Integrated Group

# Annual Report 2017

Integrated Logistics Berhad (229690 K)

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# CORPORATE INFORMATION

## Board of Directors

**Datuk R. Karunakaran**
*Chairman*
*Independent Non-Executive Director*

**Tee Tuan Sem**
*Executive Director*
*Chief Executive Officer*

**Makoto Takahashi**
*Executive Director*

**Sam Loh Cheng Keat**
*Executive Director*

**Lee Kay Loon**
*Independent Non-Executive Director*

**Wan Azfar bin Dato' Wan Annuar**
*Independent Non-Executive Director*

**Dato' Wan Hashim bin Wan Jusoh**
*Independent Non-Executive Director*

**COMPANY SECRETARY**
Amarjit Singh A/L Banta Singh
FCCA, ACIS, CA(M)

**REGISTERED OFFICE**
B-25-2, Block B, Jaya One
No. 72A, Jalan Universiti
46200, Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03-7955 0955
Fax. No.: 03-7955 0959

**BUSINESS OFFICE**
No. 6, Jalan Sungai Buloh 27/101A
Seksyen 27
40400 Shah Alam
Selangor Darul Ehsan
Tel. No.: 03-5614 2555
Fax. No.: 03-5614 3848

**SHARE REGISTRAR**
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03-7849 0777(Helpdesk)
Fax. No.: 03-7841 8151 / 03-7841 8152
Email: ssrhelpdesk@symphony.com.my

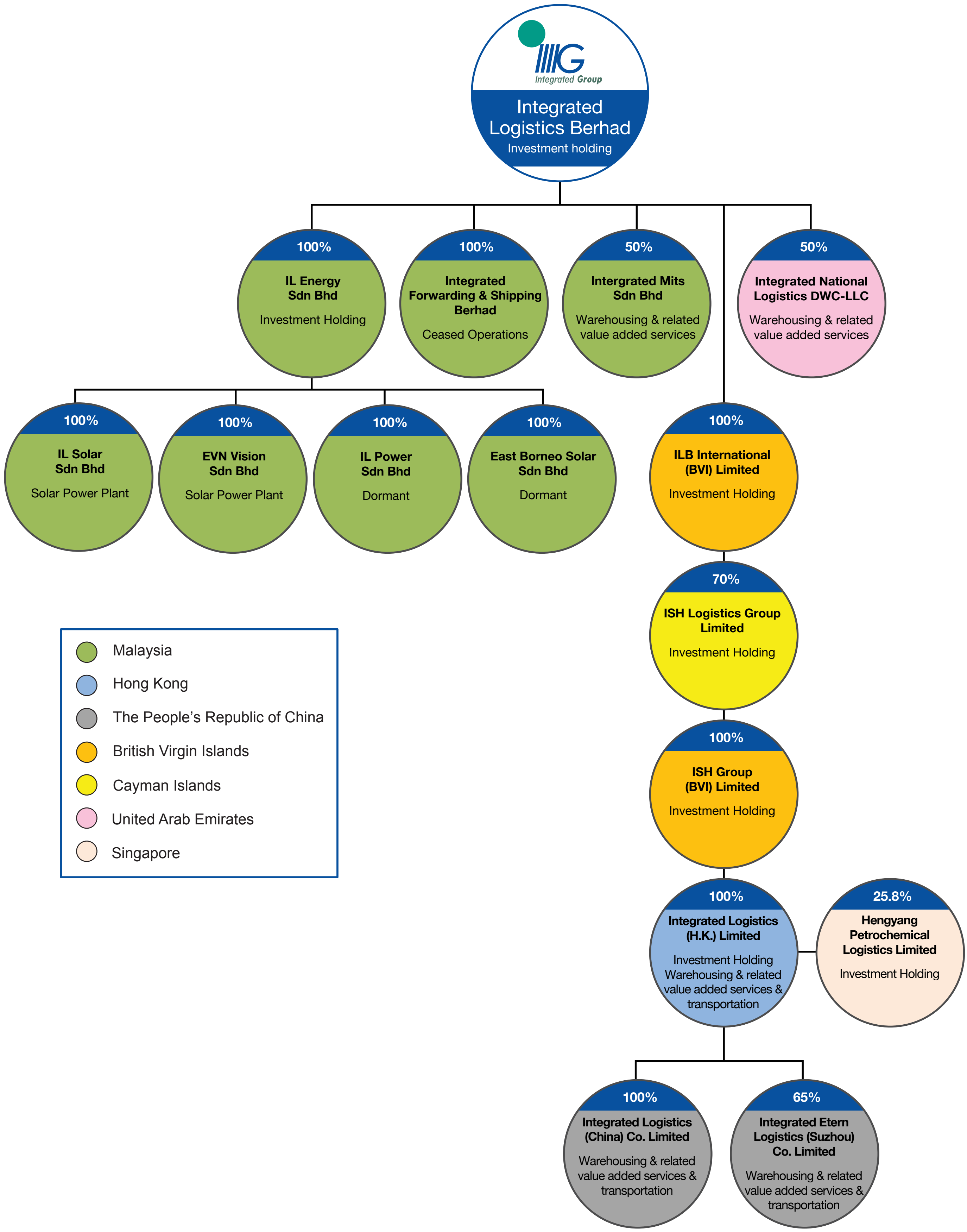
**SOLICITOR**
Messrs Kadir, Andri & Partners
Level 10, Menara BRDB
285, Jalan Maarof, Bukit Bandaraya
50900 Kuala Lumpur

**AUDITORS**
Messrs Baker Tilly Monteiro Heng (AF0117)
Chartered Accountants
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

**STOCK EXCHANGE LISTING**
Main Market of Bursa Malaysia Securities Berhad

**PRINCIPAL BANKER**
Malayan Banking Berhad
66,Jalan USJ 10/1B, UEP Subang Jaya,
47620 Subang Jaya,
Selangor Darul Ehsan

# CORPORATE STRUCTURE



# GROUP FINANCIAL HIGHLIGHTS

| | 2013 RM'000 | 2014 RM'000 | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 |
|---|---|---|---|---|---|
| **Turnover** | 121,744 | 42,411 | 31,480 | 21,653 | 16,307 |
| **Profit/(Loss) before taxation** | 212,322 | (53,263) | (12,446) | 3,899 | (810) |
| **Net Profit/(Loss) Attributable to Shareholders** | 145,622 | (41,134) | (11,943) | 5,845 | (9,664) |
| **Paid-up Capital** | 178,026 | 178,026 | 178,026 | 178,026 | 225,671* |
| **Total Assets** | 441,238 | 392,501 | 479,861 | 458,667 | 502,737 |
| **Shareholders Fund** | 322,215 | 295,964 | 319,227 | 302,834 | 291,640 |
| **Net Earnings Per Share (sen)** | 88.2 | (23.3) | (6.8) | 3.4 | (5.2) |
| **Net Assets Per Share After Non-Controlling Interests (RM)** | 1.96 | 1.67 | 1.85 | 1.75 | 1.54 |
| **Gross Dividend rate (%)** | 118.93% | 3.5% | 2.5% | - | - |
| **Share Dividend (Ratio)** | 8 : 100 | - | - | - | - |
| **Share Price as at 31 Dec (RM)** | 0.760 | 0.710 | 0.815 | 0.855 | 0.600 |

* Transition to no-par value regime from share premium and capital redemption reserve accounts

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report for the year 2017, incorporating the Audited Financial Statements of the Group and the Company for the financial year ended 31st December 2017.

Following the industrial accident at Hengyang's Deqiao operations in April 2016 which severely impacted Hengyang's operations, the Group's associated company, Hengyang Petrochemical Logistics Limited (Hengyang) has secured the participation of a China GLC as an investor - China International Trust Investment Corporation (CITIC). We are confident that with CITIC's participation, Hengyang has access to ample funds to restructure its operations & strengthen measures against accidents and fire-hazards, which will augur well for the future.

Hengyang had secured the approval of the authorities for renovation works. Plant repairs and reconstruction will commence in the near future with completion by May 2018. Commercial operations will commence upon approval of plant reconstruction works by the relevant authorities.

The Dubai warehousing operations are under Integrated National Logistics (INL), a 50:50 Joint Venture with a local Dubai partner, National Trading & Developing Establishment (NTDE). The sharp slump in world oil prices since 2015 continues to seriously impact INL's operations. Demand for warehousing and coldroom services has seen a sharp decline and to date does not show signs of recovery. In the near term, the Board expects this situation to continue and the Dubai operations are expected to continue facing difficulties in the coming financial year. There is cautious optimism though that the Dubai Expo 2020 will generate an increased demand for warehousing & coldroom services in Dubai & INL's operations expect to benefit from such increased demand.

# CHAIRMAN'S STATEMENT

As the difficulties precipitated by the lack of demand for INL's facilities are continuing, the Board is evaluating various proposals regarding the future of the Dubai operations and is not averse to serious proposals to dispose its investment in this venture.

The Group's warehousing activity in Wujiang, China continues to make a positive contribution to the Group's earnings. There is high demand for warehouse space in the Wujiang area and all the 9 warehouses comprising 76,000 square metres of warehouse space continue to be fully tenanted. The management is confident of achieving higher earnings when the rental leases expire and are renewed at significantly higher rates in the coming years.

As part of the Board's efforts to diversify the Group's sources of revenue, the Group has diversified into the solar energy business. During the year, the Group successfully completed the installation and commissioning of the Bukit Kayu Hitam 10 MW a.c solar power project. I am pleased to inform that the 10 MW a.c solar power project was the first Large Scale Solar program to be completed under Suruhajaya Tenaga's bidding cycle 1. The plant has been successfully energised in December 2017 with commercial operations commencing on 22 December 2017.

With the successful completion of the Bukit Kayu Hitam project, as at the end of the 2017 financial year, the Group had installed capacity of 11 MW a.c. This includes the 1 MW a.c project undertaken by wholly owned subsidiary EVN Vision Sdn Bhd where commercial operations began in December 2016. The completion of these projects will contribute positively to Group revenue and profitability in the next financial year.

As the renewable energy sector can provide a steady long-term income stream, the Group is working to further increase its investment in this sector. The experience gained in the two solar installations completed to date will stand the Group in good stead in evaluating and undertaking new solar ventures.

As such, the Company is not in a position to pay any dividends at the current time and no dividend is recommended for the year under review. The Board is confident of improved financial results in the next few years and will endeavour to resume dividend payments soonest possible.

On behalf of the Board, I convey my sincere thanks to the management, employees, business partners, shareholders and stakeholders for their dedication, commitment and strong support in facing the challenges in the past. I am confident that with their continued support and commitment, the Group will overcome the challenges that it currently faces and return to profitability in the near future.

*Datuk R. Karunakaran*
*CHAIRMAN*

# MANAGEMENT DISCUSSION AND ANALYSIS

## Corporate Overview

Since inception, logistics has been the Group's forte and the Group had grown to become a leader in total logistics solutions, expanding its reach to China and Dubai in the Middle East. However, with the disposal of its main China operations in 2010, the Group has a diminished presence in the logistics industry and with shareholders' approval, has started to diversify its operations into the solar energy sector.

## Analysis of Financial Results

The Group recorded a lower revenue of RM16.3 million in the financial year 2017 as compared with RM21.6 million in the previous year mainly due to the disposal of subsidiary companies in the Republic of China during that year.

The Group recorded other income of RM8.5 million during the year, comprising mainly forex gains and interest income. Reflecting the difficult business environment, the Group reported loss after tax for the year amounting to RM2.6 million as compared with a profit after tax of RM3.77 million recorded in the previous financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Review of Operations

**i) Warehousing in Wujiang, PRC**

All the 9 warehouses comprising 76,000 sq. meters of warehouse space at Jiangsu Wujiang Fenhu Economic Development Zone in the district of Suzhou, Jiangsu province, are fully tenanted on long term leases with built-in rental increase clauses. The Group's management ensures proper maintenance of the facilities and the revenue stream generated provides healthy cash flow to the Group. The Group is keeping its options open on making further investments to expand the warehouse facilities in the Wujiang area.

**ii) Warehousing in Dubai, UAE**

The warehouse operations undertaken in a joint venture with a local partner, National Trading and Developing Establishment (NTDE) faced another difficult year. The operations have been facing difficulties ever since global oil prices slumped in 2015. Some recovery was forecast in the year under review but due to circumstances beyond our control, the forecast recovery did not materialise. The management continues to aggressively market the Dubai facilities while at the same time undertaking further cost cutting measures. In view of the continuing difficult economic outlook, the Board is exploring all possible options to overcome the losses being incurred and is hopeful of a solution in the not too distant future.

**iii) Solar Energy Projects**

The Group's efforts to expand its solar energy operations are beginning to show results. Wholly owned subsidiary EVN Vision Sdn Bhd's 1 MW a.c solar plant commenced operations during the year and now has a regular income stream. The new 10 MW a.c solar plant project by subsidiary company IL Solar Sdn Bhd was successfully completed in December 2017 and commercial operations commenced on 22 December 2017. The Group engages competent technical personnel to ensure both the solar plants operate at an optimum level and produce the energy forecasted. The Board is happy to note that both of these plants are now making a positive contribution to Group revenue and profitability and the Board is stepping up its efforts to undertake more ventures in this sector.

## Moving Forward

The Group is gradually increasing its revenue stream from non-logistics businesses so as to be less dependent on the traditional logistics business. Nevertheless, logistics remains a major activity and there are continuous efforts to enhance the revenue from this activity.

# SUSTAINABILITY STATEMENT

ILB recognizes the importance of sustainability related issues which can have a significant impact on ILB Group's business. In line with governance recommendations, ILB now makes a formal statement disclosing its sustainability strategy.

Sustainability is embedded within the Company and sustainability matters are managed by various departments within the ILB Group. Based on the Economic, Environment and Social ("EES") framework as set out in the guidelines, we aspire to demonstrate our commitment to sustainability within these areas.

## 1. ECONOMIC

### (a) Strategic

ILB has since inception been an integrated logistics solutions provider. However, with changes in the marketplace in recent years, ILB has obtained shareholder approval and diversified into solar energy activities. As the existing logistics business is exposed to volatility in the marketplace, the Group has identified solar energy as a potential source of stable earnings and intends to gradually expand its footprint in the solar energy sector. This venture into renewable energy is in line with the government's push for greater use of energy from renewable sources to reduce the dependence on energy using fossil fuels. Nevertheless, the Group remains alert to changes in the marketplace and will tweak its business model in the face of changing trends.

### (b) Solar Energy Activities

ILB has ventured into solar energy activities which have greater potential for earnings sustainability as compared with ILB's traditional logistics business. The Group's diversification into solar energy ventures is undertaken through wholly-owned subsidiary, IL Energy Sdn Bhd (IL Energy). IL Energy's wholly-owned subsidiary, EVN Vision Sdn Bhd, built its 1.0 MW a.c solar power plant in 2016 and another wholly-owned subsidiary of IL Energy, IL Solar Sdn Bhd, received approval from Suruhanjaya Tenaga for the development of a 10 MW a.c large scale solar photovoltaic plant (LSSPV Plant) at Bandar Bukit Kayu Hitam, Kedah. The project has been successfully completed and has commenced commercial operations. The Group intends to invest further in environment friendly solar energy ventures.

As at the end of financial year 2017, ILB had 2 solar installations in place. Power Purchase Agreements (PPA) with Tenaga Nasional Berhad ensure sustainable earnings over the duration of the PPAs. The Group sees growing contribution from the solar energy sector in the coming years and will invest in newer technologies for future solar ventures undertaken by the Group.

### (c) Logistics Activities

The Group's existing logistics businesses are producing mixed results and efforts are continuing to achieve greater sustainability of earnings from this traditional sector.

**(d) Business Ethics & Transparency**

The Board has a Code of Ethics and ensures all business dealings are conducted in an ethical and transparent manner. The Group also has in place a Whistleblower Policy where complaints are investigated while identity of whistleblowers protected.

**(e) Regulatory Compliance**

The Group keeps abreast of changes in relevant laws, regulations and practices to ensure compliance with the regulatory changes taking place. Quarterly Financial Reports are prepared and submitted to Bursa in accordance with Bursa's Listing requirements.

## 2. ENVIRONMENT

The Group is cognizant of the depletion in earth's natural resources and the effects of fossil fuels on global climate change.

As a responsible corporate citizen, the Group is contributing to a cleaner environment with the greater use of clean renewable energy and reduced dependence on fossil fuels in line with the government's initiatives. It has invested in environment friendly solar energy plants which are part of the wider clean renewable energy sector and is continuing efforts to further increase the use of solar energy in its operations which will further reduce the dependence on fossil fuels.

## 3. SOCIAL

The Group's contributions in the social sector include generating employment and business opportunities in its areas of operations. It also strives to provide a safe working environment for all its employees and business partners and also makes annual financial contributions to community and society.

## 4. WORKPLACE

The Board fully acknowledges that employees are the backbone of the operations and central to the success and continued viability of the Group.

To this end, the Group strives to provide a healthy, comfortable and safe working environment for its diverse workforce and offers its employees fair compensation for their contributions and efforts. Employee's welfare is also taken care of through competitive medical benefits and occupational safety, particularly for production floor employees, is given appropriate attention. Employees will be also be given opportunities to enhance their knowledge and skills which will not only enhance their productivity but also position them to undertake increased responsibilities and more challenging tasks in future.

# DIRECTORS' PROFILE

## Datuk R. Karunakaran
*Chairman*
*Independent Non-Executive Director (Malaysian)*

Datuk R. Karunakaran, male aged 68, was appointed to the Board on the 1 July 2008 as an Independent Non-Executive Director and subsequently elected as Chairman of the Board on the 19 February 2010. He graduated from the University of Malaya with a Bachelor of Economics (Accounting) Hons. in 1972 & was formerly the Director General of MIDA retiring in June 2008 after having served for 36 years. He had also served as Director of MIDA Singapore, Cologne (Germany) and London (England) and was also responsible for co-ordinating the development of the manufacturing and service sectors, including promoting domestic and foreign investments in Malaysia.

Datuk Karunakaran is also the Chairman of the Nomination and Remuneration Committee. He is the Chairman of Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), Etiqa Life Insurance Berhad, Etiqa International Holdings Berhad and Maybank Ageas Holdings Berhad and sits as an Independent Non-Executive Director on the Boards of Malayan Banking Berhad, Bursa Malaysia Berhad, IOI Corporation Berhad.

Datuk Karunakaran does not have any interest in the securities of the Company and its subsidiaries. He has no family relationships with any other Director and/or major shareholder of the Company.

