATTENDANCE OF MEETINGS

During the financial year ended 2017, the Committee has held five (5) meetings and the details of attendance of the meetings of the Committee are as follows:

Committee Members	Designation	Attendance
Wong Siaw Wei	Independent Non-Executive Director	5/5
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	Independent Non-Executive Director	4/5
Sim Chong Hong	Independent Non-Executive Director	5/5

The Executive Chairman, Managing Director, Deputy Managing Director, Finance Manager and Accountant, other officers, external auditors and internal auditors were invited to attend some of these meetings.

Audit Committee Report (continued)

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

The main activities undertaken by the Committee during the financial years are as follows:

The Internal Audit Function

- Reviewed internal auditors' audit plans, the scope of audit and the results of the auditors' findings;
- Reviewed internal auditors' report on internal control recommendations and management's responses; and
- Considered the re-appointment of internal auditors and the audit fees.

The External Audit Function

- Reviewed external auditors' audit plans, the scope of audit and the results of the auditors' findings;
- Reviewed external auditors' report on internal control recommendations and management's responses; and
- Considered the re-appointment of external auditors and the audit fees.

The Financial Results

- Reviewed quarterly unaudited financial results of the Group before recommendation to the Board for approval; and
- Reviewed audited financial statements for the financial year ended 31 December 2017 prior recommending to the Board for approval.

Related Parties Transactions

- Reviewed the related party transactions of the Group.

Risk Management

- Reviewed the Statement on Risk Management and Internal Control prior to recommendation to the Board for consideration and approval.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consulting firm, Messrs Deloitte Risk Enterprise Services Sdn Bhd. The Internal Audit team independently reviews the risks associated with and controls over business processes and evaluates their adequacy and compliance. The Group's internal audit plan is tabled to and approved by the Audit Committee. Audits are carried out based on risk based approach, taking into consideration input of the senior management, the Audit Committee and the Board. Audit findings and recommendations are reported to the Audit Committee.

The cost amounting to RM24,500 was incurred in relation to the internal audit function for the financial year ended 31 December 2017.

Statement on Risk Management and Internal Control

Introduction

The Board of Directors of ABM Fujiya Berhad is pleased to present its Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2017, in compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Statement outlines the nature and state of the risk management and internal control of the Group during the financial year.

Responsibility

The Board acknowledges its responsibility for ensuring that a sound system of risk management and internal control is maintained within the Group, and for reviewing its design and operational adequacy and effectiveness.

The risk management and internal control system is an integral part of the Group which is designed to:-

- a) Assist to achieve the business and operational strategies, safeguard the Group's assets and shareholders' interests;
- b) Ensure proper maintenance of accounting records and reliability of financial reporting;
- c) Ensure compliance with relevant legislation and regulations; and
- d) Identify, assess, manage and mitigate key risks to the Group.

In view of the limitations inherent in any system, the Board noted that risk management and internal control system is designed to provide reasonable, but not absolute assurance against material misstatement or loss and to manage the Group's risks, rather than to eliminate the risks that may impede the achievement of the Group's strategies.

Risk Management and Internal Control Structure

The Risk Framework summarises the identification of key risks of the Group, as well as assessment, management and mitigation of the key risks.

The Board of Directors is responsible to identify and assess key risks faced by the Group, and thereafter design and implement an appropriate system to mitigate these risks.

The following represents some of the key elements of the Group's risk management and internal control structure:

- a) An organisational structure with defined lines of responsibilities and appropriate levels of delegation and authority;
- b) Active participation and involvement by the Managing Director, Finance Manager and key management in the day to day running of the operations of the business;
- c) Board and management meetings are held from time to time, whenever deemed necessary, to address the operational issues and on quarterly basis to review the Group's financial performance;
- d) A fully independent Audit Committee comprising exclusively Independent Non-Executive Directors who monitor and review internal control issues identified by the Internal and/or External Auditors during the performance of their duties; and
- e) Quarterly meetings for the Audit Committee to discuss the quarterly financial reports and issues that warrant the Audit Committee's attention, of which recommendations are reported to the Board for further deliberations and action.

The effectiveness of risk management and internal control system may vary over time due to the ever-changing circumstances and conditions of the Group. The Board will continue to take appropriate action plans to further enhance the Group's system of internal control.



Statement on Risk Management and Internal Control (continued)

Internal Audit Function

The Group's internal audit function is outsourced to external consulting firm, Messrs Deloitte Risk Enterprise Services Sdn Bhd. The Internal Audit team independently reviews the risks associated with and controls over business processes and evaluates their adequacy and compliance.

The Group's internal audit plan is tabled to and approved by the Audit Committee. Audits are carried out based on a risk based approach, taking into consideration input of the senior management, the Audit Committee and the Board. Audit findings and recommendation are reported to the Audit Committee.

The Board recognises that the development of internal control system is a process to identify, evaluate and manage the key risks faced by the Group. In striving for continuous improvement, the Board will continue to take appropriate action plans to further enhance the Group's system of internal control.

Conclusion

For the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report, the Board is of the view that the Group's risk management and internal control system is operating adequately. There were no material losses incurred as a result of weakness in internal control.

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

Review of Statement by the External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guides ("AAPG") 3, 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 cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a) 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, or
- b) is factually inaccurate.

AAPG 3 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 Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement is issued in accordance with a resolution of the Board of Directors dated 6 April 2018.

Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the preparation of audited financial statements pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Directors are required to ensure that the audited financial statements of the Group and the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia and the MMLR of Bursa Malaysia.

In preparing the Group and the Company's financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors are also responsible to safeguard the assets of the Group and of the Company, to prevent and to detect fraud and other irregularities.

Additional Compliance Information

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the following information is provided hereunder.

Audit Fees

The amount of audit fees incurred for services rendered to the Company and the Group for the financial year ended 31 December 2017 by the Company’s external auditors, Messrs KPMG PLT amounted to RM20,000 and RM111,000 respectively.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2017 by the Company’s external auditors, Messrs KPMG PLT amounted to RM6,000 and there are also other fees in relation to services comprising tax compliance and advisory services incurred by a corporation affiliated to Messrs KPMG PLT.

Related Party Transactions

During the financial year under review, there was no material related party transaction.

Material Contracts

There was no material contract entered into by the Group and/or its subsidiaries involving directors and major shareholders, either subsisting at the end of the financial year or entered into since the end of the previous financial year.

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Directors' Report

for the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Kayatas Sdn. Bhd., of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM	Company RM
Profit for the year attributable to owners of the Company	6,364,623	69,964

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statement.

Dividend

The Company has no distributable reserve with which to pay dividends.

Directors of the Company

Directors of the Company in office who served during the financial year until the date of this report are:

Datuk Tay Ah Ching @ Tay Chin Kin *
 Dato' Tay Tze How *
 Dato' Tay Tze Poh *
 Puan Sri Corinne Bua Nyipa
 Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai
 Dato' Ooi Teik Heng
 Wong Siaw Wei
 Sim Chong Hong

* These Directors are also directors of the Company's subsidiaries

Directors' Report (continued)

Directors of the Company (continued)

Directors of the subsidiaries of the Company during the financial year until the date of this report are:

Datin Seri Sharipah Hishmah Binti Sayed Hassan
 Kok Swee Ping
 Liew Wee Sam
 Lim Tee
 Low Sang
 Pauline Tay
 Tay Siew Ling
 Tay Yoke Ling
 Tay Tze Kok

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	At	Number of ordinary shares		At
<i>Direct interests in the Company</i>	1.1.2017	Bought	Sold	31.12.2017
Datuk Tay Ah Ching @				
Tay Chin Kin	200,002	–	–	200,002
Dato' Tay Tze How	170,002	–	–	170,002
Dato' Tay Tze Poh	170,000	–	–	170,000
Puan Sri Corinne Bua Nyipa	171,300	–	–	171,300
<i>Direct interests in the holding company, Kayatas Sdn. Bhd.</i>				
Datuk Tay Ah Ching @				
Tay Chin Kin	88,000	–	–	88,000
Dato' Tay Tze How	220,000	–	–	220,000
Dato' Tay Tze Poh	170,492	–	–	170,492
<i>Deemed interests in the Company</i>				
Datuk Tay Ah Ching @				
Tay Chin Kin				

By virtue of their interests in the shares of the holding company, Datuk Tay Ah Ching @ Tay Chin Kin, Dato' Tay Tze How and Dato' Tay Tze Poh are also deemed interested in the shares of the Company and its related corporations during the financial year to the extent the holding company has an interest.