## Tee Tuan Sem
*Chief Executive Officer*
*Executive Director (Malaysian)*

Mr Tee Tuan Sem, male aged 66, the Chief Executive Officer, was appointed to the Board on the 9 June 1992. He is a member of the Malaysian Institute of Accountants and a Fellow of the Chartered Association of Certified Accountants. He joined Tet O Chong & Co., an established firm of public accountants, in 1976, and joined Integrated Forwarding & Shipping Berhad as Chief Accountant in 1981. He was promoted to the position of Finance Director of the Company in 1998 and subsequently appointed as the Chief Executive Officer in 2001. He does not hold any other directorships of public companies.

Mr Tee has a direct interest of 20,017,451 ordinary shares in the Company. He also has an indirect interest of 381,931 ordinary shares in the Company held through his wife, Yang Chiew Bi. Mr Tee does not have any family relationship with any other Director and/or major shareholder of the Company.

# DIRECTORS' PROFILE

## Makoto Takahashi
*Executive Director (Japanese)*

Mr Makoto Takahashi, Executive Director, male aged 50, holds a Bachelor of Science degree from the University of San Francisco. He has working experience with a Japanese logistics company in Kobe, Japan and a trading company in Hong Kong. He joined ILB in 1998 as General Manager of Sales & Marketing and was appointed to the Board as an Executive Director on the 17 September 2001.

Mr Makoto has a direct interest of 20,803,990 ordinary shares in the Company. He does not hold any other directorships of public companies and does not have any family relationship with any other Director and/or major shareholder of the Company.

## Sam Loh Cheng Keat
*Executive Director (Malaysian)*

Sam Loh Cheng Keat, male aged 40, was appointed to the Board on the 15 September 2016 as an Executive Director. He graduated from Coventry University UK with a Bachelor of Arts degree in 2002 and began his career with a firm of accountants, Moores Rowland, in 2002 and moved to D'nonce Technology Berhad as a Business Development Manager in 2004. The following year, he joined Cam Industries Sdn Bhd as Head of Business Development and in 2014, he set up his own renewable energy business, EVN Vision Sdn Bhd which was subsequently acquired by IL Energy Sdn Bhd, a wholly-owned subsidiary of Integrated Logistics Berhad.

Mr Sam Loh has a direct interest of 3,520,300 ordinary shares in the Company. He does not hold any other directorships of public companies and does not have any family relationship with any other Director and/or major shareholder of the Company.

# DIRECTORS' PROFILE

## Lee Kay Loon
*Independent Non-Executive Director (Malaysian)*

Mr Lee Kay Loon, male aged 66, was appointed to the Board as an Independent Non-Executive Director on the 1 June 2010. He is a Fellow of the Chartered Association of Certified Accountants, member of the Malaysian Institute of Accountants and the Malaysian Institute of Chartered Secretaries & Administrators. Mr Lee has vast corporate and financial management experience having worked in a quasi government organisation, a local bank and a life and general insurance company. He has held various senior management positions which included internal auditor, accountant, Director of Finance, Brand and Communication Director and Director of Project Management, retiring in 2007 after a career spanning more than 30 years.

Mr Lee is the Chairman of the Audit & Risk Management Committee and a member of the Nomination & Remuneration Committee. He does not hold any directorships of other public companies and does not have any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any other Director and/or major shareholder of the Company.

## Dato' Wan Hashim bin Wan Jusoh
*Independent Non-Executive Director (Malaysian)*

Dato' Wan Hashim bin Wan Jusoh, aged 56, was appointed to the Board on 1 October 2017 as an Independent Non-Executive Director.

Dato' Wan Hashim obtained his Bachelor Degree of Science (Hons) in 1981 in Resource Economy from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He joined MIDA in the same year as Assistant Director. Throughout most of his 36 year career with MIDA, he was responsible for the promotion and coordination of foreign and domestic investments and was also assigned to MIDA Los Angeles, Boston and New York. Dato' Wan Hashim was promoted to Executive Director in 2011 taking the leadership for five industry divisions namely the Electronic, ICT and Electrical, Transport Technology, Machinery and Equipment, and Textile and Non-Metallic Mineral. He became the Deputy CEO III of MIDA in July 2014 taking charge of the Strategic Planning and Investment Eco-System Development roles of MIDA and retired on the 24 September 2017 after a long distinguished career with MIDA.

Dato' Wan Hashim is also a member of the Audit & Risk Management Committee and the Nomination & Remuneration Committee. He sits on the Board of AYS Ventures Berhad as an Independent Non-Executive Director and does not have any interest in the securities of the Company and its subsidiaries. He does not have any family relationship with any other Director and/or major shareholder of the Company.

# DIRECTORS' PROFILE

## Wan Azfar bin Dato' Wan Annuar

*Independent Non-Executive Director (Malaysian)*

En Wan Azfar bin Dato' Wan Annuar, male aged 68, was appointed to the Board as an Executive Director on the 17 September 2001. He resigned as an Executive Director on the 26 March 2003 but remained as a Non-Independent Non-Executive Director and was subsequently redesignated as an Independent Non-Executive Director on 19 August 2015. A Naval Officer by training, having been through Britannia Royal College, Dartmouth, United Kingdom and HMS Mercury, Royal Navy's School of Maritime Operations, Petersfield, United Kingdom, he has some 16 years service at sea and ashore. His military appointments included 2 warship commands, staff duties at Ministry of Defence, Kuala Lumpur, Naval Headquarters in Singapore and as Naval Attache at the Malaysian High Commission, London. After leaving the Royal Malaysian Navy, he joined Malayan United Industries Berhad group of companies and pioneered the hotel division.

En Wan Azfar is also a member of the Audit & Risk Management Committee and the Nomination & Remuneration Committee. He does not hold any directorships of other public companies and does not have any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any other Director and/or major shareholder of the Company.

***Notes***

1. *None of the Directors have entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.*
2. *None of the Directors have any convictions for any offences within the past 5 years other than traffic offences.*
3. *None of the Directors have any public sanctions & penalties imposed by any regulatory bodies during the financial year 2017.*

# GROUP MANAGEMENT PROFILE

## Lee Pei Sze
*Chief Financial Officer*

Ms Lee Pei Sze, female aged 42, holds a Bachelor of Management Studies degree, majoring in Accounting from University of Waikato, New Zealand. Ms Lee started her career with Star Cruise Administrative Services Sdn Bhd in 1999 and joined Integrated Logistics Solutions Sdn Bhd, a wholly-owned subsidiary of the Company in 2005 as Group Financial Controller, being subsequently appointed Group Chief Financial Officer of the Group in 2014.

## Hoo Pee Chon
*Chief Risk Officer*

Mr Hoo Pee Chon, male aged 61, holds a Diploma in Business Studies, majoring in Finance, from Tunku Abdul Rahman College, Kuala Lumpur. Mr Hoo joined the Group in 1982 and has more than 34 years experience in the logistics industry. He has held several managerial positions in the Group and was promoted to the position of Deputy Group Operation Director (Malaysian operations) in 2005. Mr Hoo was transferred to Integrated National Logistics DWC LLC an associate company of the Group in Dubai, United Arab Emirates as Head of Finance & Administration in 2012 and was appointed to his current position as Chief Risk Officer of the Group in 2016.

## Motohiko Tachibana
*Group Internal Auditor*

Mr Motohiko Tachibana, male aged 70, holds a Bachelor of Economics degree from Otemon Gakuin University, Japan. Mr Tachibana was an Accountant with Matsushita Industrial Corporation Sdn Bhd before joining the Group in 1989. He has held several managerial positions in the Group. Prior to his appointment as the Group Internal Auditor in early 2016, he was the Chief Risk Officer of the Group.

# GROUP MANAGEMENT PROFILE

## Tee Jia Jie
*Executive Director of IL Solar Sdn Bhd*

Mr Tee Jia Jee, male aged 26, is an Executive Director of IL Solar Sdn Bhd, a wholly owned subsidiary of the Company. He graduated with a BSC (Hons) Economics from Cardiff Metropolitan University in 2014 with a Postgraduate in International Commercial Law from Cardiff University in 2015.

## Amarjit Singh A/L Banta Singh
*Group Company Secretary*

Mr Amarjit Singh A/L Banta Singh, male aged 66, is a Fellow of the Chartered Association of Certified Accountants, a member of Malaysian Institute of Accountants and the Institute of Chartered Secretaries & Administrators. Mr Amarjit was formerly the Deputy Chief Executive Officer of Koperasi Angkatan Tentera Malaysia Berhad and joined the Group in 2009 as the Group Company Secretary.

***Notes***

*None of the Group Management:*

1. *Holds any directorships of other public companies.*
2. *Have any family relationship with any director & /or major shareholder of the Company, apart from Tee Jia Jee, who is the son of the Chief Executive Officer of the Company.*
3. *Have entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.*
4. *Have any convictions for any offences and public sanctions & penalties imposed by any regulatory bodies other than traffic offences within past five years.*

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Malaysian Code of Corporate Governance defines corporate governance as: “the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders.”

The Board of Directors (Board) remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance (“MCCG 2017”) known as Board Leadership and Effectiveness (Principal A), Effective Audit And Risk Management (Principal B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principal C) throughout the financial year ended 31 December 2017.

## PRINCIPAL A - BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

**1.0 Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.**

1.1 The Company has an experienced Board comprising three Executive Directors and four Independent Non-Executive Directors. The Board of Directors is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the management. The independent non-executive directors are considered independent of any business or other relationship or circumstances that could interfere with the execution of their independent judgement and decision making in the best interests of the Company.

The responsibilities of the Board are inclusive of but not limited to:

i. Charting the strategic direction, and setting out short-term and long-term plans for the Group.
ii. Promoting ethical and best corporate governance culture in the Group.
iii. Monitoring and reviewing compliance with internal control policies and risk management systems.
iv. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
v. Overseeing and reviewing business operations within a systematic and controlled environment.
vi. Monitoring the financial performance of the Group.
vii. Appointing and determining the remuneration, duration and terms of appointment of the Executive Directors.
viii. Assessing the performance of and developing the succession plan for the Executive Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Board Committees**

The Company has two Board Committees to assist the Board. They are delegated specific functions and are governed by their Terms of Reference namely the Audit & Risk Management Committee ("ARMC") and the Nomination & Remuneration Committee ("NRC"). Both Committees comprise of Independent Non-Executive Directors and submit their respective reports and minutes to the Board.

**Audit & Risk Management Committee (ARMC)**

The Audit & Risk Management Committee oversees the integrity of the financial statements, compliance with relevant accounting standards and the group's risk management and internal controls. The Committee had four meetings during financial year 2017 and comprises:-

i. Lee Kay Loon
ii. Wan Azfar bin Dato' Wan Annuar
iii. Dato' Wan Hashim bin Wan Jusoh (appointed 1 October 2017)
iv. Dato' Haji Wazir bin Haji Muaz (resigned 30 September 2017)

The ARMC's terms of reference include the review and deliberation on the Company's Financial Statements, the audit findings of the External Auditors arising from the audit of the Company's Financial Statements and the audit findings and issues raised by the internal audit team. The ARMC also reviews the Company's quarterly unaudited financial statements and annual audited Financial Statements before they are approved by the Board.

The ARMC's Report for the financial year ended 31 December 2017 is on pages 33 to 34 of this Annual report.

1.2 The Company has a clear distinction and separation of roles between the Chairman and the CEO, with clear division of responsibilities. The Board of Directors is headed by Datuk R. Karunakaran, the Independent Non-Executive Chairman, who has broad exposure and extensive experience in the international trade and investment arena. As Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the CEO.

1.3 The Board has delegated to the Chief Executive Officer, Mr Tee Tuan Sem, the authority and responsibility for implementing policies, strategies and decisions adopted by the Board. The CEO and the management team are responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The responsibilities of the Management of the Group are inclusive of but not limited to:

a. Chart the strategic direction.
b. Develop short term & long term plans.
c. Monitor financial results, comparison with budget & analysis of variances.
d. Statutory compliance.
e. Highlighting to the Board key areas needing attention.
f. Managing Investor relations.
g. Engaging adequate & suitable qualified personnel.
h. Upholding Corporate Governance; avoid conflicts of interest & unethical practices.

1.4 The Board is supported by the Company Secretary, Mr Amarjit Singh A/L Banta Singh, male aged 66, who is a Fellow of the Chartered Association of Certified Accountants, a member of Malaysia Institute of Accountants and the Institute of Chartered Secretaries & Administrators. He is responsible for the secretarial function such as ensuring compliance with all statutory & regulatory requirements, recording the proceedings of Board and Committee meetings, and proper maintenance of secretarial records.

1.5 The Board meets on a quarterly basis with additional meetings being convened when necessary. All the Directors have complied with the minimum attendance requirements as stipulated by the Main Market Listing Requirements of Bursa Malaysia. The Board met on four occasions during the year ended 31st December 2017.

The Board has timely access to relevant information pertaining to the Group. Prior to each Board meeting, the Agenda for the meeting together with comprehensive management reports & proposal papers are furnished to all Directors for their perusal 3 days before the meeting. Directors can obtain further clarifications from the management and the Secretary. Senior management and external advisors may be invited to attend Board Meetings to provide further details, clarifications and/or advise the Board as and when required on matters to be deliberated. Should any of the Directors be unable to attend any Board meeting, they may give their opinion in advance, and such opinion will be considered in the decision making process at the Board meeting.

All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the meeting. These minutes are circulated to all Directors for their confirmation and any Director can request for further clarification on the minutes prior to their confirmation.

The members of the Board also evaluate business propositions and corporate proposals that require Board approval. The Board is regularly updated and advised on new regulatory requirements relating to the duties and responsibilities of Directors. Further advice can be obtained from the Company Secretary or from external professionals where necessary.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**2.0 There is clear demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.**

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia.

The Board will periodically review the Board Charter and make changes wherever necessary. The Board Charter is published on the Company's corporate website at www.ilb.com.my.

**3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company**

3.1 Code of Ethics

The Board has adopted a Code of Ethics for Directors which outlines their standards of ethical behaviour in discharging their duties and responsibilities. This Code aims to enhance the standard of corporate governance and behaviour as well as upholding the spirit of responsibility including social responsibility in line with prevailing legislation, regulations and guidelines.

3.2 Whistleblowing Policy

A formal Whistleblowing Policy has been established to assist in ensuring that the Group's business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose suspected malpractice or misconduct and to provide protection to employees or external parties who report allegations of such practices.

## II Board Composition

**4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.**

4.1 The Company has an experienced Board comprising three Executive Directors and four Independent Non-Executive Directors. The Non-Executive Directors are not employees of the Company and do not participate in the day to day management of the Company. All four Non-Executive Directors, including the Chairman, are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter.The NRC has reviewed the performance of the independent directors and is satisfied they have discharged their responsibilities in an independent manner.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.2 The MCCG 2017 stipulates that the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought. The Board believes that valuable contributions can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board, notwithstanding their tenure on the Board.

Datuk R. Karunakaran, an Independent Non-Executive Director has completed a nine year term on the Board. Notwithstanding his long tenure in office and based on the recommendations of the NRC, the Board is unanimous in its opinion that Datuk R. Karunakaran's independence has not been impaired or compromised and the Board resolves to seek shareholders' approval for Datuk R. Karunakaran to continue serving as an Independent Non-Executive Director of the Company.

4.3 The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the independent directors are capable of exercising independent judgement and act in the best interests of the Group. The Independent Directors of the Company fulfil the criteria of "independence". They act independent of management and are not involved in any other relationship with the Group that may impair their independent judgement and decision making. Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transaction.

The Directors are required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters. The Board via the NRC and guided by the Corporate Governance Guide-Towards Boardroom Excellence has developed the criteria to assess independence and formalised the current independence assessment practice. The evaluation process also involves a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments by all the Directors are summarised and discussed at an NRC meeting and then reported to the Board. Each independent director abstains from deliberations on his own assessment. The NRC is satisfied that the Independent Directors still maintain their independence.

4.4 The Board appoints its members through a formal and transparent selection process, which is consistent with the Articles of Association of the Company (now referred to as the Constitution of the Company). The NRC does an annual review of the Board including its composition and makes recommendations to the Board accordingly, keeping in mind the need to meet current and future requirements of the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.5 The Articles of Association of the Company (now referred to as the Constitution of the Company) provides that all Directors of the Company shall retire from office at least once every three years but shall be eligible for re-election. At least one third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third, shall retire from office at each AGM. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance record and their shareholdings in the Group are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

The NRC is responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment based on the review of their performance and contribution to the Board through their skills, experience, qualities and ability to act in the best interests of the Company.

The NRC completed its assessment and made recommendations to the Board for re-election/re-appointment of the following at the next AGM of the Company:

(i) The re-election of Datuk R. Karunakaran and En Wan Azfar bin Dato Wan Annuar, who are due to retire but are be eligible for re-election pursuant to Article 80 of the Company's Articles of Association (now referred to as the Constitution of the Company);

(ii) The re-election of Dato' Wan Hashim bin Wan Jusoh, pursuant to Article 87 of the Company's Articles of Association (now referred to as the Constitution of the Company); and

(iii) Re-election of Datuk R. Karunakaran whose tenure of service as an independent director has exceeded a cumulative term of nine years, as he possesses the necessary qualities to discharge his role and functions as an Independent Director.

The profiles of these Directors are set out on page 11 to 14 of the Annual Report.

4.6 The Board acknowledges the importance of age, nationality, professional background & gender diversity and recognises the benefits of such diversity. The NRC considers diversity generally when making appropriate appointments to the Board, taking into account relevant skills, ethnicity, age, experience and knowledge. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board is continuing to work towards addressing this as and when vacancies arise and suitable candidates are indentified. The Company's prime responsibility in new appointments is always to select the best candidates available.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

4.7 None of the directors of the Company hold more than five directorships of listed companies as provided under paragraph 15.06 of the Main Market Listing Requirements.

The Board meets on a quarterly basis with additional meetings being convened when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the Main Market Listing Requirements of Bursa Malaysia. The Board met on four occasions during the year ended 31st December 2017 and the details of attendance at Board Meetings is set out below.

| ATTENDANCE | Number of Meetings Attended | Total Number of Meetings |
|---|---|---|
| **INDEPENDENT NON-EXECUTIVE DIRECTORS** | | |
| DATUK R. KARUNAKARAN | 4 | 4 |
| LEE KAY LOON | 4 | 4 |
| WAN AZFAR BIN DATO' WAN ANNUAR | 4 | 4 |
| DATO' WAN HASHIM BIN WAN JUSOH (Appointed 01.10.2017) | 1 | 1 |
| **NON-INDEPENDENT NON-EXECUTIVE DIRECTOR** | | |
| DATO' HAJI WAZIR BIN HAJI MUAZ (Resigned 30.09.2017) | 2 | 3 |
| **EXECUTIVE DIRECTORS** | | |
| TEE TUAN SEM | 4 | 4 |
| MAKOTO TAKAHASHI | 4 | 4 |
| SAM LOH CHENG KEAT | 3 | 4 |

4.8 New appointees to the Board are given an introduction to familiarise themselves with the Group's operations so as to assist them in discharging their duties and responsibilities. They are required to attend the Mandatory Accreditation Programme by Bursa Malaysia and thereafter to continually upgrade their knowledge and exposure through in-house training programmes as well as courses conducted by external parties. All Directors have completed the Mandatory Accreditation Programme stipulated by Bursa Malaysia.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2017 are as follows:

| Director | | Training / Seminar Attended |
|---|---|---|
| Datuk. R. Karunakaran | 1 | - Invest Asean 2017, Edition: Asean Reset by Malayan Banking Berhad. |
| | 2 | - Cyber in the Boardroom: The first place to address cyber security risk by KPMG. |
| | 3 | - Breakfast talk: CG Watch 2016 – Ecosystems Matter by ACGA. |
| | 4 | - Companies Act 2016 by HMC Corporate Services Sdn Bhd. |
| | 5 | - Malaysian Code on Corporate Governance 2017, conducted by HMC Corporate Services Sdn Bhd. |
| | 6 | - Talk on Judicial Management by Messrs Wong & Partners. |
| | 7 | - Reinsurance Seminar by Etiqa. |
| | 8 | - Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability by MINDA & Bursa Malaysia. |
| | 9 | - Etiqa Annual Risk Workshop by Etiqa. |
| | 10 | - Invest Malaysia 2017 Conference by CIMB & Bursa Malaysia. |
| | 11 | - New Malaysia Code of Corporate Governance by Bursa Malaysia. |
| | 12 | - Annual Risk Workshop by Group Risk - Malayan Banking Berhad. |
| | 13 | - Fraud Risk Management Workshop by Bursa Malaysia. |
| | 14 | - Malaysia Strategy: Sprouting some green shoots by Bursa Malaysia. |
| | 15 | - Implications on China's Opening on Malaysia Capital Market Development by Bursa Malaysia. |
| | 16 | - When A1 Meets Fin Tech by Malayan Banking Berhad. |
| | 17 | - Cyber Risk to Financial Institutions by Malayan Banking Berhad |
| | 18 | - International Association of Insurance Supervisors (IAIS) 2017 24th Annual Conference by Bank Negara Malaysia & IAIS. |
| | 19 | - Group Compliance Engagement Session on AML/Sanction, FEA Rules & Anti-Bribery & Corruption by Group Compliance - Malayan Banking Berhad. |
| | 20 | - Integrated Reporting by IOI Corporation Berhad & Price WaterhouseCoopers. |
| Lee Kay Loon | 1 | - Companies Act 2016. |
| | 2 | - Malaysian Code on Corporate Governance 2017 *conducted by HMC Corporate Services Sdn Bhd.* |
| | 3 | - Advocacy Session on Corporate Disclosure for Directors & Principal Officers of listed issuers conducted by Bursa Malaysia. |
| Wan Azfar bin Dato' Wan Annuar | 1 | - Companies Act 2016. |
| | 2 | - Malaysian Code on Corporate Governance 2017 *conducted by HMC Corporate Services Sdn Bhd.* |
| | 3 | - Integrating Sustainability Reporting with effective risk management conducted by Corporate Communications, Baker Tilly (Malaysia). |
| Dato' Wan Hashim bin Wan Jusoh | 1 | - CG Breakfast Series with Directors – Integrating an innovation mindset with effective governance conducted by Bursa Malaysia. |
| | 2 | - Mandatory Accreditation Programme conducted by Iclif Leadership and Governance Centre. |
| Dato' Haji Wazir bin Haji Muaz | 1 | - Companies Act 2016. |
| | 2 | - Malaysian Code on Corporate Governance 2017 *conducted by HMC Corporate Services Sdn Bhd.* |
| Tee Tuan Sem | 1 | - Companies Act 2016. |
| | 2 | - Malaysian Code on Corporate Governance 2017 *conducted by HMC Corporate Services Sdn Bhd.* |

| Director | | Training / Seminar Attended |
|---|---|---|
| Makoto Takahashi | 1<br>2 | - Companies Act 2016.<br>- Malaysian Code on Corporate Governance 2017 *conducted by HMC Corporate Services Sdn Bhd.* |
| Sam Loh Cheng Keat | 1<br>2<br><br>3<br><br>4 | - Companies Act 2016.<br>- Malaysian Code on Corporate Governance 2017 *conducted by HMC Corporate Services Sdn Bhd.*<br>- Malaysian Code on Corporate Governance 2017 conducted by Securities Industry Development Corporation.<br>- Risk Management Programme conducted by Bursa Malaysia. |

**5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.**

The NRC does an annual review of the composition of the Board and makes recommendations to the Board accordingly, keeping in mind the need to meet current and future requirements of the Group.

The Committee is satisfied with the current size of the Board and with the mix of qualifications, skills and experience of its Board members. The evaluation criteria includes commitment displayed, the depth of contribution, ability to communicate and undertake assignments on behalf of the Board. The Committee had four meetings during the financial year and comprises the following directors:-

a. Datuk R. Karunakaran
b. Lee Kay Loon
c. Wan Azfar bin Dato' Wan Annuar
d. Dato' Wan Hashim bin Wan Jusoh (appointed 01.10.2017)
e. Dato' Haji Wazir bin Haji Muaz (resigned 30.09.2017)

A formal evaluation process is in place to assess the effectiveness of the Board as a whole. Evaluation results of the Board Evaluation and Individual Director Self/Peer Evaluation are presented to the NRC, Board meetings and to the respective Directors.

The NRC also reviews the remuneration of the Board and Senior Management from time to time with a view to ensuring the company offers fair compensation and is able to attract and retain talent who can add value to the Company. Fees paid to Non-Executive Directors are tabled at the Company's AGM for approval.

The Chairman of the Committee is Datuk R. Karunakaran, an Independent Non-Executive Director. All the Committee members are Independent Non-Executive Directors.

As provided for in Bursa's Main Market Listing Requirements, the Committee's Terms of Reference are available on the Company's website www.ilb.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NRC had undertaken the following responsibilities during the year under review:

a) Facilitated and conducted annual assessment and performance of individual Directors and effectiveness of the Board as a whole.

b) Facilitated the annual review of the required skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.

c) Conducted assessment on Directors who are subject to re-appointment or re-election.

d) Reviewed the Terms of Reference of the NRC.

e) Assisted the Board in assessing the training needs of the Directors during the year.

f) Reviewed and deliberated on the quantum of Non-Executive Directors' fees.

g) Reviewed annually the performance of the Chief Executive Officer and other key management personnel and recommended to the Board their remuneration commensurate with their performance and contributions to the Group.

## III Remuneration

**6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives. The remuneration policies and decisions are made through a transparent and independent process.**

The Company's NRC reviews the remuneration of the Board and Senior Management from time to time with a view to ensuring the company offers fair compensation and is able to attract and retain talent who can add value to the Company. Fees paid to Non-Executive Directors are tabled at the Company's AGM for approval.

**7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.**

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Details of the Directors' remuneration comprising remuneration received from the Company and its subsidiaries in the financial year ended 31 December 2017 are as follows:

**Company**

| | RM'000 | | | | | |
|---|---|---|---|---|---|---|
| | **Salaries** | **Fees** | **Bonus** | **Other Remuneration** | **Benefits-In-Kind** | **Total** |
| **Executive Directors** | | | | | | |
| Tee Tuan Sem | 700 | - | - | 38 | 92 | 830 |
| Makoto Takahashi | 210 | - | - | - | 18 | 228 |
| Loh Cheng Keat | 300 | - | - | 36 | 4 | 340 |
| **Non-Executive Directors** | | | | | | |
| Datuk R. Karunakaran | - | 133 | - | 4 | 11 | 148 |
| Lee Kay Loon | - | 105 | - | 6 | 4 | 115 |
| Wan Azfar bin Dato' Wan Annuar | - | 75 | - | 6 | 4 | 85 |
| Dato' Haji Wazir bin Haji Muaz | - | 45 | - | 19 | 2 | 66 |
| Dato' Wan Hashim bin Wan Jusoh | - | 19 | - | 2 | - | 21 |
| **Total** | **1,210** | **377** | **-** | **111** | **135** | **1,833** |

**Group**

| | RM'000 | | | | | |
|---|---|---|---|---|---|---|
| | **Salaries** | **Fees** | **Bonus** | **Other Remuneration** | **Benefits-In-Kind** | **Total** |
| **Executive Directors** | | | | | | |
| Tee Tuan Sem | 1,358 | - | - | 38 | 92 | 1,488 |
| Makoto Takahashi | 736 | - | - | - | 18 | 754 |
| Loh Cheng Keat | 330 | - | - | 40 | 4 | 374 |
| **Non-Executive Directors** | | | | | | |
| Datuk R. Karunakaran | - | 133 | - | 4 | 11 | 148 |
| Lee Kay Loon | - | 105 | - | 6 | 4 | 115 |
| Wan Azfar bin Dato' Wan Annuar | - | 75 | - | 6 | 4 | 85 |
| Dato' Haji Wazir bin Haji Muaz | - | 45 | - | 19 | 2 | 66 |
| Dato' Wan Hashim bin Wan Jusoh | - | 19 | - | 2 | - | 21 |
| **Total** | **2,424** | **377** | **-** | **115** | **135** | **3,051** |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of the remuneration of the top Senior Management (including salary, bonus, benefits in-kind and other emoluments) in each successive bands of RM50,000 during the financial year 2017, are as follows:

| Range of Remuneration (RM) | Name of Top Senior Management |
|---|---|
| 50,001 - 100,000 | Motohiko Tachibana - Group Internal Auditor |
| 50,001 - 100,000 | Tee Jia Jee - Executive Director of IL Solar Sdn Bhd |
| 150,001 - 200,000 | Amarjit Singh A/L Banta Singh - Company Secretary |
| 150,001 - 200,000 | Hoo Pee Chon - Group Chief Risk Officer |
| 250,001 - 300,000 | Lee Pei Sze - Group Chief Financial Officer |

## PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### I Audit Committee

**8.0 There is an effective and independent audit committee. The board is able to objectively review the audit committee's findings and recommendations. The company's financial statement is a reliable source of information.**

8.1 The Audit & Risk Management Committee oversees the integrity of the financial statements, compliance with relevant accounting standards and the group's risk management and internal controls. The Committee had four meetings during financial year 2017 and comprises:-

i. Lee Kay Loon
ii. Wan Azfar bin Dato' Wan Annuar
iii. Dato' Wan Hashim bin Wan Jusoh (appointed 01.10.2017)
iv. Dato' Haji Wazir bin Haji Muaz (resigned 30.09.2017)

8.2 The Board strives to provide true, fair and comprehensive financial reporting of the Group's performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the MFRS and Bursa Malaysia requirements.

The ARMC exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The ARMC also provides assurance to the Board with support and clarifications from the external auditors that the financial statements & reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

8.3 The Board has a formal and transparent relationship with the external auditors. The ARMC recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board. The role of the ARMC is further set out in their Report. The Board has private sessions and dialogues through the Committee with the external auditors, in the absence of the executive directors and the management. For the year under review, there was one such dialogue session with the external auditors.

It is the practice of the ARMC to conduct annual assessment of the external auditor. Areas of assessment include among others, the external auditors objectivity and independence, size and competency of the audit team, audit strategy, audit reporting, partner involvement and audit fees. In support of the assessment on independence, the external auditors provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the ARMC will make recommendation for re-appointment of external auditors accordingly.

The ARMC ensures that the external auditors are independent of the activities they audit and reviews the contracts for non-audit services by the external auditors. During the financial year, the amount of non-audit fees paid to external auditors was RM 26,800.

8.4 The ARMC comprises Independent Non-Executive Directors and at least one member fulfills qualifications prescribed by Bursa via paragraph 15.09(1)(c) and paragraph 7.1 of Practice Note 13 of the Main Market Listing Requirements.

## II Risk Management and Internal Control Framework

**9.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The Board is provided with a reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.**

9.1 The Board has the ultimate responsibility for reviewing the Company's risk profile, approving the risk framework and policy. Relevant Internal control systems are implemented for the day to day operations of the group. The Internal Audit Department has an independent reporting channel to the ARMC and is authorised to conduct independent audits of all the departments and offices within the group. It reports its findings to the ARMC at the end of each quarter.

The ARMC reviews, deliberates and evaluates the effectiveness and efficiency of the internal control systems in the organisation which are designed to manage and mitigate rather than eliminate risks in achieving the company's corporate objectives, safeguarding the company's assets as well as investors interests.

9.2 The Group's risk management and internal control is headed by the ARMC which comprises Independent Non-Executive Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**10.0 Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.**

The Group has established an internal audit and risk management function within the Group which is led by the Head of Internal Audit and Chief Risk Officer who reports directly to the ARMC.

The Board is cognizant of the fact it is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal controls and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures, and a continuous review of the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal controls of the Group during the year.

The Statement on Risk Management and Internal Control furnished on pages 35 to 37 of the Annual Report provides an overview on the state of internal controls within the Group, in an effort to manage risk.

## PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I Communication with Stakeholders

**11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.**

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders or stakeholders.

The Board monitors all price sensitive information potentially required to be released to Bursa Malaysia and makes material announcements to Bursa Malaysia in a timely manner. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa, the media and the company's website.

Price sensitive information is defined as any information that on becoming generally available would tend to have a material effect on the market price of the Company's listed securities. The Company Secretary is responsible to compile such information for the approval of the Board soonest possible and release such information to the market as stipulated by Bursa Malaysia.

Apart from the provisions relating to the "closed period" for dealing in the company's shares, the directors and senior management privy to price sensitive information are prohibited from dealing in the shares of the company until such information is publicly available. The Company's website at www.ilb.com.my is regularly updated and provides relevant information on the Company which is accessible to the public to make informed decisions.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## II Conduct of General Meetings

**12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.**

12.1 The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders. The Board is committed to provide shareholders with comprehensive and timely information about the Group's activities and performance to enable investors make informed decisions. Shareholders are encouraged to attend Annual General Meetings and use the opportunity to ask questions on resolutions being proposed and on the progress, performance and future prospects of the company. The Chairman and Board members, with the assistance of the external auditors, are responsible to respond and provide explanations on matters raised.

Information on the Group's activities is provided in the Annual Report and Financial Statements which are despatched to shareholders. The Company also encourages shareholders and investors to access online the company's Annual report and up to date announcements, which are made available at the Bursa Malaysia website and the company's own website.

Investors and the public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail or contact the following persons:-

| Name | Contact No. | E-mail address |
|---|---|---|
| Lee Pei Sze, Group Chief Financial Officer | 03-5614 2555 | leepeisze@ilb.com.my |
| Tee Jia Jie, Executive Director of IL Solar Sdn Bhd | 03-5614 2555 | jjtee@ilb.com.my |

12.2 All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board makes announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

This Corporate Governance Overview Statement is made at the Board of Directors Meeting held on 21 February 2018.

# OTHER DISCLOSURES

## 1. Audit fees and Non-Audit Fees

During the financial year ended 31 December 2017, the amount of audit fees and non-audit fees paid or payable to the Company and the Group are as follows:

| | Group (RM) | Company (RM) |
|---|---|---|
| Audit Fees | 230,304 | 73,000 |
| Non-Audit Fees | 26,800 | 26,800 |

## 2. Material Contracts

There were no material contracts entered into by the Group which involved directors and/or major shareholders interests during the financial year.

## 3. Variance in Results

There is no material variance between the results for the financial year 2017 and the unaudited results previously announced by the Company. The Company did not release any profit estimate, forecast or projections during the financial year.

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## COMPOSITION AND MEETINGS

The Audit & Risk Management Committee ("Committee") comprises the following members and details of attendance at meetings held during the financial year ended 31st December 2017 are as follows :-

| Composition of the Committee | Attendance at Committee meetings |
|---|---|
| Lee Kay Loon<br>(Chairman / Independent Non-Executive Director) | 4 out of 4 |
| Wan Azfar bin Dato' Wan Annuar<br>(Member / Independent Non-Executive Director) | 4 out of 4 |
| Dato' Wan Hashim bin Wan Jusoh (Appointed 01-10-2017)<br>(Member/Independent Non-Executive Director) | 1 out of 1 |
| Dato' Haji Wazir bin Haji Muaz (Resigned 30-09-2017)<br>(Member / Non-Independent Non-Executive Director) | 3 out of 3 |

## ATTENDANCE AT MEETINGS

The Committee met four times during the Financial Year in accordance with the requirements of the Committee's Terms of Reference.

The Group's Chief Risk Officer (CRO) and the Company Secretary who is also the secretary to the Committee were in attendance during the meetings. Executive Directors and other officers were also invited to attend the meetings to deliberate on relevant matters as and when required.

After each meeting, the Chairman of the Committee reports to the Board on the matters deliberated, rectifications required and relevant recommendations based on the issues discussed for information and further action.

## TERMS OF REFERENCE

As provided for in Bursa's Main Market Listing Requirements, the Committee's Terms of Reference are available on the Company's website www.ilb.com.my.

## COSTS INCURRED BY INTERNAL AUDIT & RISK MANAGEMENT DEPARTMENT

The total cost incurred by the Internal Audit & Risk Management Department for the financial year ended 2017 amounted to RM237,000. All internal audit activities were conducted by the in-house audit team.

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

## SUMMARY OF ACTIVITIES OF THE AUDIT & RISK MANAGEMENT COMMITTEE

### Risk Management and Internal Control Reviews

- Reviewed a total of eight reports covering assignments and audits implemented within the Group. Recommendations and advice on best practises were also given to the management.
- Reviewed and deliberated on the risk management audit conducted on the Group's operations. The risk management coverage included management procedures, improvements in ISO, Safety, Health and Environmental (SHE) training requirements, electrical systems safety evaluation and review & improvement in the Standard Operating Procedures (SOP).