None of the other Directors holding office at 31 December 2017 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.



Directors' Report (continued)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the issued and paid-up capital of the Company, nor issuances of debentures by the Company during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, there were neither indemnity given to nor insurance effected for Director, officer and auditor of the Company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) 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, or

Directors' Report (continued)

Other statutory information (continued)

- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 16 to the financial statements.

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

Dato' Tay Tze How

Director

Dato' Tay Tze Poh

Director

Kuching,

Date: 6 April 2018

Statements of Financial Position

as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Assets					
Property, plant and equipment	3	90,971,197	90,715,014	—	—
Prepaid lease payments	4	4,082,552	4,311,506	—	—
Investments in subsidiaries	5	—	—	78,500,000	78,500,000
Deferred tax assets	6	48,000	3,000	—	—
Total non-current assets		95,101,749	95,029,520	78,500,000	78,500,000
Inventories	7	96,274,904	81,357,581	—	—
Current tax assets		2,397,558	913,927	—	4,432
Trade and other receivables	8	40,316,076	42,425,690	—	—
Deposits and prepayment	9	1,914,479	3,556,202	2,100	2,000
Amount due from subsidiaries	10	—	—	12,140,973	12,064,325
Cash and cash equivalents	11	7,874,397	8,179,790	17,532	18,988
Total current assets		148,777,414	136,433,190	12,160,605	12,089,745
Total assets		243,879,163	231,462,710	90,660,605	90,589,745
Equity					
Share capital	12.1	92,023,644	90,000,000	92,023,644	90,000,000
Share premium	12.2	—	2,023,644	—	2,023,644
Merger reserve	12.3	3,643,000	3,643,000	—	—
Retained earnings/(Accumulated losses)		57,984,173	51,619,550	(1,587,433)	(1,657,397)
Total equity attributable to owners of the Company		153,650,817	147,286,194	90,436,211	90,366,247
Liabilities					
Loans and borrowings	13	12,138,891	14,047,601	—	—
Deferred tax liabilities	6	6,501,898	8,109,996	—	—
Total non-current liabilities		18,640,789	22,157,597	—	—
Trade and other payables	14	10,888,491	7,784,226	210,059	223,498
Amount due to Directors	15	203,780	127,844	—	—
Current tax liabilities		227,513	99,693	14,335	—
Loans and borrowings	13	60,267,773	54,007,156	—	—
Total current liabilities		71,587,557	62,018,919	224,394	223,498
Total liabilities		90,228,346	84,176,516	224,394	223,498
Total equity and liabilities		243,879,163	231,462,710	90,660,605	90,589,745

The notes on pages 46 to 81 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue		100,114,356	100,310,351	–	–
Cost of sales		(84,101,808)	(86,387,451)	–	–
Gross profit		16,012,548	13,922,900	–	–
Other income		1,523,835	2,835,512	–	–
Distribution expenses		(1,575,180)	(1,541,271)	–	–
Administrative expenses		(7,194,772)	(6,818,731)	(274,092)	(271,463)
Results from operating activities	16	8,766,431	8,398,410	(274,092)	(271,463)
Finance income	17	29,270	10,552	416,928	413,711
Finance costs	17	(3,586,441)	(3,415,383)	–	–
Net finance (costs)/income		(3,557,171)	(3,404,831)	416,928	413,711
Profit before tax		5,209,260	4,993,579	142,836	142,248
Taxation	18	1,155,363	(1,446,948)	(72,872)	(52,634)
Profit/Total comprehensive income for the year attributable to owners of the Company		6,364,623	3,546,631	69,964	89,614
Basic and diluted earnings per ordinary share (Sen)	19	3.54	1.97		

The notes on pages 46 to 81 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Group	← Share capital RM	Non-distributable Share premium RM	→ Merger reserve RM	Distributable Retained earnings RM	Total RM
At 1 January 2016	90,000,000	2,023,644	3,643,000	48,072,919	143,739,563
Profit/Total comprehensive income for the year	—	—	—	3,546,631	3,546,631
At 31 December 2016/ 1 January 2017	90,000,000	2,023,644	3,643,000	51,619,550	147,286,194
Profit/Total comprehensive income for the year	—	—	—	6,364,623	6,364,623
Transfer pursuant to Section 618(2) of the Companies Act 2016	2,023,644	(2,023,644)	—	—	—
At 31 December 2017	92,023,644	—	3,643,000	57,984,173	153,650,817
	(Note 12.1)	(Note 12.2)	(Note 12.3)		

The notes on pages 46 to 81 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2017

Company	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2016	90,000,000	2,023,644	(1,747,011)	90,276,633
Profit/Total comprehensive income for the year	–	–	89,614	89,614
At 31 December 2016/ 1 January 2017	90,000,000	2,023,644	(1,657,397)	90,366,247
Profit/Total comprehensive income for the year	–	–	69,964	69,964
Transfer pursuant to Section 618(2) of the Companies Act 2016	2,023,644	(2,023,644)	–	–
At 31 December 2017	92,023,644	–	(1,587,433)	90,436,211
	(Note 12.1)	(Note 12.2)		

The notes on pages 46 to 81 are an integral part of these financial statements.



Statements of Cash Flows

for the year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities				
Profit before tax	5,209,260	4,993,579	142,836	142,248
Adjustments for:				
Impairment loss on trade receivables (Note 16)	216,000	102,849	—	—
Reversal of impairment losses on trade receivables (Note 16)	(116,000)	—	—	—
Amortisation of prepaid lease payments (Note 4)	228,954	228,954	—	—
Depreciation of property, plant and equipment (Note 3)	8,840,151	8,917,070	—	—
Write-offs of property, plant and equipment (Note 16)	—	842	—	—
Gain on disposal of property, plant and equipment (Note 16)	—	(15,471)	—	—
Finance costs (Note 17)	3,586,441	3,415,383	—	—
Finance income (Note 17)	(29,270)	(10,552)	(416,928)	(413,711)
Unrealised foreign exchange gain (Note 16)	(237,487)	(31,680)	—	—
Operating profit/(loss) before changes in working capital	17,698,049	17,600,974	(274,092)	(271,463)
Changes in working capital:				
Inventories	(14,917,323)	(2,453,914)	—	—
Trade and other receivables, deposits and prepayments	3,641,205	3,387,406	(100)	300
Trade and other payables	3,152,791	(3,808,851)	(13,439)	105,769
Amount due to Directors	75,937	69,005	—	—
Cash generated from/(used in) operations	9,650,659	14,794,620	(287,631)	(165,394)
Income tax paid, net of refund	(1,853,546)	(1,977,357)	(54,105)	(73,616)
Interest received	29,270	10,552	—	—
Interest paid	(2,431,062)	(2,180,815)	—	—
Net cash from/(used in) operating activities	5,395,321	10,647,000	(341,736)	(239,010)
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(8,996,334)	(15,494,649)	—	—
Proceeds from disposal of property, plant and equipment	—	15,471	—	—
Net cash used in investing activities	(8,996,334)	(15,479,178)	—	—

Statements of Cash Flows for the year ended 31 December 2017 (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from financing activities				
Advances to subsidiaries	—	—	340,280	179,490
Net drawdown of/(repayment of) borrowings	309,557	(1,268,322)	—	—
Net repayment of finance leases	(61,099)	(96,588)	—	—
Interest paid	(1,155,379)	(1,234,568)	—	—
Net cash (used in)/from financing activities	(906,921)	(2,599,478)	340,280	179,490
Net decrease in cash and cash equivalents	(4,507,934)	(7,431,656)	(1,456)	(59,520)
Effect of exchange rate fluctuations on cash held	199,092	(85,946)	—	—
Cash and cash equivalents at beginning of year	(9,195,795)	(1,678,193)	18,988	78,508
Cash and cash equivalents at end of year [Note (ii)]	(13,504,637)	(9,195,795)	17,532	18,988

Notes

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment as follows:

	Group	
	2017 RM	2016 RM
Paid in cash	8,996,334	15,494,649
Finance leases	100,000	75,000
Total (see Note 3)	9,096,334	15,569,649

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances (Note 11)	7,874,397	8,179,790	17,532	18,988
Bank overdrafts (Note 13)	(21,379,034)	(17,375,585)	—	—
Cash and cash equivalents	(13,504,637)	(9,195,795)	17,532	18,988

The notes on pages 46 to 81 are an integral part of these financial statements.