### Internal Audit

- Reviewed and approved the Group Internal Audit Plan.
- Performed a quarterly review of both internal and external risk management, corporate governance, effectiveness and efficiency of operations, Safety, Health and Environment aspects as well as compliance with laws and regulations.
- Reviewed and assessed the adequacy and efficiency of corrective action taken by the management on outstanding Internal Audit issues raised in previous reports.
- Reviewed the Terms of Reference of the Committee

### External Audit

- Reviewed and approved the External Auditors audit plan and scope of audit works.
- Deliberated on the results of the annual audit report and reported to the Board.
- Assessed the performance of the External Auditors and recommended their re-appointment to the Board.
- Met with the External Auditors without the presence of the Executive Directors and management to discuss matters affecting the audit and the Committee's duties.

### Financial Results

- Reviewed quarterly and annual financial statements with recommendation to the Board for approval.
- Ensured compliance with Malaysian Financial Reporting Stardards (MFRS) requirements.

### Related Party Transactions

- Reviewed Related Party Transactions during the period

### Statutory Reporting

- Reviewed and recommended to the Board for approval the Corporate Governance Overview Statement, Statement on Risk Management & Internal Control (SORMIC), the Sustainability Statement and Committee reports.

### Others

- Reviewed the Dubai operations at Dubai Logistics City, DWC Dubai, United Arab Emirates for better awareness of the operations of the Joint Venture Company.
- Conducted discussions with key management to better understand operations and areas needing improvement.
- Reviewed all litigation involving the Company and their potential impact on the Group's financial statements.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (SORMIC)

## A. BOARD RESPONSIBILITY

1. The Board is cognizant of the fact that it is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal controls and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and a continuous review of the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal controls of the Group during the year.

2. The system of risk management and internal controls covers risk management, finance, operations, management information systems and compliance with relevant laws, both local and foreign, all other regulations, policies and procedures.

3. The Board acknowledges its responsibility but is also aware of the limitations that are inherent in any system of internal control and risk management, such system being designed to manage, rather than eliminate, the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

4. The Group's risk management and internal control framework is in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group. The process is regularly reviewed by the Board.

5. The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control of risks, are operated with the assistance of the Management throughout the period. The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is adequate and effective in all material aspects.

6. The key features of the internal control systems which are operated with the assistance of the Management.

## B. RISK MANAGEMENT FRAMEWORK

7. The Group has in place processes for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group, covering both wholly and partially owned subsidiaries (excluding associates and a jointly controlled entity).

8. For the period under review, the ARMC is assisted by the Chief Risk Officer and the framework is continually monitored to ensure it is responsive to the changes in the Group's Corporate Structure.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (SORMIC)

## C. INTERNAL CONTROL STRUCTURE

9. The Group has an established internal control structure and is committed to maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegation of authority in place to assist the Board to maintain a proper control environment, supported by the following activities:-

- **Organisation Structure**

  The organization structure outlines the authority, responsibility, segregation of duties and accountability.

- **Group Policies and Procedures**

  The Group policies and procedures help ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and comply with safety requirements.

- **Management Information System**

  The Group recognises the importance of information and communication technologies to promote effective and efficient business operations & timely and accurate communications to enhance the business interests of the Group.

- **Quarterly Budget versus Actual Financial Reporting**

  The annual budget is approved by the Board. Management accounts containing actual operation results versus forecasted results for the year are prepared and reported to the Board on a quarterly basis. These reports are reviewed and explanations obtained for variances before the Quarterly Results are approved for release to Bursa Malaysia for the public's information.

- **Audit & Risk Management Committee (ARMC)**

  Members of the ARMC comprise independent non-executive directors who provide direction and oversight over the internal audit function and enhance its independence. The ARMC meets each quarter to review internal audit findings, discuss risk management issues and ensure that weaknesses and issues highlighted are appropriately addressed by the management.

- **Internal Audit**

  An annual internal audit plan is reviewed and approved by the ARMC before the beginning of the year. The objectives of the said audit plan are to ensure, through regular internal audit reviews, that the Group's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Group's system of internal controls. Follow-up reviews and deliberation on internal audit reports are carried out to ensure that appropriate action is taken to address any internal control weaknesses highlighted.

The Group's Chief Risk Officer operates independently and reports to the Board through the ARMC. Where necessary, internal audit assignments can be outsourced to facilitate the transfer of internal audit knowledge and coverage of areas where technical skills and resources are not available internally.

- **Operational Monitoring and Controls**

  The monitoring and control procedures are regularly reviewed by the Management. These are supplemented by independent reviews undertaken by the internal audit department on the controls in operation and reported to the ARMC. Regular reports are produced for the Board to assess the impact of control issues and appropriate actions recommended.

- **Control Environment**

  The Board believes that although a sound internal control system cannot eliminate risks, it reduces the possibility of poor judgement in decision making and human error. It also reduces the risk of control processes being deliberately circumvented by employees and management overriding the controls that are in place.

## D. CONCLUSION

10. During the year, the Risk Management & Internal Control activities were performed in accordance with the audit plan. Where weaknesses in internal control were detected, rectification actions were taken and assurances provided by management. The Board is satisfied that the risk management and internal control in place is adequate and effective. Weaknesses highlighted have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 21 February 2018.

# STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

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

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# CONTENTS

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss for the financial year | (2,598,816) | (61,400,801) |
| Attributable to: | | |
| Owners of the Company | (9,664,112) | (61,400,801) |
| Non-controlling interests | 7,065,296 | - |
| | (2,598,816) | (61,400,801) |

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

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

## RESERVES OR PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

**CURRENT ASSETS**

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

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

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

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

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

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

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF MATERIAL AND AN UNUSUAL NATURE**

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ISSUE OF SHARES OR DEBENTURES**

During the financial year, the Company issued 17,000,000 new ordinary shares at a price of RM0.797 per share under private placement amounting to RM13,549,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

**TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2017, the Company held 5,288,275 treasury shares out of its 195,025,503 total issued shares. Such treasury shares are held at a carrying amount of RM4,383,954. Further details are disclosed in Note 24 to the financial statements.

# DIRECTORS' REPORT

## DIRECTORS OF THE COMPANY

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

| | |
|---|---|
| Datuk Karownakaran @ Karunakaran | |
| Lee Kay Loon * | |
| Loh Cheng Keat * | |
| Makoto Takahashi * | |
| Tee Tuan Sem * | |
| Wan Azfar Bin Dato' Wan Annuar | |
| Dato' Wan Hashim Bin Wan Jusoh | (Appointed on 1 October 2017) |
| Dato' Haji Wazir Bin Haji Muaz | (Resigned on 30 September 2017) |

* Directors of the Company and certain subsidiaries

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

| | |
|---|---|
| Dato' Loh Chiew Hor | |
| Mong Tak Yeung, David | |
| Hoo Pee Chon | |
| Tai Me Teck | |
| Tam Poon Wah | |
| Tee Jia Jie | |
| Mo Lin Gen | |
| Zha Quan Zhen | |
| Zhang Feng | |
| Chan Hoi Sing, Harold | (Resigned on 1 July 2017) |

## DIRECTORS' INTERESTS

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

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.1.2017** | **Bought** | **Sold** | **At 31.12.2017** |
| **Direct interest** | | | | |
| Makoto Takahashi | 20,803,990 | - | - | 20,803,990 |
| Loh Cheng Keat | 3,520,300 | - | - | 3,520,300 |
| | | | | |
| **Indirect interest** | | | | |
| Tee Tuan Sem * # | 20,399,382 | - | - | 20,399,382 |

* held through spouse of the director
# held through nominees in which the director is interested

Other than as stated above, none of the directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year.

# DIRECTORS' REPORT

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 7 to the financial statements) 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.

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

## INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM28,311 and RM12,599 respectively.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 13 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 39 to the financial statements.

## SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 40 to the financial statements.

**AUDITORS' REMUNERATION**

The details of the auditors' remuneration are disclosed in Note 7 to the financial statements.

**INDEMNITY TO AUDITORS**

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

**AUDITORS**

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

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

**TEE TUAN SEM**

**MAKOTO TAKAHASHI**

Date: 19 March 2018

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Revenue | 5 | 16,306,932 | 21,653,158 | - | 5,000,000 |
| Direct operating costs | | (7,536,457) | (15,707,451) | - | - |
| **Gross profit** | | 8,770,475 | 5,945,707 | - | 5,000,000 |
| Other income | | 8,542,236 | 36,985,995 | 5,037,024 | 13,206,591 |
| Administrative costs | | (15,648,265) | (19,221,928) | (8,359,924) | (7,645,618) |
| Other expenses | | (1,959,937) | (33,005) | (57,858,084) | (20,340,035) |
| | | (17,608,202) | (19,254,933) | (66,218,008) | (27,985,653) |
| **(Loss)/Profit from operations** | | (295,491) | 23,676,769 | (61,180,984) | (9,779,062) |
| Finance costs | 6 | (4,040,070) | (3,291,407) | (214,812) | (204,108) |
| Share of results of associates | | 19,051,320 | (11,803,484) | - | - |
| Share of results of a jointly controlled entity | | (15,526,249) | (4,682,577) | - | - |
| **(Loss)/Profit before tax** | 7 | (810,490) | 3,899,301 | (61,395,796) | (9,983,170) |
| Tax expense | 8 | (1,788,326) | (128,877) | (5,005) | (86,120) |
| **(Loss)/Profit for the financial year** | | (2,598,816) | 3,770,424 | (61,400,801) | (10,069,290) |
| **Other comprehensive (loss)/income, net of tax** | | | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | | | |
| Revaluation of freehold land and buildings | | 406,483 | 1,817,861 | - | - |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Exchange differences on translation of foreign operations | | (16,390,528) | (1,594,453) | - | - |
| Reclassification adjustment for the cumulative exchange gain on translation of financial statements of foreign operations transferred to profit or loss upon disposal of subsidiaries | | - | (19,899,234) | - | - |
| Reclassification adjustment for other reserve upon disposal of subsidiaries by an associate | | (177,675) | - | - | - |
| Reclassification adjustment for retained earnings upon disposal of a subsidiary | | 2,639 | - | - | - |
| Reclassification adjustment for the fair value reserve | | - | 84,850 | - | - |
| Fair value gain of available-for-sale financial assets | | (36,027) | (38,780) | (36,027) | (38,780) |
| **Other comprehensive loss for the financial year** | | (16,601,591) | (21,447,617) | (36,027) | (38,780) |
| **Total comprehensive loss for the financial year** | | (18,793,924) | (15,859,332) | (61,436,828) | (10,108,070) |

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the Company | | (9,664,112) | 5,844,698 | (61,400,801) | (10,069,290) |
| Non-controlling interests | | 7,065,296 | (2,074,274) | - | - |
| | | (2,598,816) | 3,770,424 | (61,400,801) | (10,069,290) |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owners of the Company | | (24,743,206) | (12,074,018) | (61,436,828) | (10,108,070) |
| Non-controlling interests | | 5,949,282 | (3,785,314) | - | - |
| | | (18,793,924) | (15,859,332) | (61,436,828) | (10,108,070) |
| **(Loss)/Earnings per share attributable to owners of the Company (sen)** | 9 | | | | |
| - Basic | | (5.215) | 3.384 | | |
| - Diluted | | (5.215) | 3.384 | | |

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

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2017

| | Note | Group 2017 RM | Group 2016 RM (Restated) | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 250,178,327 | 189,595,495 | 10,256,003 | 7,502,098 |
| Land use rights | 11 | 15,949,202 | 17,050,183 | - | - |
| Intangible assets | 12 | 2,595,147 | 2,724,904 | - | - |
| Subsidiaries | 13 | - | - | 22,816,195 | 22,816,195 |
| Interest in associates | 14 | 56,955,254 | 38,656,264 | 11,007,500 | 11,007,500 |
| Interest in a jointly controlled entity | 15 | 22,277,879 | 20,154,263 | 22,482,751 | 48,699,769 |
| Other investments | 16 | 389,140 | 494,625 | 389,140 | 494,625 |
| Amounts owing by subsidiaries | 17 | - | - | 11,946,228 | 13,341,492 |
| Amount owing by a jointly controlled entity | 18 | 60,604,500 | 67,171,500 | 60,604,500 | 67,171,500 |
| | | 408,949,449 | 335,847,234 | 139,502,317 | 171,033,179 |
| **Current assets** | | | | | |
| Receivables | 19 | 19,889,297 | 18,391,299 | 85,069,843 | 61,487,582 |
| Amount owing by a jointly controlled entity | 18 | 19,496,783 | 34,196,400 | 19,496,783 | 34,196,400 |
| Tax assets | | 76,302 | 536,103 | 76,302 | 535,253 |
| Other investments | 16 | 20,445,371 | 17,443,664 | 20,445,371 | 17,443,664 |
| Cash and cash equivalents | 21 | 33,879,438 | 52,252,005 | 4,248,959 | 8,027,124 |
| | | 93,787,191 | 122,819,471 | 129,337,258 | 121,690,023 |
| **TOTAL ASSETS** | | 502,736,640 | 458,666,705 | 268,839,575 | 292,723,202 |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2017

| | Note | Group 2017 RM | Group 2016 RM (Restated) | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 22 | 225,670,706 | 178,025,503 | 225,670,706 | 178,025,503 |
| Share premium | 23 | - | 15,096,203 | - | 15,096,203 |
| Treasury shares | 24 | (4,383,954) | (4,383,954) | (4,383,954) | (4,383,954) |
| Reserves | 25 | 48,118,372 | 82,019,537 | - | 19,036,027 |
| Retained earnings | | 22,234,827 | 32,076,868 | 8,929,900 | 70,330,701 |
| | | 291,639,951 | 302,834,157 | 230,216,652 | 278,104,480 |
| **Non-controlling interests** | | 57,573,511 | 51,624,229 | - | - |
| **TOTAL EQUITY** | | 349,213,462 | 354,458,386 | 230,216,652 | 278,104,480 |
| **Non-current liabilities** | | | | | |
| Term loans | 26 | 84,365,360 | 58,687,651 | 3,758,780 | 4,180,399 |
| Loans from corporate shareholders | 27 | 8,178,931 | 9,134,193 | - | - |
| Deferred tax liabilities | 28 | 2,456,859 | 1,995,710 | - | - |
| **Total non-current liabilities** | | 95,001,150 | 69,817,554 | 3,758,780 | 4,180,399 |
| **Current liabilities** | | | | | |
| Term loans | 26 | 13,112,717 | 10,941,176 | 420,052 | 398,621 |
| Payables | 29 | 12,513,099 | 17,063,378 | 222,072 | 709,166 |
| Loans from corporate shareholders | 27 | 31,771,500 | 6,127,532 | - | - |
| Amounts owing to subsidiaries | 17 | - | - | 34,222,019 | 9,330,536 |
| Tax liabilities | | 1,124,712 | 258,679 | - | - |
| **Total current liabilities** | | 58,522,028 | 34,390,765 | 34,864,143 | 10,438,323 |
| **TOTAL LIABILITIES** | | 153,523,178 | 104,208,319 | 38,622,923 | 14,618,722 |
| **TOTAL EQUITY AND LIABILITIES** | | 502,736,640 | 458,666,705 | 268,839,575 | 292,723,202 |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | | | Non-distributable | | Distributable | | Non-distributable | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Total equity RM | Equity attributable to owners of the parent RM | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total reserves RM | Asset revaluation reserve RM | Statutory reserve fund RM | Foreign exchange translation reserve RM | Fair value reserve RM | Other reserve RM | Capital redemption reserve RM | Non-controlling interests RM |
| **Group** | | | | | | | | | | | | | | | |
| **At 1.1.2016** | | 374,236,153 | 319,226,610 | 178,025,503 | 15,096,203 | (4,383,954) | 25,128,752 | 105,360,106 | 2,785,726 | 10,181,425 | 67,434,335 | 15,412 | 5,943,208 | 19,000,000 | 55,009,543 |
| Reclassification of share of other reserve of an associate previously included in retained earnings | | - | - | - | - | - | (4,962,796) | 4,962,796 | - | - | - | - | 4,962,796 | - | - |
| **Restated balance at 1.1.2016** | | 374,236,153 | 319,226,610 | 178,025,503 | 15,096,203 | (4,383,954) | 20,165,956 | 110,322,902 | 2,785,726 | 10,181,425 | 67,434,335 | 15,412 | 10,906,004 | 19,000,000 | 55,009,543 |
| **Total comprehensive income/(loss) for the financial year** | | | | | | | | | | | | | | | |
| Profit/(Loss) for the financial year | | 3,770,424 | 5,844,698 | - | - | - | 5,844,698 | - | - | - | - | - | - | - | (2,074,274) |
| Revaluation of freehold land and buildings | | 1,817,861 | 827,127 | - | - | - | - | 827,127 | 827,127 | - | - | - | - | - | 990,734 |
| | | 5,588,285 | 6,671,825 | - | - | - | 5,844,698 | 827,127 | 827,127 | - | - | - | - | - | (1,083,540) |
| **Total other comprehensive (loss)/income for the financial year** | | | | | | | | | | | | | | | |
| Foreign currency translation differences | | (1,594,453) | 1,132,776 | - | - | - | - | 1,132,776 | - | 226,542 | 643,402 | - | 262,832 | - | (2,727,229) |
| Reclassified to profit or loss upon disposal of subsidiaries | | (19,814,384) | (19,839,839) | - | - | - | - | (19,839,839) | - | - | (19,899,234) | 59,395 | - | - | 25,455 |
| Fair value adjustment of available-for-sale financial assets | | (38,780) | (38,780) | - | - | - | - | (38,780) | - | - | - | (38,780) | - | - | - |
| Total other comprehensive (loss)/income | | (21,447,617) | (18,745,843) | - | - | - | - | (18,745,843) | - | 226,542 | (19,255,832) | 20,615 | 262,832 | - | (2,701,774) |
| **Total comprehensive (loss)/income for the financial year** | | (15,859,332) | (12,074,018) | - | - | - | 5,844,698 | (17,918,716) | 827,127 | 226,542 | (19,255,832) | 20,615 | 262,832 | - | (3,785,314) |
| **Balance carried down** | | 358,376,821 | 307,152,592 | 178,025,503 | 15,096,203 | (4,383,954) | 26,010,654 | 92,404,186 | 3,612,853 | 10,407,967 | 48,178,503 | 36,027 | 11,168,836 | 19,000,000 | 51,224,229 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | | | Non-distributable | | Distributable | | | Non-distributable | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Total equity RM | Equity attributable to owners of the parent RM | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total reserves RM | Asset revaluation reserve RM | Statutory reserve fund RM | Foreign exchange translation reserve RM | Fair value reserve RM | Other reserve RM | Capital redemption reserve RM | Non-controlling interests RM |
| **Group** | | | | | | | | | | | | | | | |
| **Balance brought down** | | 358,376,821 | 307,152,592 | 178,025,503 | 15,096,203 | (4,383,954) | 26,010,654 | 92,404,186 | 3,612,853 | 10,407,967 | 48,178,503 | 36,027 | 11,168,836 | 19,000,000 | 51,224,229 |
| **Transactions with owners** | | | | | | | | | | | | | | | |
| Transfer on disposal of subsidiaries | | - | - | - | - | - | 10,407,475 | (10,407,475) | - | (10,407,475) | - | - | - | - | - |
| Transfer to statutory reserve fund | | - | - | - | - | - | (22,826) | 22,826 | - | 22,826 | - | - | - | - | - |
| Changes in non-controlling interests in subsidiaries | | 400,000 | - | - | - | - | - | - | - | - | - | - | - | - | 400,000 |
| Dividends paid on shares | 32 | (4,318,435) | (4,318,435) | - | - | - | (4,318,435) | - | - | - | - | - | - | - | - |
| Total transactions with owners | | (3,918,435) | (4,318,435) | - | - | - | 6,066,214 | (10,384,649) | - | (10,384,649) | - | - | - | - | 400,000 |
| **At 31.12.2016** | | 354,458,386 | 302,834,157 | 178,025,503 | 15,096,203 | (4,383,954) | 32,076,868 | 82,019,537 | 3,612,853 | 23,318 | 48,178,503 | 36,027 | 11,168,836 | 19,000,000 | 51,624,229 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Note | Total equity RM | Equity attributable to owners of the parent RM | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total reserves RM | Asset revaluation reserve RM | Statutory reserve fund RM | Foreign exchange translation reserve RM | Fair value reserve RM | Other reserve RM | Capital redemption reserve RM | Non-controlling interests RM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ← Non-distributable | → | ← Distributable | → | | ← Non-distributable | | | | | → | |
| **Group** | | | | | | | | | | | | | | | |
| **At 31.12.2016** | | 354,458,386 | 302,834,157 | 178,025,503 | 15,096,203 | (4,383,954) | 32,076,868 | 82,019,537 | 3,612,853 | 23,318 | 48,178,503 | 36,027 | 11,168,836 | 19,000,000 | 51,624,229 |
| **Total comprehensive (loss)/income for the financial year** | | | | | | | | | | | | | | | |
| (Loss)/Profit for the financial year | | (2,598,816) | (9,664,112) | - | - | - | (9,664,112) | - | - | - | - | - | - | - | 7,065,296 |
| Revaluation of freehold land and buildings | | 406,483 | 184,950 | - | - | - | - | 184,950 | 184,950 | - | - | - | - | - | 221,533 |
| | | (2,192,333) | (9,479,162) | - | - | - | (9,664,112) | 184,950 | 184,950 | - | - | - | - | - | 7,286,829 |
| **Total other comprehensive (loss)/income for the financial year** | | | | | | | | | | | | | | | |
| Foreign currency translation differences | | (16,390,528) | (15,106,284) | - | - | - | - | (15,106,284) | - | (12,417) | (13,925,822) | - | (1,168,045) | - | (1,284,244) |
| Reclassified to profit or loss upon disposal of a subsidiary | | (175,036) | (121,733) | - | - | - | 2,639 | (124,372) | - | - | - | - | (124,372) | - | (53,303) |
| Fair value adjustment of available-for-sale financial assets | | (36,027) | (36,027) | - | - | - | - | (36,027) | - | - | - | (36,027) | - | - | - |
| Total other comprehensive (loss)/income | | (16,601,591) | (15,264,044) | - | - | - | 2,639 | (15,266,683) | - | (12,417) | (13,925,822) | (36,027) | (1,292,417) | - | (1,337,547) |
| **Total comprehensive (loss)/income for the financial year** | | (18,793,924) | (24,743,206) | - | - | - | (9,661,473) | (15,081,733) | 184,950 | (12,417) | (13,925,822) | (36,027) | (1,292,417) | - | 5,949,282 |
| **Balance carried down** | | 335,664,462 | 278,090,951 | 178,025,503 | 15,096,203 | (4,383,954) | 22,415,395 | 66,937,804 | 3,797,803 | 10,901 | 34,252,681 | - | 9,876,419 | 19,000,000 | 57,573,511 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Note | Total equity RM | Equity attributable to owners of the parent RM | Non-distributable: Share capital RM | Non-distributable: Share premium RM | Distributable: Treasury shares RM | Distributable: Retained earnings RM | Total reserves RM | Non-distributable: Asset revaluation reserve RM | Non-distributable: Statutory reserve fund RM | Non-distributable: Foreign exchange translation reserve RM | Non-distributable: Fair value reserve RM | Non-distributable: Other reserve RM | Non-distributable: Capital redemption reserve RM | Non-controlling interests RM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | | | | | | |
| **Balance brought down** | | 335,664,462 | 278,090,951 | 178,025,503 | 15,096,203 | (4,383,954) | 22,415,395 | 66,937,804 | 3,797,803 | 10,901 | 34,252,681 | - | 9,876,419 | 19,000,000 | 57,573,511 |
| **Transactions with owners** | | | | | | | | | | | | | | | |
| Transfer to statutory reserve fund | | - | - | - | - | - | (180,568) | 180,568 | - | 180,568 | - | - | - | - | - |
| Issuance of shares | 22 | 13,549,000 | 13,549,000 | 13,549,000 | - | - | - | - | - | - | - | - | - | - | - |
| **Total transactions with owners** | | 13,549,000 | 13,549,000 | 13,549,000 | - | - | (180,568) | 180,568 | - | 180,568 | - | - | - | - | - |
| Transition to no-par value regime | 22 | - | - | 34,096,203 | (15,096,203) | - | - | (19,000,000) | - | - | - | - | - | (19,000,000) | - |
| **At 31.12.2017** | | 349,213,462 | 291,639,951 | 225,670,706 | - | (4,383,954) | 22,234,827 | 48,118,372 | 3,797,803 | 191,469 | 34,252,681 | - | 9,876,419 | - | 57,573,511 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | | Non-distributable | Distributable | | | Non-distributable | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Total equity RM | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total reserves RM | Capital redemption reserve RM | Fair value reserve RM |
| **Company** | | | | | | | | | |
| **At 1.1.2016** | | 292,530,985 | 178,025,503 | 15,096,203 | (4,383,954) | 84,718,426 | 19,074,807 | 19,000,000 | 74,807 |
| **Total comprehensive loss for the financial year** | | | | | | | | | |
| Loss for the financial year | | (10,069,290) | - | - | - | (10,069,290) | - | - | - |
| Other comprehensive loss for the financial year | | (38,780) | - | - | - | - | (38,780) | - | (38,780) |
| Total comprehensive loss | | (10,108,070) | - | - | - | (10,069,290) | (38,780) | - | (38,780) |
| **Transaction with owners** | | | | | | | | | |
| Dividends paid on shares, representing total transaction with owners | 32 | (4,318,435) | - | - | - | (4,318,435) | - | - | - |
| **At 31.12.2016** | | 278,104,480 | 178,025,503 | 15,096,203 | (4,383,954) | 70,330,701 | 19,036,027 | 19,000,000 | 36,027 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | | ← Non-distributable → | ← Distributable | | → | ← | Non-distributable → | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Total equity RM | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total reserves RM | Capital redemption reserve RM | Fair value reserve RM |
| **Company** | | | | | | | | | |
| **At 31.12.2016** | | 278,104,480 | 178,025,503 | 15,096,203 | (4,383,954) | 70,330,701 | 19,036,027 | 19,000,000 | 36,027 |
| **Total comprehensive loss for the financial year** | | | | | | | | | |
| Loss for the financial year | | (61,400,801) | - | - | - | (61,400,801) | - | - | - |
| Other comprehensive loss for the financial year | | (36,027) | - | - | - | - | (36,027) | - | (36,027) |
| Total comprehensive loss | | (61,436,828) | - | - | - | (61,400,801) | (36,027) | - | (36,027) |
| **Transaction with owners** | | | | | | | | | |
| Issuance of shares, representing total transaction with owners | 22 | 13,549,000 | 13,549,000 | - | - | - | - | - | - |
| Transition to no-par value regime | 22 | - | 34,096,203 | (15,096,203) | - | - | (19,000,000) | (19,000,000) | - |
| **At 31.12.2017** | | 230,216,652 | 225,670,706 | - | (4,383,954) | 8,929,900 | - | - | - |

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

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| (Loss)/Profit before tax: | | (810,490) | 3,899,301 | (61,395,796) | (9,983,170) |
| Adjustments for: | | | | | |
| Amortisation of land use rights | | 396,643 | 415,026 | - | - |
| Amortisation of intangible assets | | 129,757 | - | - | - |
| Depreciation of property, plant and equipment | | 3,903,215 | 2,323,973 | 224,798 | 152,425 |
| Dividend income | | - | - | - | (5,000,000) |
| Gain on disposal of subsidiaries | | (52,005) | (14,413,081) | - | - |
| (Gain)/Loss on unrealised foreign exchange | | (3,140,155) | (7,081) | 14,862,973 | (6,304,359) |
| (Gain)/Loss on disposal of property, plant and equipment | | (112,219) | 280 | (118,156) | (4,073) |
| Impairment loss on: | | | | | |
| - investment in an associate | | 1,705,761 | - | - | - |
| - other investment | | 55,543 | - | 55,543 | - |
| - investment in a jointly controlled entity | | - | - | 42,889,246 | 16,175,655 |
| Interest income | | (2,915,162) | (3,303,935) | (2,972,192) | (3,510,195) |
| Interest expense | | 4,040,070 | 3,291,407 | 214,812 | 204,108 |
| Income distribution from short-term fund | | (351,506) | (1,436,465) | (351,506) | (1,436,465) |
| Property, plant and equipment written off | | 27 | - | 27 | - |
| (Reversal of)/Provision for employee benefits | | (3,402) | 20,996 | (3,402) | 20,996 |
| Reversal of impairment on investment in associate | | - | (15,820,723) | - | - |
| Share of results of associates | | (19,051,320) | 11,803,484 | - | - |
| Share of results of a jointly controlled entity | | 15,526,249 | 4,682,577 | - | - |
| Waiver of amount owing by a subsidiary | | - | - | - | 4,117,517 |
| **Operating loss before working capital changes, carried forward** | | (678,994) | (8,544,241) | (6,593,653) | (5,567,561) |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** (cont'd) | | | | | |
| **Operating loss before working capital changes, brought forward** | | (678,994) | (8,544,241) | (6,593,653) | (5,567,561) |
| Changes in working capital: | | | | | |
| Receivables | | 1,045,852 | (1,443,815) | 1,657,760 | 249,379 |
| Payables | | (7,113,145) | (6,169,086) | (483,692) | (219,914) |
| Net cash flows used in operations | | (6,746,287) | (16,157,142) | (5,419,585) | (5,538,096) |
| Interest paid | | (3,787,796) | (3,422,588) | (214,812) | (204,108) |
| Tax refunded/(paid) | | 22,853 | (648,769) | 453,947 | - |
| Net cash flows used in operating activities | | (10,511,230) | (20,228,499) | (5,180,450) | (5,742,204) |
| **Cash Flows from Investing Activities** | | | | | |
| Purchase of property, plant and equipment | 10 | (70,370,108) | (60,825,905) | (2,978,734) | (36,616,983) |
| Proceeds from disposal of property, plant and equipment | | 118,160 | - | 118,160 | 32,100,000 |
| Effect of disposal of subsidiaries, net of cash disposed | 13(b) | 2,833,132 | 978,132 | - | - |
| Changes in non-controlling interests in subsidiaries | | - | 400,000 | - | - |
| Distribution received | | - | - | - | 25,000 |
| (Placement)/Withdrawal of short-term fund | | (3,036,095) | 14,125,351 | (3,036,095) | 14,125,351 |
| Placement of time deposits | | (31,484) | (807,338) | (25,221) | (807,338) |
| (Advances to)/Repayments from subsidiaries | | - | - | (23,645,121) | 3,664,033 |
| Advances to a jointly controlled entity | | (8,954,054) | (7,824,347) | (8,954,054) | (7,824,347) |
| Dividend received | | - | 5,000,000 | - | 5,000,000 |
| Interest received | | 756,920 | 2,182,160 | 667,042 | 1,444,032 |
| Net cash flows (used in)/from investing activities | | (78,683,529) | (46,771,947) | (37,854,023) | 11,109,748 |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| **Cash Flows from Financing Activities** | | | | | |
| Advances from subsidiaries | | - | - | 26,084,483 | 454,091 |
| Dividend paid | 32 | - | (4,318,435) | - | (4,318,435) |
| Drawdown of unsecured loan from a corporate shareholder | | 27,415,000 | 46,280,000 | - | - |
| Repayments of unsecured loan from a corporate shareholder | | - | (69,188,600) | - | - |
| Drawdown of term loans | | 44,102,252 | 24,949,378 | - | 4,800,000 |
| Proceeds from issuance of ordinary shares | | 13,549,000 | - | 13,549,000 | - |
| Repayments of term loans | | (10,514,806) | (2,464,286) | (400,188) | (220,980) |
| Net cash flows from/(used in) financing activities | | 74,551,446 | (4,741,943) | 39,233,295 | 714,676 |
| **Net (decrease)/increase in cash and cash equivalents** | | (14,643,313) | (71,742,389) | (3,801,178) | 6,082,220 |
| Effects of exchange rates changes on cash and cash equivalents | | (3,760,739) | 2,533,062 | (2,209) | 958 |
| Cash and cash equivalents at the beginning of the financial year | | 51,235,033 | 120,444,360 | 7,219,786 | 1,136,608 |
| **Cash and cash equivalents at the end of the financial year** | 21 | 32,830,981 | 51,235,033 | 3,416,399 | 7,219,786 |

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

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at B-25-2, Block B, Jaya One, No. 72A, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No.6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 March 2018.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Adoption of amendments/improvements to MFRSs

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

| Amendments/Improvements to MFRSs | |
|---|---|
| MFRS 12 | Disclosure of Interest in Other Entities |
| MFRS 107 | Statement of Cash Flows |
| MFRS 112 | Income Taxes |

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

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

### 2.2 Adoption of amendments/improvements to MFRSs (cont'd)

***Amendments to MFRS 12 Disclosure of Interests in Other Entities***

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

***Amendments to MFRS 107 Statement of Cash Flows***

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

***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

### 2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

| | | Effective for financial periods beginning on or after |
|---|---|---|
| New MFRSs | | |
| MFRS 9 | Financial Instruments | 1 January 2018 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 | Leases | 1 January 2019 |
| MFRS 17 | Insurance Contracts | 1 January 2021 |

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

### 2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective (cont'd)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective: (cont'd)

| | | Effective for financial periods beginning on or after |
|---|---|---|
| Amendments/Improvements to MFRSs | | |
| MFRS 2 | Share-based Payments | 1 January 2018 |
| MFRS 3 | Business Combinations | 1 January 2019 |
| MFRS 4 | Insurance Contracts | 1 January 2018 |
| MFRS 9 | Financial Instruments | 1 January 2019 |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 11 | Joint Arrangements | 1 January 2019 |
| MFRS 112 | Income Taxes | 1 January 2019 |
| MFRS 123 | Borrowing Costs | 1 January 2019 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2018/ 1 January 2019/ Deferred |
| MFRS 140 | Investment Property | 1 January 2018 |
| New IC Int | | |
| IC Int 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IC Int 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |

**2.3.1** The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

***MFRS 9 Financial Instruments***

Key requirements of MFRS 9:

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

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

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

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective** (cont'd)

**2.3.1** (cont'd)

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

Key requirements of MFRS 9: (cont'd)

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

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

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

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

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

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

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

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

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

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective** (cont'd)

**2.3.1** (cont'd)

***MFRS 16 Leases***

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

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

***MFRS 17 Insurance Contracts***

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

***Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements***

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

***Amendments to MFRS 9 Financial Instruments***

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective** (cont'd)

**2.3.1** (cont'd)

***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

***Amendments to MFRS 123 Borrowing Costs***

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

***Amendments to MFRS 128 Investments in Associates and Joint Ventures***

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

The amendments also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

***IC Int 22 Foreign Currency Transactions and Advance Consideration***

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective** (cont'd)

**2.3.1** (cont'd)

***IC Int 23 Uncertainty over Income Tax Treatments***

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

**2.3.2** The Group and the Company are currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

**2.4 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

**2.5 Basis of measurement**

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

**2.6 Use of estimates and judgement**

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of consolidation

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

#### (a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.13(a).

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

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

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

**(a) Subsidiaries and business combination** (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

**(b) Non-controlling interests**

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

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

**(c) Associates**

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

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

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

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

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

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

#### (c) Associates (cont'd)

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

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

#### (d) Joint arrangements

Joint arrangements arise when the Group and another party or parties are bound by a contractual arrangement, and the contractual arrangement gives the Group and the other party or parties, joint control of the arrangement. Joint control exists when there is contractually agreed sharing of control of an arrangement whereby decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as a "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group accounts for its share of the assets (including its share of any assets held jointly), the liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

- A joint arrangement is classified as "joint venture" when the Group has rights to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures.*

The Group has assessed the nature of its joint arrangement and determined them to be a joint venture and accounted for its interest in the joint venture using the equity method.

#### (e) 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.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

### 3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.15(b).

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

### 3.3 Foreign currency transactions and operations

#### (a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

#### (b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

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

**3.3 Foreign currency transactions and operations** (cont'd)

**(b) Translation of foreign operations** (cont'd)

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

**3.4 Revenue and other income**

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

**(a) Services**

Revenue from services are recognised when services are rendered.

**(b) Interest income**

Interest income is recognised on a time proportion basis that reflects the effective yield of the asset.

**(c) Rental income**

Rental income is recognised 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.

**(d) Dividend income**

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

**(e) Sale of goods**

Revenue and other income from sale of electricity and plants are recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue and other income is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

### 3.5 Employee benefits

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

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

#### (b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period in which the employees render their services.

### 3.6 Borrowing costs

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

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

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

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

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

### 3.7 Taxes

#### (a) Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

##### (i) Current tax

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

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

**3.7 Taxes** (cont'd)

**(a) Income tax** (cont'd)

**(ii) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

**3.7 Taxes** (cont'd)

**(b) Goods and services tax**

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

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

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

**3.8 Financial instruments**

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

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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 as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

**(a) Subsequent measurement**

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

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

**3.8 Financial instruments** (cont'd)

**(a) Subsequent measurement** (cont'd)

The Group and the Company categorise the financial instruments as follows: (cont'd)

(i) Financial assets (cont'd)

Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

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

(ii) Financial liabilities

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

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

### 3.8 Financial instruments (cont'd)

#### (b) Financial guarantee contracts

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

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries and jointly control entities as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### (c) 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 (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) 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.