Notes to the Financial Statements

– 31 December 2017

ABM Fujiya Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The immediate as well as ultimate holding company during the financial year is Kayatas Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 6 April 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company:

MFRS/Amendment/Interpretation	Effective date
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4, <i>Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Property – Transfers of Investment Property</i>	1 January 2018
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019

Notes to the Financial Statements – 31 December 2017 (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS / Amendment / Interpretation	Effective date
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits – Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation which are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are assessed as presently not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation which are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 and Amendments to MFRS 128, which are assessed as presently not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers* and Clarifications to MFRS 15, *Revenue from Contracts with Customers*

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

Currently, the Group recognises revenue from contracts with customers in accordance with the accounting policy as described in Note 2(k) to the financial statements. Upon adoption of MFRS 15, the Group will recognise the revenue from contracts with customers when the Group transfers control of goods or services to its customers at the amount to which the Company expects to be entitled. Revenue is recognised when control of goods or services is transferred to the customers.

The initial application of MFRS 15 is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

Notes to the Financial Statements – 31 December 2017 (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

Currently, the Group classifies and measures financial assets and liabilities based on incurred loss model. Upon adoption of MFRS 9, the Company will classify and measure financial assets and liabilities. The Company will apply MFRS 9 retrospectively.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than those disclosed in the following notes:

- Note 3, impairment assessment of property, plant and equipment; and
- Note 8, assessment of recoverability on trade receivables.

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) 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.

Investments 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.

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)**(c) Financial instruments (continued)****(i) Initial recognition and measurement (continued)**

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets - Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment [see Note 2(h)(i)].

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

(iv) Derecognition

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

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition (continued)

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “administrative expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.



Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)**(d) Property, plant and equipment (continued)****(iii) Depreciation (continued)**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Long-term leasehold land	60, 788, 793, 797 and 825 years
Short-term leasehold land	42, 48, 50, 60 and 61 years
Buildings	24, 35, 50 years
Plant and machinery	5 and 10 years
Tools and equipment	8 years
Furniture and fittings	5, 8, 10 and 12 years
Motor vehicles	5 and 10 years
Renovation	10 years

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

(e) Leased assets**(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease (continued)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Inventories

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

The cost of inventories is calculated using the weighted average cost formula, except that for raw materials which is measured based on first-in first-out formula. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(h) Impairment

(i) Financial assets

All financial assets (except for investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) **Financial assets** (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) **Other assets**

The carrying amounts of other assets, except for inventories and deferred tax assets [see Note 2(f) and 2(m)] are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)

(i) Ordinary shares

Ordinary shares are classified as equity. Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(l) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.



Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)

(m) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(n) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Notes to the Financial Statements – 31 December 2017 (continued)

2. Significant accounting policies (continued)

(o) Operating segments

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

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Fair value measurements

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

For 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 techniques 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.

Notes to the Financial Statements – 31 December 2017 (continued)

3. Property, plant and equipment

Group	Long-term leasehold land (unexpired lease period of more than 50 years) RM	Short-term leasehold land (unexpired lease period of less than 50 years) RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Assets under construction RM	Total RM
Cost										
At 1 January 2016	20,323,483	4,419,863	31,855,137	78,776,198	838,244	1,043,963	990,148	531,803	398,083	139,176,922
Additions	–	–	–	8,435,775	79,581	16,222	89,685	228,750	6,719,636	15,569,649
Disposals	–	–	–	–	–	–	(149,866)	–	–	(149,866)
Write-offs	–	–	–	(2,808,062)	–	(3,762)	–	–	–	(2,811,824)
Transfers	–	–	–	–	–	–	–	90,000	(90,000)	–
At 31 December 2016/1 January 2017	20,323,483	4,419,863	31,855,137	84,403,911	917,825	1,056,423	929,967	850,553	7,027,719	151,784,881
Additions	–	–	–	3,215,698	34,749	64,243	141,509	28,300	5,611,835	9,096,334
Write-offs	–	–	–	–	–	(3,763)	–	–	–	(3,763)
Transfers	–	–	–	6,519,936	–	–	–	450,900	(6,970,836)	–
At 31 December 2017	20,323,483	4,419,863	31,855,137	94,139,545	952,574	1,116,903	1,071,476	1,329,753	5,668,718	160,877,452
Depreciation										
At 1 January 2016	1,821,451	663,921	4,011,151	46,502,943	512,710	454,787	827,133	319,549	–	55,113,645
Depreciation for the year (Note 16)	303,577	110,651	717,129	7,445,059	71,315	82,812	96,934	89,593	–	8,917,070
Disposals	–	–	–	–	–	–	(149,866)	–	–	(149,866)
Write-offs	–	–	–	(2,807,220)	–	(3,762)	–	–	–	(2,810,982)
At 31 December 2016/1 January 2017	2,125,028	774,572	4,728,280	51,140,782	584,025	533,837	774,201	409,142	–	61,069,867
Depreciation for the year (Note 16)	303,575	68,866	734,340	7,380,283	68,346	84,171	63,013	137,557	–	8,840,151
Write-offs	–	–	–	–	–	(3,763)	–	–	–	(3,763)
At 31 December 2017	2,428,603	843,438	5,462,620	58,521,065	652,371	614,245	837,214	546,699	–	69,906,255
Carrying amounts										
At 1 January 2017	18,198,455	3,645,291	27,126,857	33,263,129	333,800	522,586	155,766	441,411	7,027,719	90,715,014
At 31 December 2017	17,894,880	3,576,425	26,392,517	35,618,480	300,203	502,658	234,262	783,054	5,668,718	90,971,197

Notes to the Financial Statements – 31 December 2017 (continued)

3. Property, plant and equipment (continued)

3.1 Leased motor vehicles

At the end of the financial year, the net carrying amount of leased motor vehicles was RM235,214 (2016: RM156,719).

3.2 Security

The leased motor vehicles are charged to secure the finance lease liabilities of the Group (see Note 13.1).

The land and buildings of the Group are charged to secure banking facilities granted to certain Group entities. In addition, a debenture incorporating fixed and floating charges has been created over all assets (including property, plant and equipment and prepaid lease payments) of certain Group entities to secure the banking facilities granted thereto (see Note 13.1).

3.3 Land

The Group has 31 parcels of leasehold land. The lease period of 21 parcels of leasehold land (classified as long-term) expire in the years 2071, 2795 and 2817 while the lease period of the other 10 parcels of leasehold land (classified as short-term) expire in the years 2027, 2038, 2053 and 2054.

3.4 Impairment assessment of property, plant and equipment and prepaid lease payment

During the financial year under review, the Group has estimated whether the property, plant and equipment are stated in excess of their recoverable amounts, an exercise that entails by virtue of the current economic condition, a significant degree of estimation uncertainty and judgment. The Group has evaluated the carrying amount of the property, plant and equipment and prepaid lease payment (see Note 4) by estimating its recoverable amount using the fair value less cost to sell of the land and buildings as well as value in use calculation of an existing manufacturing plant of a subsidiary based on the following key assumptions:

- (a) Cash flows were projected based on average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts, current and future industry situation.
- (b) A pre-tax discount rate of 8% was applied in discounting the projected cash flows to their net present value.

The Group has concluded as the recoverable amount of the property, plant and equipment as estimated is higher than its carrying amount, and hence there is no impairment necessary.

4. Prepaid lease payments

Group	Short-term leasehold land (unexpired lease period of less than 50 years) RM
Cost	
At 1 January 2016, 31 December 2016/1 January 2017 and 31 December 2017	5,914,184
Amortisation	
At 1 January 2016	1,373,724
Amortisation for the year (Note 16)	228,954
At 31 December 2016/1 January 2017	1,602,678
Amortisation for the year (Note 16)	228,954
At 31 December 2017	1,831,632



Notes to the Financial Statements – 31 December 2017 (continued)

4. Prepaid lease payments (continued)

Group	Short-term leasehold land (unexpired lease period of less than 50 years) RM
Carrying amounts	
At 31 December 2016/1 January 2017	4,311,506
At 31 December 2017	4,082,552

The lease period of two parcels of leasehold land (classified as short-term) expire in the years 2035 and 2037.