#### (d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive 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 other comprehensive income is recognised in profit or loss.

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

#### (e) Offsetting of financial instruments

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

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

**3.9 Property, plant and equipment**

**(a) Recognition and measurement**

Property, plant and equipment (other than freehold land and warehouse and office buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15(b).

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

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

The revaluation reserve is transferred to retained earnings in full when the asset is derecognised.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.6.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

**(b) Subsequent costs**

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

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

**3.9 Property, plant and equipment** (cont'd)

**(c) Depreciation**

Freehold land has an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal useful lives and depreciation rates are as follows:

| | |
|---|---|
| Long-term leasehold land | 60 years |
| Warehouse and office buildings | 2% - 5% |
| Warehouse renovation | 20% |
| Equipment, furniture and fittings | 20% - 33.33% |
| Motor vehicles | 20% |
| Solar photovoltaic | 21 years |

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

**(d) Derecognition**

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

**3.10 Land use rights**

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

**3.11 Capital work-in-progress**

Capital work-in-progress consists of expenditure incurred on the construction of property, plant and equipment which take a substantial period of time to be ready for their intended use.

Capital work-in-progress is stated at cost during the period of construction. No depreciation is provided on capital work-in-progress and upon completion of the construction, the cost will be transferred to property, plant and equipment.

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

### 3.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

**(a) Lessee accounting**

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, 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 assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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 charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

**(b) Lessor accounting**

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

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

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

### 3.13 Goodwill and other intangible assets

#### (a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

#### (b) Customer contract

Customer contract acquired in a business combination are recognised at fair value at the acquisition date.

Subsequent to recognition, customer contract are stated at cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15(b).

#### (c) Amortisation

Amortisation of customer contract is provided for on a straight-line basis over the contract period of twenty one years. The residual value, useful lives and amortisation methods are reviewed at the end of each reporting period.

### 3.14 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

### 3.15 Impairment of assets

#### (a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

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

**3.15 Impairment of assets** (cont'd)

**(a) Impairment and uncollectibility of financial assets** (cont'd)

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

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

### 3.15 Impairment of assets (cont'd)

#### (a) Impairment and uncollectibility of financial assets (cont'd)

Available-for-sale financial assets (cont'd)

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

#### (b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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 non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

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

**3.15 Impairment of assets** (cont'd)

**(b) Impairment of non-financial assets** (cont'd)

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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 previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**3.16 Share capital**

**(a) Ordinary shares**

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**(b) Treasury shares**

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

**3.17 Provisions**

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

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

### 3.18 Operating segments

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

### 3.19 Fair value measurements

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

For a 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 and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company 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 and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3.20 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

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

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### (a) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. The Group and the Company use their judgement to decide the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's and the Company's financial positions and results if the actual cash flows are less than the expected.

The carrying amounts of the non-financial assets are disclosed in Notes 10, 11, 12, 13, 14 and 15.

### (b) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The information on the fair value measurements of financial assets and liabilities are disclosed in Note 38(b).

### (c) Impairment of financial assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial positions and results.

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

**(c) Impairment of financial assets** (cont'd)

For available-for-sale investments, the Group and the Company recognise an impairment loss when there has been a significant or prolonged decline in the market price of the investments. The Group and the Company use its judgement to decide when an impairment loss shall be recognised using past experience of similar investments, historical volatility of the prices and current market conditions. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial positions and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 38(a).

**(d) Joint arrangements**

As disclosed in Note 15, the Company holds 50% of the voting rights of its joint arrangement. The Company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Company's joint arrangement is structured as a limited company and provides the Company and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

**(e) Measurement of income taxes**

The Group and the Company operate in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The income tax expense of the Group and the Company are disclosed in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2017

## 5. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Dividend revenue | - | - | - | 5,000,000 |
| Warehousing and related value added services | 14,531,997 | 20,689,486 | - | - |
| Transportation and distribution, freight forwarding and haulage services | 242,826 | 443,672 | - | - |
| Installation of solar panel | - | 520,000 | - | - |
| Sales of electricity | 1,532,109 | - | - | - |
| | 16,306,932 | 21,653,158 | - | 5,000,000 |

## 6. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Interest expense on: | | | | |
| - Term loans | 3,241,130 | 1,653,295 | 214,812 | 204,108 |
| - Shareholder's loan | 798,940 | 1,638,112 | - | - |
| | 4,040,070 | 3,291,407 | 214,812 | 204,108 |

## 7. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Amortisation of land use rights | 396,643 | 415,026 | - | - |
| Amortisation of intangible assets | 129,757 | - | - | - |
| Auditors' remuneration | | | | |
| - auditors of the Company | | | | |
| - statutory audit | 91,000 | 89,000 | 73,000 | 73,000 |
| - other services | 26,800 | 29,200 | 26,800 | 29,200 |
| - component auditors of the Group | | | | |
| - statutory audit | 139,304 | 183,015 | - | - |
| Depreciation of property, plant and equipment | 3,903,215 | 2,323,973 | 224,798 | 152,425 |
| Directors' remuneration* | | | | |
| - fees | 376,750 | 388,000 | 376,750 | 388,000 |
| - other emoluments | 2,539,172 | 3,182,552 | 1,320,806 | 1,177,730 |
| (Gain)/Loss on foreign exchange | | | | |
| - realised | (19,697) | 2,310,135 | 15,241 | 13,858 |
| - unrealised | (3,140,155) | (7,081) | 14,862,973 | (6,304,359) |
| (Gain)/Loss on disposal of property, plant and equipment | (112,219) | 280 | (118,156) | (4,073) |
| Gain on disposal of subsidiaries | (52,005) | (14,413,081) | - | - |
| Government subsidies | (249,183) | - | - | - |
| Impairment loss on: | | | | |
| - investment in an associate | 1,705,761 | - | - | - |
| - investment in a jointly controlled entity | - | - | 42,889,246 | 16,175,655 |
| - other investment | 55,543 | - | 55,543 | - |
| Income distribution from short-term fund | (351,506) | (1,436,465) | (351,506) | (1,436,465) |
| Interest expense | 4,040,070 | 3,291,407 | 214,812 | 204,108 |
| Interest income: | | | | |
| - cash at banks | (371,025) | (823,971) | (58,709) | (7,567) |
| - amounts owing by subsidiaries | - | - | (369,346) | (1,022,664) |
| - amount owing by a jointly controlled entity | (2,544,137) | (2,479,964) | (2,544,137) | (2,479,964) |
| (Reversal)/Provision for employee benefits | (3,402) | 20,996 | (3,402) | 20,996 |
| Planting income | (4,409) | - | - | - |
| Property, plant and equipment written off | 27 | - | 27 | - |

**7. (LOSS)/PROFIT BEFORE TAX** (cont'd)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax: (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Rental expense on: | | | | |
| - equipment and store | 12,000 | 66,000 | 12,000 | 12,000 |
| - motor vehicles | 35,948 | - | - | - |
| - warehouse and office buildings | 830,242 | 5,219,259 | 776,242 | 776,242 |
| Rental income on: | | | | |
| - land | (10,983) | - | - | - |
| - warehouse | (1,593,730) | (1,576,198) | (1,593,730) | (1,576,198) |
| Reversal of impairment on investment in an associate | - | (15,820,723) | - | - |
| Staff costs | | | | |
| - contribution to defined contribution plans | 234,827 | 209,889 | 95,028 | 100,082 |
| - salaries and others | 3,972,853 | 7,309,690 | 1,142,401 | 1,191,833 |
| Waiver of amount owing by subsidiaries | - | - | - | 4,117,517 |

* Included in directors' remuneration are aggregate amounts of remuneration received and receivable by the directors of the Company during the financial year, as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Executive directors | | | | |
| - other emoluments | 2,502,672 | 3,182,552 | 1,284,306 | 1,177,730 |
| Non-executive directors | | | | |
| - fees | 376,750 | 388,000 | 376,750 | 388,000 |
| - other emoluments | 36,500 | - | 36,500 | - |
| Total non-executive directors' remuneration | 413,250 | 388,000 | 413,250 | 388,000 |
| Total directors' remuneration | 2,915,922 | 3,570,552 | 1,697,556 | 1,565,730 |

The monetary value of benefits-in-kind of the Group and of the Company provided to certain directors of the Company amounted to RM106,381 (2016: RM92,367) and RM106,381 (2016: RM92,367) respectively.

## 8. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| **Income tax:** | | | | |
| Taxation in Malaysia | | | | |
| - current income tax charge | 4,800 | 86,103 | 2,000 | 85,000 |
| - real property gain tax | - | 1,268 | - | 1,268 |
| - under/(over) provision in prior financial years | 3,005 | (13,153) | 3,005 | (148) |
| | 7,805 | 74,218 | 5,005 | 86,120 |
| Taxation outside Malaysia | | | | |
| - current income tax | 1,316,974 | 54,659 | - | - |
| Total current income tax | 1,324,779 | 128,877 | 5,005 | 86,120 |
| **Deferred tax** (Note 29) | | | | |
| - origination and reversal of temporary differences | (68,118) | - | - | - |
| - under provision in prior financial years | 531,665 | - | - | - |
| | 463,547 | - | - | - |
| Tax expense recognised in profit or loss | 1,788,326 | 128,877 | 5,005 | 86,120 |

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

**8. TAX EXPENSE** (cont'd)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| (Loss)/Profit before tax | (810,490) | 3,899,301 | (61,395,796) | (9,983,170) |
| Tax at Malaysian statutory income tax rate of 24% (2016: 24%) | (194,517) | 935,832 | (14,734,991) | (2,396,000) |
| Different tax rates in other countries | (726,095) | (341,360) | - | - |
| Adjustments: | | | | |
| - non-taxable income | (3,885,774) | (6,159,160) | (807,601) | (3,899,365) |
| - non-deductible expenses | 2,416,991 | 3,890,613 | 15,538,186 | 6,395,248 |
| - real property gain tax | - | 1,268 | - | 1,268 |
| - withholding tax in foreign subsidiaries | - | 4,662 | - | - |
| Tax effect on crystallisation of deferred tax | (31,142) | - | - | - |
| Share of results of associates | 16,309 | 54,115 | - | - |
| Share of results of a jointly controlled entity | 3,726,300 | 1,123,818 | - | - |
| Utilisation of deferred tax assets not recognised in prior financial years | (175,913) | 175,669 | - | (14,883) |
| Deferred tax assets not recognised during the financial year | 107,497 | 456,573 | 6,406 | - |
| Adjustment in respect of income tax of prior financial years | 3,005 | (13,153) | 3,005 | (148) |
| Adjustment in respect of deferred tax of prior financial years | 531,665 | - | - | - |
| Tax expense recognised in profit or loss | 1,788,326 | 128,877 | 5,005 | 86,120 |

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

The Group has unutilised tax losses and unabsorbed capital allowance of RM7,784,100 (2016: RM8,019,167) and RM53,138 (2016: Nil) respectively, available for set-off against future taxable profits.

The Company has unabsorbed capital allowance of RM53,138 (2016: Nil) available for set-off against future taxable profits.

## 9. (LOSS)/EARNINGS PER SHARE

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| (Loss)/Profit for the financial year attributable to owners of the Company | (9,664,112) | 5,844,698 |
| Weighted average number of ordinary shares for basic (loss)/earnings per share | 185,312,570 | 172,737,228 |
| Basic (loss)/earnings per ordinary share (sen) | (5.215) | 3.384 |

The diluted (loss)/earnings per ordinary share of the Group for the financial years ended 31 December 2017 and 31 December 2016 are same as the basic (loss)/earnings per ordinary share of the Group as the Company has no dilutive potential ordinary shares.

## 10. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land RM | Long-term Leasehold Land RM | Warehouse and Office Buildings RM | Warehouse Renovation RM | Equipment, Furniture and Fittings RM | Motor Vehicles RM | Solar Photovoltaic RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | | |
| At 1.1.2017 | | | | | | | | | |
| At cost | - | 2,848,800 | - | 121,052 | 1,079,370 | 2,314,307 | 9,880,863 | 2,772,837 | 19,017,229 |
| At valuation | 37,835,191 | - | 135,850,073 | - | - | - | - | - | 173,685,264 |
| | 37,835,191 | 2,848,800 | 135,850,073 | 121,052 | 1,079,370 | 2,314,307 | 9,880,863 | 2,772,837 | 192,702,493 |
| Translation differences | - | - | (5,944,537) | (919) | (37,087) | (32,387) | - | (55,870) | (6,070,800) |
| Additions | 1,272,013 | - | - | - | 37,405 | 603,773 | 930,450 | 69,844,460 | 72,688,101 |
| Adjustment on revaluation | - | - | 541,939 | - | - | - | - | - | 541,939 |
| Elimination of accumulated depreciation on revaluation | - | - | (2,944,533) | - | - | - | - | - | (2,944,533) |
| Written off | - | - | - | - | (166,357) | - | - | - | (166,357) |
| Disposals | - | - | - | - | (72,907) | (1,296,016) | - | - | (1,368,923) |
| Transfer | - | - | - | - | - | - | 66,481,163 | (66,500,063) | (18,900) |
| Disposal of subsidiaries (Note 13) | - | (2,848,800) | - | - | (11,063) | - | - | - | (2,859,863) |
| At 31.12.2017 | 39,107,204 | - | 127,502,942 | 120,133 | 829,361 | 1,589,677 | 77,292,476 | 6,061,364 | 252,503,157 |
| Representing | | | | | | | | | |
| At cost | - | - | - | 120,133 | 829,361 | 1,589,677 | 77,292,476 | 6,061,364 | 85,893,011 |
| At valuation | 39,107,204 | - | 127,502,942 | - | - | - | - | - | 166,610,146 |
| | 39,107,204 | - | 127,502,942 | 120,133 | 829,361 | 1,589,677 | 77,292,476 | 6,061,364 | 252,503,157 |

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

| | Freehold Land RM | Long-term Leasehold Land RM | Warehouse and Office Buildings RM | Warehouse Renovation RM | Equipment, Furniture and Fittings RM | Motor Vehicles RM | Solar Photovoltaic RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | | | | | |
| At 1.1.2017 | - | 47,480 | 17,805 | 61,613 | 1,008,548 | 1,941,199 | 30,353 | - | 3,106,998 |
| Translation differences | - | - | (63,195) | (919) | (36,285) | (32,387) | - | - | (132,786) |
| Charge for the financial year | - | 23,740 | 3,034,436 | 11,888 | 37,431 | 194,437 | 601,283 | - | 3,903,215 |
| Elimination of accumulated depreciation on revaluation | - | - | (2,944,533) | - | - | - | - | - | (2,944,533) |
| Written off | - | - | - | - | (166,330) | - | - | - | (166,330) |
| Disposals | - | - | - | - | (66,970) | (1,296,012) | - | - | (1,362,982) |
| Disposal of subsidiaries (Note 13) | - | (71,220) | - | - | (7,532) | - | - | - | (78,752) |
| At 31.12.2017 | - | - | 44,513 | 72,582 | 768,862 | 807,237 | 631,636 | - | 2,324,830 |
| **Net Carrying Amount** | | | | | | | | | |
| At cost | - | - | - | 47,551 | 60,499 | 782,440 | 76,660,840 | 6,061,364 | 83,612,694 |
| At valuation | 39,107,204 | - | 127,458,429 | - | - | - | - | - | 166,565,633 |
| At 31.12.2017 | 39,107,204 | - | 127,458,429 | 47,551 | 60,499 | 782,440 | 76,660,840 | 6,061,364 | 250,178,327 |

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

| Group | Freehold Land RM | Long-term Leasehold Land RM | Warehouse and Office Buildings RM | Warehouse Renovation RM | Equipment, Furniture and Fittings RM | Motor Vehicles RM | Solar Photovoltaic RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | | |
| At 1.1.2016 | | | | | | | | | |
| At cost | - | - | - | 302,683 | 5,223,839 | 2,744,282 | - | 58,604,613 | 66,875,417 |
| At valuation | 800,000 | - | 67,580,200 | - | - | - | - | - | 68,380,200 |
| | 800,000 | - | 67,580,200 | 302,683 | 5,223,839 | 2,744,282 | - | 58,604,613 | 135,255,617 |
| Translation differences | - | - | (2,451,044) | (15,037) | (338,110) | (46,890) | - | (410,434) | (3,261,515) |
| Additions | 32,186,366 | 2,848,800 | 184,227 | - | 49,343 | 264,758 | - | 29,366,557 | 64,900,051 |
| Adjustment on revaluation | - | - | 2,372,724 | - | - | - | - | - | 2,372,724 |
| Elimination of accumulated depreciation on revaluation | - | - | (1,894,245) | - | - | - | - | - | (1,894,245) |
| Transfer | 4,848,825 | - | 70,058,211 | - | - | - | 9,880,863 | (84,787,899) | - |
| Disposals | - | - | - | - | (48,468) | - | - | - | (48,468) |
| Disposal of subsidiaries (Note 13) | - | - | - | (166,594) | (3,807,234) | (647,843) | - | - | (4,621,671) |
| At 31.12.2016 | 37,835,191 | 2,848,800 | 135,850,073 | 121,052 | 1,079,370 | 2,314,307 | 9,880,863 | 2,772,837 | 192,702,493 |
| Representing | | | | | | | | | |
| At cost | - | 2,848,800 | - | 121,052 | 1,079,370 | 2,314,307 | 9,880,863 | 2,772,837 | 19,017,229 |
| At valuation | 37,835,191 | - | 135,850,073 | - | - | - | - | - | 173,685,264 |
| | 37,835,191 | 2,848,800 | 135,850,073 | 121,052 | 1,079,370 | 2,314,307 | 9,880,863 | 2,772,837 | 192,702,493 |

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

| | Freehold Land RM | Long-term Leasehold Land RM | Warehouse and Office Buildings RM | Warehouse Renovation RM | Equipment, Furniture and Fittings RM | Motor Vehicles RM | Solar Photovoltaic RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | | | | | |
| At 1.1.2016 | - | - | - | 202,812 | 4,820,497 | 2,497,549 | - | - | 7,520,858 |
| Translation differences | - | - | (83,379) | (13,864) | (317,108) | (45,116) | - | - | (459,467) |
| Charge for the financial year | - | 47,480 | 1,995,429 | 24,612 | 111,333 | 114,766 | 30,353 | - | 2,323,973 |
| Elimination of accumulated depreciation on revaluation | - | - | (1,894,245) | - | - | - | - | - | (1,894,245) |
| Disposals | - | - | - | - | (48,188) | - | - | - | (48,188) |
| Disposal of subsidiaries (Note 13) | - | - | - | (151,947) | (3,557,986) | (626,000) | - | - | (4,335,933) |
| At 31.12.2016 | - | 47,480 | 17,805 | 61,613 | 1,008,548 | 1,941,199 | 30,353 | - | 3,106,998 |
| **Net Carrying Amount** | | | | | | | | | |
| At cost | - | 2,801,320 | - | 59,439 | 70,822 | 373,108 | 9,850,510 | 2,772,837 | 15,928,036 |
| At valuation | 37,835,191 | - | 135,832,268 | - | - | - | - | - | 173,667,459 |
| At 31.12.2016 | 37,835,191 | 2,801,320 | 135,832,268 | 59,439 | 70,822 | 373,108 | 9,850,510 | 2,772,837 | 189,595,495 |

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

| Company | Freehold Land RM | Office Building RM | Equipment, Furniture and Fittings RM | Motor vehicles RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | |
| At 1.1.2017 | | | | | | |
| At cost | - | - | 350,663 | 1,952,004 | 909,459 | 3,212,126 |
| At valuation | 4,855,311 | 1,335,402 | - | - | - | 6,190,713 |
| | 4,855,311 | 1,335,402 | 350,663 | 1,952,004 | 909,459 | 9,402,839 |
| Additions | - | - | 10,889 | 492,986 | 2,474,859 | 2,978,734 |
| Written off | - | - | (166,357) | - | - | (166,357) |
| Disposals | - | - | - | (1,296,016) | - | (1,296,016) |
| At 31.12.2017 | 4,855,311 | 1,335,402 | 195,195 | 1,148,974 | 3,384,318 | 10,919,200 |
| Representing | | | | | | |
| At cost | - | - | 195,195 | 1,148,974 | 3,384,318 | 4,728,487 |
| At valuation | 4,855,311 | 1,335,402 | - | - | - | 6,190,713 |
| | 4,855,311 | 1,335,402 | 195,195 | 1,148,974 | 3,384,318 | 10,919,200 |
| **Accumulated Depreciation** | | | | | | |
| At 1.1.2017 | - | 17,805 | 304,040 | 1,578,896 | - | 1,900,741 |
| Charge for the financial year | - | 26,708 | 25,810 | 172,280 | - | 224,798 |
| Written off | - | - | (166,330) | - | - | (166,330) |
| Disposals | - | - | - | (1,296,012) | - | (1,296,012) |
| At 31.12.2017 | - | 44,513 | 163,520 | 455,164 | - | 663,197 |
| **Net Carrying Amount** | | | | | | |
| At cost | - | - | 31,675 | 693,810 | 3,384,318 | 4,109,803 |
| At valuation | 4,855,311 | 1,290,889 | - | - | - | 6,146,200 |
| At 31.12.2017 | 4,855,311 | 1,290,889 | 31,675 | 693,810 | 3,384,318 | 10,256,003 |

**10. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

| | Freehold Land RM | Office Building RM | Equipment, Furniture and Fittings RM | Motor vehicles RM | Capital Work-in-Progress RM | Total RM |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **Cost/Valuation** | | | | | | |
| At 1.1.2016 | | | | | | |
| At cost | - | - | 323,537 | 1,687,246 | 2,871,000 | 4,881,783 |
| At valuation | - | - | - | - | - | - |
| | - | - | 323,537 | 1,687,246 | 2,871,000 | 4,881,783 |
| Additions | 32,102,413 | 184,227 | 27,126 | 264,758 | 4,038,459 | 36,616,983 |
| Disposals | (32,095,927) | - | - | - | - | (32,095,927) |
| Transfers | 4,848,825 | 1,151,175 | - | - | (6,000,000) | - |
| At 31.12.2016 | 4,855,311 | 1,335,402 | 350,663 | 1,952,004 | 909,459 | 9,402,839 |
| Representing | | | | | | |
| At cost | - | - | 350,663 | 1,952,004 | 909,459 | 3,212,126 |
| At valuation | 4,855,311 | 1,335,402 | - | - | - | 6,190,713 |
| | 4,855,311 | 1,335,402 | 350,663 | 1,952,004 | 909,459 | 9,402,839 |
| **Accumulated Depreciation** | | | | | | |
| At 1.1.2016 | - | - | 278,117 | 1,470,199 | - | 1,748,316 |
| Charge for the financial year | - | 17,805 | 25,923 | 108,697 | - | 152,425 |
| At 31.12.2016 | - | 17,805 | 304,040 | 1,578,896 | - | 1,900,741 |
| **Net Carrying Amount** | | | | | | |
| At cost | - | - | 46,623 | 373,108 | 909,459 | 1,329,190 |
| At valuation | 4,855,311 | 1,317,597 | - | - | - | 6,172,908 |
| At 31.12.2016 | 4,855,311 | 1,317,597 | 46,623 | 373,108 | 909,459 | 7,502,098 |

# NOTES TO THE FINANCIAL STATEMENTS
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## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM72,688,101 (2016: RM64,900,051) and RM2,978,734 (2016: RM36,616,983) respectively which are satisfied by the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Additions of property, plant and equipment | 72,688,101 | 64,900,051 | 2,978,734 | 36,616,983 |
| Less: Payables | (2,317,993) | (4,074,146) | - | - |
| Cash payments on purchase of property, plant and equipment | 70,370,108 | 60,825,905 | 2,978,734 | 36,616,983 |

(b) The freehold land and warehouse and office buildings of the Group and of the Company were revalued on 5 May 2016 and 31 December 2017 respectively by external independent valuers, having appropriate recognised professional qualification. The valuations are based on replacement cost method and comparison method respectively.

The net carrying amount of these property, plant and equipment had no revaluation been made are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Freehold land | 38,640,011 | 37,367,998 | 4,855,311 | 4,855,311 |
| Warehouse and office buildings | 122,194,639 | 130,558,927 | 1,290,889 | 1,317,597 |

(c) The net carrying amount of property, plant and equipment pledged to the financial institutions as security for term loan facilities (Note 26) are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Freehold land | 38,311,277 | 37,835,191 | 4,855,311 | 4,855,311 |
| Warehouse and office buildings | 127,458,429 | 135,832,268 | 1,290,889 | 1,317,597 |
| | 165,769,706 | 173,667,459 | 6,146,200 | 6,172,908 |

**10. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

(d) The fair value of freehold land and warehouse and office buildings of the Group and of the Company are categorised as follows:

| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **31.12.2017** | | | | |
| Freehold land | - | 39,107,204 | - | 39,107,204 |
| Warehouse and office buildings | - | 1,290,889 | 126,167,540 | 127,458,429 |
| **31.12.2016** | | | | |
| Freehold land | - | 37,835,191 | - | 37,835,191 |
| Warehouse and office buildings | - | 1,317,597 | 134,514,671 | 135,832,268 |
| **Company** | | | | |
| **31.12.2017** | | | | |
| Freehold land | - | 4,855,311 | - | 4,855,311 |
| Office building | - | 1,290,889 | - | 1,290,889 |
| **31.12.2016** | | | | |
| Freehold land | - | 4,855,311 | - | 4,855,311 |
| Office building | - | 1,317,597 | - | 1,317,597 |

(i) The valuation of freehold land and office building as at 5 May 2016 are determined using the Comparison Method of Valuation which compares the land with similar land that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these lands are noted and appropriate adjustment thereof are then made to arrive at the value of the land.

In view that there is comparable market data of similar land in the vicinity where the Group's freehold land is situated, the valuation was based on significant observable inputs and is therefore recognised under level 2 of the fair value hierarchy.

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

(d) The fair value of freehold land and warehouse and office buildings of the Group and of the Company are categorised as follows: (cont'd)

(ii) The valuation of warehouse buildings as at 31 December 2017 is determined using replacement cost approach which determines the cost to replace an asset at current prices. In view of the lack of comparable market data of similar buildings in the vicinity where the Group's warehouse buildings are situated, the valuation was based on significant unobservable inputs and is therefore recognised under level 3 of the fair value hierarchy.

The directors and the professional valuer consider that it is appropriate to use the replacement cost approach since the directors will use the warehouse buildings for long-term yield from production of logistics services for best utilisation of the buildings for maximisation of returns rather than primarily for rental income and will not dispose the warehouse buildings in the short run.

The key unobservable inputs of the valuation include average construction cost per square meter of RM1,562 (equivalent to RMB2,600), direct administrative cost of approximately 3%, interest rate on financing of approximately 2% and residual ratio of 83%, 91% and 97%. These assumptions are estimated by the professional valuer based on the risk profile of the warehouse buildings being valued.

A significant increase/decrease in the estimated average construction cost per square, direct administrative cost and interest rate on financing in isolation would result in a significant increase/decrease in the fair value of the warehouse buildings.

There were no transfers between level 1, level 2 and level 3 during the financial years ended 31 December 2017 and 31 December 2016.

(e) Included in property, plant and equipment are borrowing cost capitalised during the financial year as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Warehouse building | - | 747,244 |
| Solar photovoltaic | 739,242 | - |
| | 739,242 | 747,244 |

## 11. LAND USE RIGHTS

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| At 1 January | 17,050,183 | 17,848,395 |
| Amortisation for the financial year | (396,643) | (415,026) |
| Translation differences | (704,338) | (383,186) |
| At 31 December | 15,949,202 | 17,050,183 |

At the end of the financial year, the Group has land use rights located in Suzhou in The People's Republic of China ("PRC") where the Group's warehousing facilities reside under medium lease terms for a duration of 50 years.

The land use rights is pledged to the financial institutions as security for term loan facilities as disclosed in Note 26.

## 12. INTANGIBLE ASSETS

| | Goodwill RM | Customer Contract RM | Total RM |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| At 1.1.2017 | 41,727 | 2,724,904 | 2,766,631 |
| Disposal of a subsidiary | (41,727) | - | (41,727) |
| At 31.12.2017 | - | 2,724,904 | 2,724,904 |
| **Accumulated impairment** | | | |
| At 1.1.2017 | 41,727 | - | 41,727 |
| Disposal of a subsidiary | (41,727) | - | (41,727) |
| At 31.12.2017 | - | - | - |
| **Accumulated amortisation** | | | |
| At 1.1.2017 | - | - | - |
| Amortisation charge for the financial year | - | 129,757 | 129,757 |
| At 31.12.2017 | - | 129,757 | 129,757 |
| **Carrying amount** | | | |
| At 31.12.2017 | - | 2,595,147 | 2,595,147 |
| **Cost** | | | |
| At 1.1.2016/31.12.2016 | 41,727 | 2,724,904 | 2,766,631 |
| **Accumulated impairment** | | | |
| At 1.1.2016/31.12.2016 | (41,727) | - | (41,727) |
| **Carrying amount** | | | |
| At 31.12.2016 | - | 2,724,904 | 2,724,904 |

The intangible assets including goodwill and customer contract arise from acquisition of subsidiaries in the previous financial year.

## 12. INTANGIBLE ASSETS (cont'd)

**Customer contract**

The fair value of intangible assets is attributable to customer contracts arising from the acquisition of a subsidiary. The acquired subsidiary was granted a feed-in approval by Sustainable Energy Development Authority Malaysia ("SEDA") pursuant to the Renewable Energy Act 2011.

A Renewable Energy Power Purchase Agreement ("REPPA") was entered into with Tenaga Nasional Berhad ("TNB") with effective period of 21 years commencing from the Feed-in Tariff ("FiT") commencement.

The customer contract is amortised on a straight-line basis over the effective period of 21 years upon the commencement of the FiT.

## 13. SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Unquoted shares, at cost | | |
| At 1 January | 34,291,195 | 34,316,195 |
| Distribution received | - | (25,000) |
| At 31 December | 34,291,195 | 34,291,195 |
| Less: Accumulated impairment loss | | |
| At 1 January/31 December | (11,475,000) | (11,475,000) |
| | 22,816,195 | 22,816,195 |

Details of the subsidiaries are as follows:

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest 2017 | Effective Equity Interest 2016 |
|---|---|---|---|---|
| Integrated Forwarding & Shipping Berhad | Malaysia | Ceased operations | 100% | 100% |
| Integrated Freight Services Sdn. Bhd. ^ | Malaysia | Ceased operations | - | 100% |
| IL Energy Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| ILB International (BVI) Limited @ | British Virgin Islands | Investment holding | 100% | 100% |

**13. SUBSIDIARIES** (cont'd)

Details of the subsidiaries are as follows: (cont'd)

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest 2017 | Effective Equity Interest 2016 |
|---|---|---|---|---|
| **Subsidiaries of IL Energy Sdn. Bhd.** | | | | |
| EVN Vision Sdn. Bhd. | Malaysia | Solar power plant | 100% | 100% |
| Feel Solar Sdn. Bhd. | Malaysia | Trading of solar related goods and designing, installation and commissioning of solar photovoltaic systems and other renewable energy related system | - | 100% |
| IL Solar Sdn. Bhd. | Malaysia | Solar power plant | 100% | 100% |
| IL Power Sdn. Bhd. | Malaysia | Dormant | 100% | - |
| East Borneo Solar Sdn. Bhd. | Malaysia | Dormant | 100% | - |
| **Subsidiary of ILB International (BVI) Limited** | | | | |
| ISH Logistics Group Limited @ | Grand Cayman Island | Investment holding | 70% | 70% |
| **Subsidiary of ISH Logistics Group Limited** | | | | |
| ISH Group (BVI) Limited @ | British Virgin Islands | Investment holding | 70% | 70% |
| **Subsidiary of ISH Group (BVI) Limited** | | | | |
| Integrated Logistics (H.K.) Limited @ | Hong Kong | Investment holding, warehousing and related value added services and transportation | 70% | 70% |

## 13. SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows: (cont'd)

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest 2017 | Effective Equity Interest 2016 |
|---|---|---|---|---|
| **Subsidiaries of Integrated Logistics (H.K.) Limited** | | | | |
| Integrated Logistics (China) Company Limited # | The People's Republic of China | Warehousing and related value added services and transportation | 70% | 70% |
| Integrated Etern Logistics (Suzhou) Company Limited # | The People's Republic of China | Warehousing and related value added services and transportation | 45.5% | 45.5% |

@ Audited by an independent member firm of Baker Tilly International.

^ The subsidiary was consolidated using unaudited management financial statements as it had been placed under Member's Voluntary Winding-up pursuant to Section 439(1) of the Companies Act 2016 in Malaysia. The Member's Voluntary Winding-up had been completed on 3 February 2017.

# Audited by auditors other than Baker Tilly Monteiro Heng.

### (a) Acquisition of subsidiaries

(i) On 18 April 2017, IL Energy Sdn. Bhd., a wholly-owned subsidiary has acquired 2 ordinary shares representing 100% of the issued and paid up capital of IL Power Sdn. Bhd. for a total cash consideration of RM2.

The fair value of identifiable net assets recognised is cash and cash equivalent of RM2 and effect of the acquisition on cash flows is as follows:

| | 2017 RM |
|---|---|
| Cash and cash equivalent acquired | 2 |
| Consideration paid in cash | (2) |
| Net cash outflow on acquisition | - |

## 13. SUBSIDIARIES (cont'd)

### (a) Acquisition of subsidiaries (cont'd)

(ii) On 8 May 2017, IL Energy Sdn. Bhd., a wholly-owned subsidiary has acquired 2 ordinary shares representing 100% of the issued and paid up capital of East Borneo Solar Sdn. Bhd. for a total cash consideration of RM2.

The fair value of identifiable net assets recognised is cash and cash equivalents of RM2 and effect of the acquisition on cash flows is as follows:

| | 2017<br>RM |
|---|---|
| Cash and cash equivalent acquired | 2 |
| Consideration paid in cash | (2) |
| Net cash outflow on acquisition | - |

### (b) Disposal of subsidiaries

<u>2017</u>

On 21 April 2017, IL Energy Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Share Sale Agreement ("the Agreement") with Bee Sun Sdn. Bhd. for the disposal of its entire equity interest in Feel Solar Sdn. Bhd. for a total cash consideration of RM2,981,193 upon the terms and conditions stated in the Agreement.

<u>Effect of disposal on the financial position and cash flow of the Group:</u>

| | Note | 2017<br>RM |
|---|---|---|
| Property, plant and equipment | 10 | 2,781,111 |
| Receivables | | 287 |
| Cash and cash equivalents | | 148,061 |
| Tax assets | | 1,090 |
| Payables | | (1,361) |
| Net assets and liabilities | | 2,929,188 |
| Cash consideration received | | (2,981,193) |
| Gain on disposal of investment in a subsidiary | | (52,005) |
| Cash consideration received | | 2,981,193 |
| Cash and cash equivalents | | (148,061) |
| Net cash inflow arising from disposal | | 2,833,132 |

**13. SUBSIDIARIES** (cont'd)

**(b) Disposal of subsidiaries** (cont'd)

<u>2016</u>

On 19 April 2016, Integrated Logistics (H.K.) Limited ("ILHK"), an indirect 70% owned subsidiary of the Company entered into a Deed of Sale and Purchase ("Deed") with Natural Creation Limited and Joint Fun Company Limited (collectively, "Purchasers"), both are indirect wholly-owned subsidiary of C.J.H. Investment Company Limited who has guaranteed the performance of Purchasers' obligations under the Deed, for the disposal by ILHK of its entire equity interest in ISH Logistics (Shanghai) Limited and ISH Cargo Services (HK) Company Limited to Purchasers for a total cash consideration of HKD137.3 million (equivalent to approximately RM77.6 million).

The disposal was completed on 8 July 2016 upon fulfilment of all the Conditions Precedent of the Deed.