The two parcels of leasehold land have been charged to secure banking facilities granted to certain Group entities (see Note 13.1).

5. Investments in subsidiaries

	Company 2017 RM	2016 RM
Unquoted shares, at cost	78,500,000	78,500,000

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Direct subsidiaries

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2017 %	2016 %
Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.	Malaysia	Manufacture and sale of automotive batteries	100.00	100.00
Amalgamated Batteries Corporation Sdn. Bhd.	Malaysia	Dormant	100.00	100.00
Anpei Corporation Sdn. Bhd.	Malaysia	Dormant	100.00	100.00

Subsidiaries of Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2017 %	2016 %
Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd.	Malaysia	Retailing of automotive batteries	100.00	100.00
Auto Industries Batteries (East Malaysia) Sdn. Bhd.	Malaysia	Dealer of batteries and lubricants	100.00	100.00

Notes to the Financial Statements – 31 December 2017 (continued)

6. Deferred tax assets/(liabilities)

6.1 Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) is attributable to the following:

Group	Assets		Liabilities		Net	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Property, plant and equipment	–	2,000	(7,541,000)	(7,585,000)	(7,541,000)	(7,583,000)
Fair value adjustments on acquisition of a subsidiary	–	–	(803,000)	(827,000)	(803,000)	(827,000)
Allowances for impairment losses	268,000	224,000	–	–	268,000	224,000
Others	138,102	79,004	(60,000)	–	78,102	79,004
Unutilised reinvestment allowance	1,544,000	–	–	–	1,544,000	–
Tax assets/(liabilities)	1,950,102	305,004	(8,404,000)	(8,412,000)	(6,453,898)	(8,106,996)
Set off of tax	(1,902,102)	(302,004)	1,902,102	302,004	–	–
Net tax assets/(liabilities)	48,000	3,000	(6,501,898)	(8,109,996)	(6,453,898)	(8,106,996)

6.2 Movement in temporary differences during the year

Group	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016/ 1.1.2017 RM	Recognised in profit or loss RM	At 31.12.2017 RM
Property, plant and equipment	7,650,000	(67,000)	7,583,000	(42,000)	7,541,000
Fair value adjustments of a subsidiary combinations	851,000	(24,000)	827,000	(24,000)	803,000
Allowance for impairment losses	(194,000)	(30,000)	(224,000)	(44,000)	(268,000)
Others	(72,255)	(6,749)	(79,004)	902	(78,102)
Unutilised reinvestment allowance	–	–	–	(1,544,000)	(1,544,000)
	8,234,745	(127,749)	8,106,996	(1,653,098)	6,453,898

(Note 18)

(Note 18)

6.3 Unrecognised deferred tax assets

Deferred tax assets of the Group of RM3,000 (2016: RM3,000) have not been recognised in respect of the following items (stated at gross) because it is uncertain if future taxable profits of sufficient quantum will be available against which the Group entities concerned can utilise the benefits therefrom:

	Group	
	2017 RM	2016 RM
Property, plant and equipment	14,000	14,000



Notes to the Financial Statements – 31 December 2017 (continued)

7. Inventories

	Group 2017 RM	2016 RM
Raw materials (including goods in transit)	16,593,896	24,007,348
Work-in-progress	49,743,496	35,016,271
Manufactured inventories	28,938,603	21,354,423
Trading goods (including goods in transit)	998,909	979,539
	96,274,904	81,357,581
Recognised in profit or loss:		
Inventories recognised as cost of sales	65,057,089	68,154,053

8. Trade and other receivables

	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
Trade				
Trade receivables (Note 8.1)	41,034,068	43,471,836	–	–
Allowance for impairment losses	(1,208,790)	(1,108,790)	–	–
	39,825,278	42,363,046	–	–
Non-trade				
Other receivables	51,013	62,644	–	–
GST receivable	439,785	–	–	–
	490,798	62,644	–	–
Total	40,316,076	42,425,690	–	–

8.1 Assessment of recoverability on trade receivables

The main collectability risk of trade receivables is customer insolvencies. Management determines allowance for impairment losses on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. These include assessment of customers' past payment records, financial standing and the age of receivables. The evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

9. Deposits and prepayments

	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
Deposits	1,673,598	3,232,377	2,100	2,000
Prepayments	240,881	323,825	–	–
	1,914,479	3,556,202	2,100	2,000

Included in the deposits is an amount of RM1,516,604 (2016: RM3,087,366) being advances paid for the purchase of machineries.

Notes to the Financial Statements – 31 December 2017 (continued)

10. Amount due from subsidiaries - Company

Amount due from subsidiaries is non-trade in nature, unsecured, has no fixed terms of repayment and subjected to interest at 3.50% (2016: 3.50%) per annum.

11. Cash and cash equivalents

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	7,874,397	8,179,790	17,532	18,988

12. Capital and reserves

12.1 Share capital

	Group and Company		Group and Company	
	Amount		Number of shares	
	2017 RM	2016 RM	2017	2016
Issued and fully paid:				
Opening balances	90,000,000	90,000,000	180,000,000	180,000,000
Transfer pursuant to Section 618(2) of the Companies Act 2016	2,023,644	–	–	–
Closing balance	92,023,644	90,000,000	180,000,000	180,000,000

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

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. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a results of transition.

12.2 Share premium

	Group and Company	
	2017 RM	2016 RM
Opening balance	2,023,644	2,023,644
Transfer pursuant to Section 618 (2) of the Companies Act 2016	(2,023,644)	–
Closing balance	–	2,023,644

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the ordinary shares.



Notes to the Financial Statements – 31 December 2017 (continued)

12. Capital and reserves (continued)**12.2 Share premium (continued)**

In line with the abolishment of the concept of authorised share capital and par value of share capital, the amount standing to the credit of the share premium account of RM2,023,644 became 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 for purposes as set out in Section 618 (3) of the Act. There is no impact in the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

12.3 Merger reserve

Merger reserve represents the difference between the cost of acquisition and the nominal value of the ordinary shares acquired in a business combination involving a common control transaction in an earlier year.

13. Loans and borrowings

	Group	
	2017 RM	2016 RM
Non-current		
Term loans - secured	12,040,864	13,971,055
Finance lease liabilities - secured	98,027	76,546
	12,138,891	14,047,601
Current		
Bank overdrafts - secured	21,379,034	17,375,585
Bankers' acceptances - secured	24,141,960	25,108,548
Term loans - secured	4,673,480	1,467,144
Finance lease liabilities - secured	73,299	55,879
Revolving credit - secured	10,000,000	10,000,000
	60,267,773	54,007,156
Total	72,406,664	68,054,757

13.1 Security

The Group's banking facilities comprising term loans, bankers' acceptances, revolving credit and overdrafts are secured by way of legal charges over the landed properties belonging to certain Group entities and by a debenture incorporating fixed and floating charges over all assets of the Group entities (see Note 3.2 and 4). The facilities are also jointly and severally guaranteed by certain Directors of the Company and a corporate guarantee from the Company.

The finance lease liabilities are secured on the respective leased assets of the Group (see Note 3.2).

13.2 Covenants

The Group is required to maintain net assets of not less than RM130 million to comply with a bank covenant, failing which the bank may call an event of default.

Notes to the Financial Statements – 31 December 2017 (continued)

13. Loans and borrowings (continued)

13.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2017			2016		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than one year	79,750	6,451	73,299	61,330	5,451	55,879
Between one and two years	52,944	3,577	49,367	61,606	4,671	56,935
Between two and five years	49,895	1,235	48,660	20,300	689	19,611
	182,589	11,263	171,326	143,236	10,811	132,425

13.4 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 January 2017 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2017 RM
Term loans – secured	15,438,199	1,276,145	–	16,714,344
Finance lease liabilities	132,425	(61,099)	100,000	171,326
Revolving credit – secured	10,000,000	–	–	10,000,000
Bankers' acceptance	25,108,548	(966,588)	–	24,141,960
Total liabilities from financing activities	50,679,172	248,458	100,000	51,027,630

14. Trade and other payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade				
Trade payables	6,889,825	6,214,737	–	–
Non-trade				
Other payables and accruals	3,976,876	1,226,933	210,059	223,498
GST payable	21,790	342,556	–	–
	3,998,666	1,569,489	210,059	223,498
Total	10,888,491	7,784,226	210,059	223,498



Notes to the Financial Statements – 31 December 2017 (continued)

15. Amount due to Directors - Group

Amount due to Directors is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

16. Results from operating activities

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Results from operating activities is arrived at after charging:				
Impairment losses on trade receivables	216,000	102,849	—	—
Amortisation of prepaid lease payments (Note 4)	228,954	228,954	—	—
Auditors' remuneration				
- statutory audit				
- current year	111,000	109,000	20,000	20,000
- non-audit	6,000	11,000	6,000	11,000
Depreciation of property, plant and equipment (Note 3)	8,840,151	8,917,070	—	—
Directors' fees	416,000	416,000	116,000	116,000
Directors' remunerations	1,000,293	1,001,913	—	—
Personnel expenses (including key management personnel)				
- contributions to state plans	328,751	314,102	—	—
- wages, salaries and others	7,303,309	6,733,881	8,000	9,800
Rental of premises	115,800	110,300	—	—
Write-offs of property, plant and equipment	—	842	—	—
and after crediting:				
Foreign exchange gain				
- realised	946,486	2,504,681	—	—
- unrealised	237,487	31,680	—	—
Gain on disposal of property, plant and equipment	—	15,471	—	—
Rental of premises	49,120	85,650	—	—
Reversal of impairment losses on trade receivables	116,000	—	—	—

17. Finance income and finance costs

Recognised in profit or loss

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income of financial assets that are not at fair value through profit or loss				
- Fixed deposits and cash funds	29,270	10,552	—	—
- Amount due from a subsidiary	—	—	416,928	413,711
	29,270	10,552	416,928	413,711

Notes to the Financial Statements – 31 December 2017 (continued)

17. Finance income and finance costs (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Loans and borrowings	3,586,441	3,415,383	—	—

18. Taxation

Recognised in profit or loss

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense				
- current year	1,054,000	1,444,000	64,000	54,000
- prior year	(556,265)	130,697	8,872	(1,366)
	497,735	1,574,697	72,872	52,634
Deferred taxation (Note 6)				
- current year	(856,098)	(127,749)	—	—
- prior year	(797,000)	—	—	—
	(1,653,098)	(127,749)	—	—
Taxation	(1,155,363)	1,446,948	72,872	52,634
Reconciliation of tax expense				
Profit for the year	6,364,623	3,546,631	69,964	89,614
Taxation	(1,155,363)	1,446,948	72,872	52,634
Profit excluding tax	5,209,260	4,993,579	142,836	142,248
Income tax calculated using				
Malaysian tax rate of 24%	1,250,000	1,198,000	34,000	34,000
Non-deductible expenses	378,902	403,251	30,000	20,000
Non-taxable income	(95,000)	(266,000)	—	—
Movement in unrecognised deferred tax assets	—	(19,000)	—	—
Effect of lower tax rate *	(9,000)	—	—	—
Tax incentive	(1,327,000)	—	—	—
	197,902	1,316,251	64,000	54,000
(Over)/Under-provided in prior years	(1,353,265)	130,697	8,872	(1,366)
	(1,155,363)	1,446,948	72,872	52,634

* Pursuant to the Income Tax (Exemption) (No.2) Order 2017, a tax exemption equivalent to a reduction in the prevailing corporate tax rate from 1% to 4% will be effectively given for YA 2017 and YA 2018 based on the incremental chargeable business income.

Notes to the Financial Statements – 31 December 2017 (continued)

19. Earnings per ordinary share***Basic and diluted earnings per ordinary share***

The calculation of basic and diluted earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows.

	2017 RM	Group 2016 RM
Profit attributable to ordinary shareholders	6,364,623	3,546,631
Weighted average number of ordinary shares at end of year	180,000,000	180,000,000
<i>In Sen</i>		
Basic and diluted earnings per ordinary share	3.54	1.97

20. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer similar products and services, but are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing - Includes manufacturing and distribution of batteries.
- Marketing - Includes marketing and retailing of batteries and lubricants.

There are varying levels of integration between Manufacturing reportable segments and the Marketing reportable segments. This integration includes transfers of manufactured inventories. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets, liabilities and capital expenditure

Segment assets, liabilities and capital expenditure information is neither included in the internal management reports nor provided regularly to the Group's Executive Chairman. Hence no disclosure is made.

Group	Manufacturing RM	Marketing RM	Adjustments and elimination RM	Total RM
2017				
Segment profit	2,799,075	2,626,355	–	5,425,430

Notes to the Financial Statements – 31 December 2017 (continued)

20. Operating segments (continued)

Group	Manufacturing RM	Marketing RM	Adjustments and elimination RM	Total RM
2017				
Included in the measure of segment profit are:				
Revenue from external customers	67,269,916	32,844,440	–	100,114,356
Inter-segment revenue	25,652,474	–	–	25,652,474
Amortisation	(228,954)	–	–	(228,954)
Depreciation	(8,642,332)	(98,453)	(99,366)	(8,840,151)
Finance costs	(4,013,639)	(17,383)	444,581	(3,586,441)
<i>Not included in the measure of segment profit but provided to Group's Executive Chairman are:</i>				
Tax expense	1,765,746	(621,609)	11,226	1,155,363
2016				
Segment profit	2,641,045	2,419,543	–	5,060,588
Included in the measure of segment profit are:				
Revenue from external customers	66,888,175	33,422,176	–	100,310,351
Inter-segment revenue	27,188,967	–	–	27,188,967
Amortisation	(228,954)	–	–	(228,954)
Depreciation	(8,672,736)	(144,968)	(99,366)	(8,917,070)
Finance costs	(3,810,978)	(39,626)	435,221	(3,415,383)
<i>Not included in the measure of segment profit but provided to Group's Executive Chairman are:</i>				
Tax expense	(806,237)	(636,826)	(3,885)	(1,446,948)

Reconciliations of reportable segment profit or loss

	Group	
	2017 RM	2016 RM
Profit or loss		
Total profit for reportable segments	5,425,430	5,060,588
Elimination of inter-segment profits	(575,424)	(325,014)
Additional depreciation on fair value adjustments	(99,366)	(99,366)
Net unallocated income	458,620	357,371
Consolidated profit before tax	5,209,260	4,993,579

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.



Notes to the Financial Statements – 31 December 2017 (continued)

20. Operating segments (continued)

Geographical information

Group	2017		2016	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	49,736,412	95,053,749	54,703,723	95,026,520
Dubai	23,995,789	—	14,784,577	—
Sultanate of Oman	3,948,359	—	10,717,458	—
Others	22,433,796	—	20,104,593	—
	100,114,356	95,053,749	100,310,351	95,026,520

Major customers

The following is major customer with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2017 RM	2016 RM	
Customer A	18,326,961	10,101,169	Manufacturing

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ("L&R"); and
- (ii) Financial liabilities measured at amortised cost ("FL").

Financial assets/(liabilities)	Carrying amount RM	L&R/ (FL) RM
Group		
2017		
Trade and other receivables *	39,876,291	39,876,291
Deposits	1,673,598	1,673,598
Cash and cash equivalents	7,874,397	7,874,397
Loans and borrowings	(72,406,664)	(72,406,664)
Trade and other payables *	(10,866,701)	(10,866,701)
Amount due to Directors	(203,780)	(203,780)
2016		
Trade and other receivables *	42,425,690	42,425,690
Deposits	3,232,377	3,232,377
Cash and cash equivalents	8,179,790	8,179,790
Loans and borrowings	(68,054,757)	(68,054,757)
Trade and other payables *	(7,441,670)	(7,441,670)
Amount due to Directors	(127,844)	(127,844)

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

<i>Financial assets/(liabilities) (continued)</i>	Carrying amount RM	L&R/ (FL) RM
Company		
2017		
Amount due from subsidiaries	12,140,973	12,140,973
Deposits	2,100	2,100
Cash and cash equivalents	17,532	17,532
Trade and other payables	(210,059)	(210,059)
2016		
Amount due from subsidiaries	12,064,325	12,064,325
Deposits	2,000	2,000
Cash and cash equivalents	18,988	18,988
Trade and other payables	(223,498)	(223,498)

* Excluding GST receivable from/payable to Royal Malaysian Custom Department.

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net (losses)/gains on:				
Loans and receivables	(362,192)	1,326,379	416,928	413,711
Financial liabilities measured at amortised cost	(2,506,691)	(3,375,085)	—	—
	(2,868,883)	(2,048,706)	416,928	413,711

21.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a subsidiary.



Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)**21.3 Financial risk management** (continued)**(a) Credit risk** (continued)**Receivables****Risk management objectives, policies and processes for managing the risk**

The Group implements credit controls that include evaluation, monitoring and feedback to ensure that only credit-worthy customers are accepted. Credit sales are mainly to long established customers. The Group also controls credit risk by limiting the credit amounts given to new customers. Credit limits are revised on a regular basis based on customers' payment patterns and the comfort level of doing business with them.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, other than the amounts stated below, there were no significant concentrations of credit risk.

	2017 RM	Group 2016 RM
Amount due from three (2016: three) trade receivables	19,617,374	22,475,475

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group for a good length of time. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	2017 RM	Group 2016 RM
Malaysia	33,445,720	37,013,866
Sultanate of Oman	843,168	233,985
Singapore	808,106	1,680,923
Nigeria	385,687	962,568
Others	4,342,597	2,471,704
	39,825,278	42,363,046

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was in the ensuing page.

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)

21.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

Group	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
2017				
Not past due	24,362,292	–	–	24,362,292
Past due 0-30 days	3,356,331	–	–	3,356,331
Past due 31-120 days	6,417,836	–	(216,000)	6,201,836
Past due 121-180 days	2,281,950	–	–	2,281,950
Past due 181-365 days	4,615,659	(87,790)	(905,000)	3,622,869
	41,034,068	(87,790)	(1,121,000)	39,825,278
2016				
Not past due	28,451,809	–	–	28,451,809
Past due 0-30 days	2,308,152	–	–	2,308,152
Past due 31-120 days	5,816,705	–	–	5,816,705
Past due 121-180 days	2,792,147	–	–	2,792,147
Past due 181-365 days	4,281,983	(87,790)	(1,021,000)	3,173,193
Past due more than 365 days	(178,960)*	–	–	(178,960)
	43,471,836	(87,790)	(1,021,000)	42,363,046

* Being overpayment/deposits.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017 RM	2016 RM
At beginning of year	1,108,790	1,005,941
Impairment losses recognised	216,000	102,849
Impairment losses reversed	(116,000)	–
At end of year	1,208,790	1,108,790

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.



Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)**21.3 Financial risk management (continued)****(a) Credit risk (continued)*****Inter-company loans and advances******Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

Financial guarantees***Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM69,041,159 (2016: RM62,507,381) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiary would default on payment.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management objectives, policies and processes for managing the risk

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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)

21.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities (which are non-derivatives) as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate % p.a	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2017							
Bank overdrafts	21,379,034	7.46 - 7.70	21,514,078	21,514,078	—	—	—
Bankers' acceptances	24,141,960	2.24 - 4.75	24,152,253	24,152,253	—	—	—
Term loans	16,714,344	4.63 - 6.70	18,449,678	5,438,261	5,340,696	7,670,721	—
Finance lease liabilities	171,326	3.77 - 6.32	182,589	79,750	52,944	49,895	—
Revolving credit	10,000,000	4.63	10,038,583	10,038,583	—	—	—
Trade payables	6,889,825	—	6,889,825	6,889,825	—	—	—
Other payables and accruals	3,976,876	—	3,976,876	3,976,876	—	—	—
Amount due to Directors	203,780	—	203,780	203,780	—	—	—
	83,477,145		85,407,662	72,293,406	5,393,640	7,720,616	—
2016							
Bank overdrafts	17,375,585	7.31 - 7.75	17,492,990	17,492,990	—	—	—
Bankers' acceptances	25,108,548	2.29 - 4.69	25,129,776	25,129,776	—	—	—
Term loans	15,438,199	4.67 - 6.65	16,980,197	1,891,709	5,444,321	8,470,644	1,173,523
Finance lease liabilities	132,425	3.77 - 6.32	143,236	61,330	61,606	20,300	—
Revolving credit	10,000,000	4.77	10,039,750	10,039,750	—	—	—
Trade payables	6,214,737	—	6,214,737	6,214,737	—	—	—
Other payables and accruals	1,226,933	—	1,226,933	1,226,933	—	—	—
Amount due to Directors	127,844	—	127,844	127,844	—	—	—
	75,624,271		77,355,463	62,185,069	5,505,927	8,490,944	1,173,523

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)

21.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
2017				
Other payables and accruals	210,059	–	210,059	210,059
Financial guarantees	–	–	69,041,159	69,041,159
2016				
Other payables and accruals	223,498	–	223,498	223,498
Financial guarantees	–	–	62,507,381	62,507,381

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases, bank balances and borrowings that are denominated in a currency other than the functional currency of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollars ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group keeps two foreign currency bank accounts (denominated in USD and SGD) into which certain sales proceeds are deposited and from which payments denominated in these currencies are made to minimise its exposure to foreign exchange risk.

As for other monetary assets and liabilities held in a currency other than the functional currency, the Group ensures that the net exposure is kept to an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2017		2016	
	Denominated in USD	Denominated in SGD	Denominated in USD	Denominated in SGD
Balances recognised in the statement of financial position				
In RM				
Trade receivables	5,998,207	–	4,616,556	415,550
Bankers' acceptances	(5,122,676)	–	(2,862,548)	–
Trade payables	(5,167,038)	–	(5,261,154)	–
Other payable	(2,440,596)	–	–	–
Cash and cash equivalents	4,259,868	1,427,298	5,837,410	1,278,082
Net exposure	(2,472,235)	1,427,298	2,330,264	1,693,632

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)

21.3 Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)**Currency risk sensitivity analysis**

A 10% (2016: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	Profit or (loss)	
	2017 RM	2016 RM
USD	188,000	(177,000)
SGD	(108,000)	(129,000)
	80,000	(306,000)

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk. The Company's exposure to interest rate risk arises principally from loans and advances to a subsidiary.

Risk management objectives, policies and processes for managing the risk

The Group monitors its exposure to changes in interest rates on a regular basis. Borrowings are negotiated with a view to securing the best possible terms, including rate of interest, to the Group and when deemed appropriate, obtained on a fixed rate basis. The Company adopts a policy of ensuring that its exposure to changes in interest rates on loans and advances to the subsidiary is on a fixed rate basis.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period was:

Group	2017 RM	2016 RM
Fixed rate instruments		
Financial liabilities	(34,313,286)	(35,240,973)
Floating rate instruments		
Financial liabilities	(38,093,378)	(32,813,784)
	(72,406,664)	(68,054,757)

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)**21.3 Financial risk management** (continued)**(c) Market risk** (continued)**Exposure to interest rate risk** (continued)**Company****Fixed rate instruments**

Financial assets	12,140,973	12,064,325
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Interest rate risk sensitivity analysis**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Group	Profit or loss	
	100bp increase RM	100bp decrease RM
Floating rate instruments		
- 2017	(290,000)	290,000
- 2016	(249,000)	249,000

Other price risk

The Group does not have any investments in equity securities as at the end of the reporting period and is therefore not exposed to any other price risk.

21.4 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table in the ensuing page analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts as shown in the statement of financial position.

Notes to the Financial Statements – 31 December 2017 (continued)

21. Financial instruments (continued)

21.4 Fair value information (continued)

Group	Fair value of financial instruments not carried at fair value				Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	
2017					
Financial liabilities					
Term loans	–	–	15,522,184	15,522,184	16,714,344
Finance lease liabilities	–	–	171,326	171,326	171,326
	–	–	15,693,510	15,693,510	16,885,670
2016					
Financial liabilities					
Term loans	–	–	13,878,498	13,878,498	15,438,199
Finance lease liabilities	–	–	132,425	132,425	132,425
	–	–	14,010,923	14,010,923	15,570,624

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Type	Description of valuation technique and inputs used
Term loans and finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

22. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor the debts closely and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the year, the Group's strategy, which was unchanged from 2016 was to maintain the debt-to-equity ratio close to 0.5:1. The debt-to-equity ratios at 31 December 2017 and at 31 December 2016 were as follows:

	Group	
	2017 RM	2016 RM
Total loans and borrowings (Note 13)	72,406,664	68,054,757
Less: Cash and cash equivalents (Note 11)	(7,874,397)	(8,179,790)
Net debt	64,532,267	59,874,967
Total equity	153,650,817	147,286,194
Debt-to-equity ratio	0.42	0.41



Notes to the Financial Statements – 31 December 2017 (continued)

22. Capital management (continued)

There was no change in the Group's approach to capital management during the financial year.

During the year, the Group is required to maintain net assets of not less than RM130 million to comply with a bank covenant, failing which the bank may call an event of default (see Note 13.2). The Group has not breached the covenant.

23. Capital expenditure commitments

	Group	
	2017 RM	2016 RM
<i>Property, plant and equipment</i>		
Authorised and contracted for	93,206	977,948

24. Contingencies

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees, as it is not probable that a future outflow of economic benefits will be required.

	Company	
	2017 RM	2016 RM
Corporate guarantees for banking facilities granted to a subsidiary	117,270,000	117,270,000

The outstanding banking facilities of the subsidiary as at the end of the reporting period is RM69,041,159 (2016: RM62,507,381).

25. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding company, subsidiaries and key management personnel.

Notes to the Financial Statements – 31 December 2017 (continued)

25. Related parties (continued)**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in the statements of financial position.

	Company	
	2017 RM	2016 RM
Subsidiary		
Interest income on loans	416,928	413,711
	Group	
	2017 RM	2016 RM
Key management personnel		
Directors		
- fees	416,000	416,000
- remuneration	1,000,293	1,001,913
- other short term employee benefits	8,000	9,800
- rental expenses	72,000	72,000
	1,496,293	1,499,713
Other key management personnel		
- fees	806,800	656,800
- remuneration	1,100,406	1,087,951
- other short-term employee benefits	15,312	7,317
	1,922,518	1,752,068
	3,418,811	3,251,781

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 40 to 81 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 of 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' Tay Tze How

Director

Dato' Tay Tze Poh

Director

Kuching,

Date: 6 April 2018

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Desmond Hii Hiong Sion**, the officer primarily responsible for the financial management of ABM Fujiya Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 81 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Desmond Hii Hiong Sion, NRIC: 820918-13-5181, MIA CA 39619 at Kuching in the State of Sarawak on 6 April 2018.

Desmond Hii Hiong Sion

Before me:

Evelyn Lau Sie Jiong

Commissioner For Oaths

No. Q137

Independent Auditors' Report

to the Members of ABM Fujiya Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABM Fujiya Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 81.

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 their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

Valuation of trade receivables

Refer to Note 2(h) - Significant accounting policies: Impairment and Note 8 - Trade and other receivables.

The key audit matter	How the matter was addressed in our audit
At 31 December 2017, the Group has a significant level of trade receivables of RM41,034,068 which was approximately 17% of its total assets. The Group determines allowance for impairment losses on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. The evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes. The Group's exposure to credit risk arises principally from its receivables from long established customers who entitle credit terms. We have identified recoverability of trade receivables as a key audit matter because the recoverability is dependent on the credit worthiness of customers and their ability to settle the amounts due which increases the risk of non-payment and non-recovery. Accordingly, allowance for impairment losses are required for amounts that are no longer considered recoverable.	We performed the following audit procedures, among others: i) We assessed the design and implementation of the Group's controls over the receivables collection processes, including the Group's credit control process over aged receivables and customer credit approvals. ii) We inspected the ageing of trade receivables to identify any potential for doubtful debts and we assessed whether appropriate allowances has been established for non-payment and non-recovery of such trade receivables. iii) We assessed the adequacy of the Group's allowances for impairment losses by assessing the assumptions made by the Group with reference to the profile of aged debts at the reporting date and post year-end payment records. iv) We have also considered the adequacy of the Group's disclosures about the degree of judgement and estimation involved in arriving at the allowances for the impairment of trade receivables.

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

Valuation of property, plant and equipment and prepaid lease payments

Refer to Note 2(h) - Significant accounting policies: Impairment and Note 3 - Property, plant and equipment.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amount of the Group's net assets was more than its market capitalisation. There is a risk that the carrying amount of its property, plant and equipment and prepaid lease payments may not be recoverable in full through the future cash flows to be generated from these assets. The property, plant and equipment consist of two major category of assets: • leasehold land and buildings; and • plant and machineries. For land and buildings, the Group estimated the recoverable amount based on their estimated fair values which are determined by professional external valuation firm by reference to the market values of similar assets. For plant and machineries, the Group prepared a value in use calculation by forecasting and discounting future cash flows to be generated by an existing manufacturing plant of a subsidiary based on certain key assumptions. We have identified the valuation of property, plant and equipment and prepaid lease payments as a key audit matter because the size of the carrying amount of these assets was material to the consolidated financial statements (being 39% of total assets). It also requires us to exercise a significant level of judgement in evaluating the Group's impairment assessment which involved a certain degree of judgement and assumptions of future events that are inherently uncertain. Changes in judgement and the estimates throughout the useful lives of the plant and machineries of the production line could affect the carrying amount of the plant and machineries.	We performed the following audit procedures, among others: i) Leasehold land and buildings (Fair value less costs of disposal) • We performed background check of the external valuer engaged by the Group to assess its competency, capabilities and objectivity. • We read the valuer's reports and obtained an understanding of the valuation methods and assumptions. We also considered whether the assumptions are appropriate and reasonable based on the industry norms and specified external data sources. • We considered the adequacy of the Group's disclosures of valuation techniques. ii) Plant and machineries • We evaluated and assessed the Group's key assumptions used in the cash flows forecast including average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts. We also considered current and future industry situation. • We assessed the appropriateness of the discount rate by comparing it with the weighted average cost of capital for other similar entities in the same industry. • We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

We have determined that there is no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 annual report 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 annual report and, in doing so, consider whether the annual report 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 ability of the Group and of the Company to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted 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:

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company 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 gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Other Matter

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

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Lee Hean Kok

Approval Number: 02700/12/2019 J

Chartered Accountant

Kuching

6 April 2018

List of Properties of the Group

As At 31 December 2017

No.	Location	Approximate Age of Building	Date of Expiry of Lease	Description and Existing Use	Land Area	Year of Acquisition	Net Book Value (RM'000)
1	Lot No. 859, Section 66, Kuching Town Land District Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak	10 years	05.02.2035	Industrial Land with 5-storey office and 1-storey plant (with one mezzanine floor) for batteries manufacturing	8,053.00 m ²	1997	10,575
2	Lot 1122, Block 8, Muara Tebas Land District, 93050 Kuching, Sarawak	Not applicable	09.01.2071	Industrial land / Vacant ⁽²⁾	88,620.00 m ²	2010	8,264
3	Lot 1274, Block 8, Muara Tebas Land District, 93050 Kuching, Sarawak	Not applicable	09.01.2071	Industrial land / Vacant ⁽²⁾	80,660.00 m ²	2010	7,522
4	Lot No. 2224, Section 66, Kuching Town Land District, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak	16 years	08.02.2053	Industrial Land with 3-storey office and 1-storey plant (with one mezzanine floor) for batteries manufacturing	10,115.00 m ²	1993	5,510
5	PL Plot 854, Block 7, Muara Tebas Land District, Sejingkat Industrial Park, 93450 Kuching, Sarawak	6 years	19.02.2054	Industrial land / 1-storey plant for batteries containers sets manufacturing and 3-storey block for storage and office	7,420.00 m ²	1995	4,456
6	Lot 1159, Section 66, Kuching Town Land District, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak	29 years	28.1.2037	Industrial land with 1-storey plant for batteries manufacturing	6,677.00 m ²	1997	3,087

List of Properties Of The Group As At 31 December 2017 (continued)

No.	Location	Approximate Age of Building	Date of Expiry of Lease	Description and Existing Use	Land Area	Year of Acquisition	Net Book Value (RM'000)
7	Lot 9628, Section 64 , Kuching Town Land District, T. Chin Kin Commercial Centre, Jalan Pending, 93450 Kuching, Sarawak.	19 years	12.12.2795	4-storey intermediate shop house / Commercial / Residential Vacant ⁽¹⁾	194.10 m ²	2012	726
8	Lot 9629, Section 64, Kuching Town Land District, T. Chin Kin Commercial Centre, Jalan Pending, 93450 Kuching, Sarawak.	19 years	12.12.2795	4-storey intermediate shop house / Commercial / Residential Partially rented ⁽¹⁾	194.20 m ²	2012	726
9	Lot 8, Town Lease, 17701021, Inanam Baru, Kota Kinabalu, Sabah.	44 years	31.12.2071	3-storey intermediate shop lot / Commercial and industrial building Office and storage	116.10 m ²	2009	632
10	Lot 1678, Block 226, KNLD, 4 th Mile, Penrissen Road, Kuching, Sarawak.	Not applicable	31.12.2038	Vacant land ⁽¹⁾ / Suburban Land / Mixed Zone Land	4,207.00 m ²	2009	586

Notes:-

(1) Held for investment purposes.

(2) Held for future expansion purposes.



Analysis of Shareholdings

As At 6 April 2018

Issued Share Capital : RM90,000,000 comprising of 180,000,000 ordinary shares
 Voting Rights : 1 vote per ordinary share (on a poll)

Distribution of Shareholdings

Holdings	No. of Holders	Total Holdings	% Shares
Less than 100	5	69	0.00
100 – 1,000	71	48,197	0.03
1,001 – 10,000	306	1,855,800	1.03
10,001 – 100,000	138	4,927,600	2.74
100,001 – and below 5%	54	40,004,838	22.22
5% and above	1	133,163,496	73.98
Total	575	180,000,000	100.00

Directors' Shareholdings

No.	Name of Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1.	Datuk Tay Ah Ching @ Tay Chin Kin	200,002	0.11	133,163,496 ⁽¹⁾	73.98
2.	Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	–	–	–	–
3.	Puan Sri Corinne Bua Nyipa	171,300	0.10	–	–
4.	Dato' Tay Tze How	170,002	0.09	133,163,496 ⁽²⁾	73.98
5.	Dato' Tay Tze Poh	170,000	0.09	133,163,496 ⁽²⁾	73.98
6.	Dato' Ooi Teik Heng	–	–	–	–
7.	Wong Siaw Wei	–	–	–	–
8.	Sim Chong Hong	–	–	–	–

Notes :

⁽¹⁾ Deemed interested by virtue of his children and children spouses' interest in Kayatas Sdn. Bhd.

⁽²⁾ Deemed interested by virtue of his father, siblings and siblings' spouses' interest in Kayatas Sdn. Bhd.

Substantial Shareholder

No.	Name	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1.	Kayatas Sdn. Bhd.	133,163,496	73.98	–	–

Analysis of Shareholdings As At 6 April 2018 (continued)

Thirty Largest Shareholders

No.	Name	No.of Shares	% of Share
1.	Kayatas Sdn. Bhd.	133,163,496	73.98
2.	Teo Yiau Hong @ Teo Yiau Fong	4,451,200	2.47
3.	Bibi Anak Moton	3,714,800	2.06
4.	Teo Kwee Hock	3,714,800	2.06
5.	Polywell Enterprise Sendirian Berhad	3,000,000	1.67
6.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd	2,596,200	1.44
7.	Ng Teng Song	1,917,700	1.07
8.	Erni Rianti Hardjoko	1,701,900	0.95
9.	Teo Poh Boon	1,600,000	0.89
10.	Chew Siang Jin	1,500,000	0.83
11.	Loh Yut Kuah	1,500,000	0.83
12.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Wong Ching Kung (PB)	1,200,000	0.67
13.	Law Kiat Jin	1,116,900	0.62
14.	Wong Chin Phong	897,300	0.50
15.	Tchin Ah Khiun	725,100	0.40
16.	Syarikat Saiban Sdn. Bhd.	647,500	0.36
17.	Kueh Song Teck	623,400	0.35
18.	Ngui Ing Chuang	500,000	0.28
19.	Lim Teck Hui	494,300	0.27
20.	Ten Lee Jung	490,000	0.27
21.	Kong Kim Sing	437,000	0.24
22.	Kederi Anak Moton	347,600	0.19
23.	Azerina Mohd Arip @ Gertie Chong Soke Hoon	342,700	0.19
24.	Toh Meng Fook	340,000	0.19
25.	Cheong Boo Chin	330,000	0.18
26.	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Yew Tek Hoon (E-BMM)	301,100	0.17
27.	Chee Cheong On	300,000	0.17
28.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Rose Lee Mee Choo (PB)	300,000	0.17
29.	RHB Nominees (Tempatan) Sdn Bhd	300,000	0.17
30.	Shuit Soon Hock	300,000	0.17

Administrative Details

Administrative Details for the Fourteenth Annual General Meeting of ABM Fujiya Berhad to be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak on Thursday, 23 May, 2018 at 11:00a.m.

PARKING

- Parking is free and you are advised to park your vehicle at the car park of the Building.

REGISTRATION

- Registration will start at 10:00a.m.
- Please produce your original National Registration Identity Card ("MyCard") or Passport (for foreigners) to the registration staff for verification. No photocopy of Mycard or Passport will be accepted. Upon registration, the polling slips will be distributed to you. Please make sure you collect your MyCard or Passport thereafter.
- No person will be allowed to register on behalf of another person even with the original MyCard of that other person.
- The registration counter will only handle verification of identify and registration.

HELP DESK

- Please proceed to the Help Desk which is located at the end of the registration counters for any clarification or queries.
- The Help Desk will also handle revocation of proxy's appointment.

GENERAL MEETING RECORD OF DEPOSITORS

- Only shareholders whose names appear in the General Meeting Record of Depositors as at 16 May 2018 shall be entitled to attend, speak and vote at the Meeting of the Company or appoint a Proxy/Proxies on his /her behalf.

PROXY

- A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him/her. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your proxy form in accordance with the notes and instructions printed therein.
- If you wish to attend the meeting yourself, please do not submit any proxy form for the meeting you wish to attend. You will not be allowed to attend the meeting together with a proxy, appointed by you.
- If you have submitted your proxy form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
- Please ensure that the Original Proxy Form is deposited at the Registered Office not less than 48 hours before the time for holding the meeting or at any adjournment thereof. The submission of Form of Proxy via facsimile transmission or email is not acceptable.

SEATING ARRANGEMENT FOR THE AGM

- Free seating. All shareholders/proxies/corporate representatives will be allowed to enter the Conference Room from 10:00a.m. onwards.
- All Shareholders/proxies/corporate representatives are encouraged to be seated at least ten (10) minutes before the commencement of the AGM.

Form of Proxy



ABM Fujiya Berhad
(Incorporated in Malaysia) (628324-W)

No. of Shares Held :

I/We _____ NRIC No./Company No. _____

of _____

being *a member/members of **ABM FUJIYA BERHAD** hereby appoint _____

_____ NRIC No. _____

of _____

or failing him/her, _____ NRIC No. _____

of _____

or Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Fourteenth Annual General Meeting of the Company to be held at The Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Wednesday, 23 May, 2018 at 11:00 a.m. and at any adjournment thereof for/against *the resolution(s) to be proposed thereat.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees of RM116,000 for the financial year ending 31 December 2018.		
2.	To approve the payment of Directors' benefits to the Directors up to RM16,000 from 24 May 2018 to the conclusion of the next Annual General Meeting.		
3.	To re-elect Dato' Tay Tze How as Director of the Company.		
4.	To re-elect Dato' Tay Tze Poh as Director of the Company.		
5.	To re-elect Mr Sim Chong Hong as Director of the Company.		
6.	To re-appoint Messrs KPMG PLT as the Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act, 2016.		

* Strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).

Dated this _____ day of May, 2018.

Signature of Shareholder(s)/Common Seal

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 16 May 2018 shall be entitled to attend, speak and vote at the Meeting.
2. A proxy may but need not be a member of the Company.
3. If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
7. Pursuant to Paragraph 8.29A of Bursa Malaysia Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 14th AGM will be put to vote on a poll.

Please Fold Along This Line



The Company Secretary
ABM Fujiya Berhad (628324 - W)
Lot 2224, Section 66
Lorong Pangkalan, Off Jalan Pangkalan
Pending Industrial Estate
93450 Kuching, Sarawak

Please Fold Along This Line

ABM Fujiya Berhad
(628324-W)

Lot 2224, Section 66
Lorong Pangkalan
Off Jalan Pangkalan
Pending Industrial Estate
93450 Kuching, Sarawak
East Malaysia

Tel : 082 333 344
Fax: 082 483 603



www.abmfujiya.com