<u>Effect of disposal on the financial position and cash flow of the Group:</u>

| | Note | 2016 RM |
|---|---|---|
| Property, plant and equipment | 10 | 285,738 |
| Other investments | 16 | 1,015,871 |
| Receivables | | 6,592,829 |
| Pledged bank deposits | | 121,633 |
| Cash and cash equivalents | | 70,229,320 |
| Payables | | (1,850,298) |
| Deferred tax liabilities | 28 | (190,777) |
| Translation differences | | 6,819,492 |
| Net assets and liabilities | | 83,023,808 |
| Cash consideration received | | (77,622,505) |
| | | 5,401,303 |
| Reclassification adjustment of exchange translation reserve | | (19,899,234) |
| Reclassification adjustment of fair value reserve | | 84,850 |
| Gain on disposal of investment in a subsidiary | | (14,413,081) |
| Cash consideration received | | 77,622,505 |
| Cash and cash equivalents | | (70,229,320) |
| Translation differences | | (6,415,053) |
| Net cash inflows arising from disposal | | 978,132 |

**(c) Dilution of interest in IL Solar Sdn. Bhd. in the previous financial year**

On 5 September 2016, IL Energy Sdn. Bhd. had transferred 400,000 ordinary shares of RM1 each to Pensolar Sdn. Bhd. and Atlantic Blue Sdn. Bhd. at RM400,000. This had resulted in a dilution of interest in IL Solar from 100% to 80%. A loss on dilution of interest amounting to RM400,000 has been recognised to the Group's non-controlling interests in the previous financial year's statement of changes in equity.

**13. SUBSIDIARIES** (cont'd)

(d) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

| | Integrated Logistics (H.K.) Limited RM | Integrated Shun Hing Logistics (Shanghai) Co. Limited RM | Integrated Logistics (China) Co. Limited RM | Integrated Etern Logistics (Suzhou) Co. Limited RM | ISH Logistics Group Limited RM | Integrated Shun Hing Logistics (Shenzhen) Co. Limited RM | Other immaterial individual subsidiaries RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| NCI percentage of ownership interest and voting interest | 30% | - | 30% | 54.5% | 30% | - | | |
| Carrying amount of NCI | 14,404,238 | - | 10,725,497 | 37,743,270 | (5,333,876) | - | 34,382 | 57,573,511 |
| Profit/(Loss) allocated to NCI | 6,578,959 | - | 78,862 | 797,100 | (174,305) | - | (215,320) | 7,065,296 |
| **2016** | | | | | | | | |
| NCI percentage of ownership interest and voting interest | 30% | - | 30% | 54.5% | 30% | - | | |
| Carrying amount of NCI | 9,145,262 | - | 11,112,566 | 36,889,640 | (5,772,942) | - | 249,703 | 51,624,229 |
| (Loss)/Profit allocated to NCI | (834,224) | (545,482) | 126,409 | (415,773) | (493,391) | 90,094 | (1,907) | (2,074,274) |

13. **SUBSIDIARIES** (cont'd)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

| | Integrated Logistics (H.K.) Limited RM | Integrated Logistics (China) Co. Limited RM | Integrated Etern Logistics (Suzhou) Co. Limited RM | ISH Logistics Group Limited RM |
|---|---|---|---|---|
| **2017** | | | | |
| **Assets and liabilities** | | | | |
| Non-current assets | 115,174,510 | 126 | 144,810,487 | 404 |
| Current assets | 792,354 | 35,967,686 | 4,075,979 | 65,258,070 |
| Non-current liabilities | (11,406,895) | - | (56,921,321) | (17,066,040) |
| Current liabilities | (37,716,282) | (216,157) | (22,711,439) | (335,329) |
| Net assets | 66,843,687 | 35,751,655 | 69,253,706 | 47,857,105 |
| **Results** | | | | |
| Revenue | 242,826 | - | 14,531,997 | - |
| Profit/(Loss) for the financial year | 21,929,865 | 262,873 | 4,315,311 | (581,016) |
| Total comprehensive income/(loss) | 21,929,865 | 262,873 | 4,315,311 | (581,016) |
| Cash flows (used in)/from operating activities | (1,335,242) | (1,559,549) | 5,742,926 | 51,559 |
| Cash flows from/(used in) investing activities | 133 | 842,304 | (2,720,198) | - |
| Cash flows used in financing activities | (487,957) | - | (10,072,068) | - |
| Effects of exchange rate changes on cash and cash equivalents | - | 2,477,566 | (3,394,129) | - |
| Net change in cash and cash equivalents | (1,823,065) | 1,760,321 | (10,443,470) | 51,559 |
| Dividends paid to NCI | - | - | - | - |

**13. SUBSIDIARIES** (cont'd)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows: (cont'd)

| | Integrated Logistics (H.K.) Limited RM | Integrated Logistics (China) Co. Limited RM | Integrated Etern Logistics (Suzhou) Co. Limited RM | ISH Logistics Group Limited RM |
|---|---|---|---|---|
| **2016** | | | | |
| **Assets and liabilities** | | | | |
| Non-current assets | 104,785,796 | 8,553 | 151,585,347 | 28,925,451 |
| Current assets | 2,801,611 | 37,324,399 | 15,341,574 | 44,415,344 |
| Non-current liabilities | (13,254,000) | - | (73,922,820) | (19,059,274) |
| Current liabilities | (42,820,432) | (291,066) | (25,316,688) | (221,910) |
| Net assets | 51,512,975 | 37,041,886 | 67,687,413 | 54,059,611 |
| **Results** | | | | |
| Revenue | 412,279 | 55,639 | 13,375,315 | - |
| Profit/(Loss) for the financial year | 3,650,958 | 421,363 | (762,887) | (1,644,636) |
| Total comprehensive income/(loss) | 3,650,958 | 421,363 | (762,887) | (1,644,636) |
| Cash flows (used in)/from operating activities | (1,003,037) | 742,450 | (1,447,227) | 74,749,717 |
| Cash flows from/(used in) investing activities | 77,633,317 | - | (12,617,493) | - |
| Cash flows (used in)/from financing activities | (76,832,404) | - | 14,400,083 | (74,751,600) |
| Effects of exchange rate changes on cash and cash equivalents | - | 22,661 | - | - |
| Net change in cash and cash equivalents | (202,124) | 765,111 | 335,363 | (1,883) |
| Dividends paid to NCI | - | - | - | - |

## 14. INTEREST IN ASSOCIATES

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | | | | |
| At 1 January | 5,988,300 | 10,988,300 | 11,007,500 | 11,007,500 |
| Distribution received | - | (5,000,000) | - | - |
| At 31 December | 5,988,300 | 5,988,300 | 11,007,500 | 11,007,500 |
| Less: Accumulated impairment loss | | | | |
| Share of results: | | | | |
| At 1 January | 4,169,633 | 4,395,377 | - | - |
| Additions | (67,957) | (225,744) | - | - |
| At 31 December | 4,101,676 | 4,169,633 | - | - |
| | 10,089,976 | 10,157,933 | 11,007,500 | 11,007,500 |
| Quoted shares outside Malaysia, at cost | | | | |
| At 1 January/ 31 December | 66,096,686 | 66,096,686 | - | - |
| Less: Accumulated impairment loss | | | | |
| At 1 January | (27,719,821) | (43,540,544) | - | - |
| Additions | (1,705,761) | - | - | - |
| Reversal | - | 15,820,723 | - | - |
| At 31 December | (29,425,582) | (27,719,821) | - | - |
| Share of results: | | | | |
| At 1 January | (13,198,653) | (1,620,913) | - | - |
| Additions | 19,119,277 | (11,577,740) | - | - |
| At 31 December | 5,920,624 | (13,198,653) | - | - |
| Exchange differences | 4,273,550 | 3,320,119 | - | - |
| | 46,865,278 | 28,498,331 | - | - |
| | 56,955,254 | 38,656,264 | 11,007,500 | 11,007,500 |
| Market value: | | | | |
| Quoted shares outside Malaysia | 46,865,278 | 28,498,331 | | |

## 14. INTEREST IN ASSOCIATES (cont'd)

Details of the associates are as follows:

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest 2017 | Effective Equity Interest 2016 |
|---|---|---|---|---|
| Integrated Mits Sdn. Bhd. | Malaysia | Warehousing and related value added services | 50% | 50% |
| Interest held through Integrated Logistics (H.K.) Limited | | | | |
| * Hengyang Petrochemical Logistics Limited | Singapore | Investment holding | 18.1% | 18.1% |

* The audited financial statements and auditors' report for the financial year were not available. However, the results have been accounted for based on the public announcement for the financial year ended 31 December 2017.

(a) Fair value information

As at 31 December 2017, the fair value of Hengyang Petrochemical Logistics Limited, which is listed on Singapore Exchange Limited, was RM46,865,278 (2016: RM28,498,331) based on the quoted market price available on the stock exchange, which has been categorised within level 1 fair value hierarchy.

(b) The following table illustrates the summarised financial information of the associates:

| | Hengyang Petrochemical Logistics Limited RM | Integrated Mits Sdn. Bhd. RM | Total RM |
|---|---|---|---|
| **2017** | | | |
| **Assets and liabilities** | | | |
| Non-current assets | 365,998,080 | 19,162,814 | 385,160,894 |
| Current assets | 57,604,708 | 4,110,436 | 61,715,144 |
| Non-current liabilities | - | (3,039,954) | (3,039,954) |
| Current liabilities | (1,731,156) | (51,702) | (1,782,858) |
| Net assets | 421,871,632 | 20,181,594 | 442,053,226 |
| **Results** | | | |
| Revenue | 45,865,295 | 1,371,283 | 47,236,578 |
| Profit/(Loss) for the financial year | 113,107,162 | (135,914) | 112,971,248 |
| Total comprehensive income/(loss) | 113,107,162 | (135,914) | 112,971,248 |

## 14. INTEREST IN ASSOCIATES (cont'd)

(b) The following table illustrates the summarised financial information of the associates: (cont'd)

| | Hengyang Petrochemical Logistics Limited RM | Integrated Mits Sdn. Bhd. RM | Total RM |
|---|---|---|---|
| **2016** | | | |
| **Assets and liabilities** | | | |
| Non-current assets | 45,006,143 | 19,715,446 | 64,721,589 |
| Current assets | 1,096,746,333 | 3,691,175 | 1,100,437,508 |
| Non-current liabilities | (507,948,454) | (2,970,232) | (510,918,686) |
| Current liabilities | (288,476,546) | (118,881) | (288,595,427) |
| Net assets | 345,327,476 | 20,317,508 | 365,644,984 |
| **Results** | | | |
| Revenue | 94,984,933 | 1,371,283 | 96,356,216 |
| Loss for the financial year | (67,151,288) | (450,959) | (67,602,247) |
| Total comprehensive loss | (67,151,288) | (450,959) | (67,602,247) |

(c) The reconciliation of net assets of the associates to the carrying amount of the investment in associates are as follows:

| | Hengyang Petrochemical Logistics Limited RM | Integrated Mits Sdn. Bhd. RM | Total RM |
|---|---|---|---|
| **2017** | | | |
| Group's share of net assets | 60,725,143 | 8,856,214 | 69,581,357 |
| Goodwill | 11,292,167 | 1,233,762 | 12,525,929 |
| Exchange differences | 4,273,550 | - | 4,273,550 |
| Less: Accumulated impairment losses | (29,425,582) | - | (29,425,582) |
| Carrying amount in the consolidated statement of financial position | 46,865,278 | 10,089,976 | 56,955,254 |
| Group's share of results | 19,119,277 | (67,957) | 19,051,320 |
| **2016** | | | |
| Group's share of net assets | 41,605,866 | 8,924,171 | 50,530,037 |
| Goodwill | 11,292,167 | 1,233,762 | 12,525,929 |
| Exchange differences | 3,320,119 | - | 3,320,119 |
| Less: Accumulated impairment losses | (27,719,821) | - | (27,719,821) |
| Carrying amount in the consolidated statement of financial position | 28,498,331 | 10,157,933 | 38,656,264 |
| Group's share of results | (11,577,740) | (225,744) | (11,803,484) |

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Unquoted shares, at cost | | | | |
| At 1 January/ 31 December | 35,066,081 | 35,066,081 | 34,716,902 | 34,716,902 |
| Amount owing by a jointly controlled entity | 46,830,750 | 30,158,522 | 46,830,750 | 30,158,522 |
| Less: Accumulated impairment loss | | | | |
| At 1 January | - | - | (16,175,655) | - |
| Addition | - | - | (42,889,246) | (16,175,655) |
| At 31 December | - | - | (59,064,901) | (16,175,655) |
| Share of results: | | | | |
| At 1 January | (45,791,961) | (41,109,384) | - | - |
| Additions | (15,526,249) | (4,682,577) | - | - |
| At 31 December | (61,318,210) | (45,791,961) | - | - |
| Exchange differences | 1,699,258 | 721,621 | - | - |
| | 22,277,879 | 20,154,263 | 22,482,751 | 48,699,769 |
| The Group's investment in a jointly controlled entity is represented by: | | | | |
| Group's share of net assets | 22,277,879 | 20,154,263 | | |

The amount owing by a jointly controlled entity is solely due from Integrated National Logistics DWC-LLC (“INL”) which is non-trade in nature, unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. The Group’s intention is to provide adequate funds to the jointly controlled entity to meet its liabilities as and when they fall due. As this amount is, in substance, part of the Group’s net investment in the jointly controlled entity, it is stated at cost less accumulated impairment losses.

The amount owing by a jointly controlled entity is denominated in United Arab Emirates Dirham.

**15. INTEREST IN A JOINTLY CONTROLLED ENTITY** (cont'd)

(a) The details of a jointly controlled entity are as follows:

| Name of Company | Country of Incorporation | Principal Activities | Effective Equity Interest 2017 | Effective Equity Interest 2016 |
|---|---|---|---|---|
| * Integrated National Logistics DWC-LLC | United Arab Emirates | Warehousing and related value | 50% | 50% |

* Audited by auditors other than Baker Tilly Monteiro Heng.

(b) The summarised financial information of INL are as follows:

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | 296,397,387 | 347,144,475 |
| Current assets | 11,278,362 | 16,732,749 |
| Non-current liabilities | (158,782,010) | (202,639,104) |
| Current liabilities | (103,928,236) | (120,476,396) |
| Net assets | 44,965,503 | 40,761,724 |
| Proportion of the ownership of the Group | 50% | 50% |
| Carrying amount of the investment in a jointly controlled entities | 22,277,879 | 20,154,263 |
| **Results** | | |
| Revenue | 24,974,635 | 60,599,527 |
| Cost of sales | (28,121,648) | (38,116,733) |
| Gross (loss)/profit | (3,147,013) | 22,482,794 |
| Other income | 124,473 | 337,120 |
| Administrative expenses | (19,860,253) | (22,452,576) |
| Finance costs | (8,169,705) | (9,732,492) |
| Loss before tax | (31,052,498) | (9,365,154) |
| Tax expense | - | - |
| Loss for the financial year | (31,052,498) | (9,365,154) |
| Group's share of results | (15,526,249) | (4,682,577) |

## 16. OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| **Non-current** | | | | |
| **Available-for-sale financial assets** | | | | |
| Golf club memberships | | | | |
| At 1 January | 494,625 | 1,634,216 | 494,625 | 527,280 |
| Translation differences | (13,915) | (84,940) | (13,915) | 6,125 |
| Change in fair value | (36,027) | (38,780) | (36,027) | (38,780) |
| Less: Impairment loss | (55,543) | - | (55,543) | - |
| Disposal of subsidiaries (Note 13) | - | (1,015,871) | - | - |
| At 31 December | 389,140 | 494,625 | 389,140 | 494,625 |
| **Current** | | | | |
| **Held for trading investment** | | | | |
| Short-term fund | 20,445,371 | 17,443,664 | 20,445,371 | 17,443,664 |
| Market value of quoted investments | 20,445,371 | 17,443,664 | 20,445,371 | 17,443,664 |

## 17. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing by subsidiaries are non-trade in nature and unsecured. These amounts are denominated in Hong Kong Dollar, bear effective interest at rates ranging from 2.76% to 3.31% (2016: 2.55% to 3.01%) per annum and repayable commencing from year 2017.

The amounts owing to subsidiaries are non-trade in nature, interest-free and repayable in the next 12 month. Included in the amounts owing to subsidiaries is an amount of RM34,188,000 (2016: RM9,256,000) denominated in Hong Kong Dollar.

## 18. AMOUNT OWING BY A JOINTLY CONTROLLED ENTITY

The amount owing by a jointly controlled entity, INL, is denominated in United Arab Emirates Dirham, non-trade in nature, unsecured, interest-free except for an amount of RM60,604,500 (2016: RM67,171,500) which bears effective interest at a rate of 4.0% (2016: 4.0%) per annum and repayable commencing from year 2021.

## 19. RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Trade receivables | | | | |
| - external parties | 156,519 | 57,782 | - | - |
| Other receivables, deposits and prepayments (Note 20) | 19,732,778 | 18,333,517 | 85,069,843 | 61,487,582 |
| | 19,889,297 | 18,391,299 | 85,069,843 | 61,487,582 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

**Ageing analysis of trade receivables**

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| Neither past due nor impaired | 156,519 | 57,712 |
| 61 to 90 days past due not impaired | - | 70 |
| | 156,519 | 57,782 |

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

In the previous financial year, the Group had trade receivables amounting to RM70 that were past due at the reporting date but not impaired.

No impairment loss on trade receivables has been made as, in the opinion of the management, the debts would be collected in full within the next twelve months.

The Group does not hold any collateral or other credit enhancements over these balances.

## 20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Other receivables | | | | |
| - external parties | 1,759,562 | 2,648,152 | 165,504 | 2,406,539 |
| - subsidiaries | - | - | 72,240,978 | 48,284,879 |
| - a jointly controlled entity | 11,966,982 | 10,362,216 | 11,966,982 | 10,362,216 |
| - GST refundable | 4,115,074 | 273,918 | 71,246 | - |
| | 17,841,618 | 13,284,286 | 84,444,710 | 61,053,634 |
| Deposits | 1,156,943 | 4,410,843 | 625,133 | 433,948 |
| Prepayments | 734,217 | 638,388 | - | - |
| | 19,732,778 | 18,333,517 | 85,069,843 | 61,487,582 |

Other receivables from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand by cash.

Included in the amount owing by a jointly controlled entity of the Group and of the Company is an amount of RM11,433,063 (2016: RM9,985,070) representing interest receivable arising from the advances (Note 18) and denominated in United Arab Emirates Dirham.

## 21. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Deposits with licensed banks (Note (a)) | 3,049,224 | 312,676 | 2,833,327 | - |
| Time deposits (Note (b)) | - | 807,338 | - | 807,338 |
| Cash at banks and on hand | 30,830,214 | 51,131,991 | 1,415,632 | 7,219,786 |
| **Cash and cash equivalents as reported in the statements of financial position** | 33,879,438 | 52,252,005 | 4,248,959 | 8,027,124 |
| Less: Time deposits (Note (b)) | - | (807,338) | - | (807,338) |
| Deposits with maturity period more than 3 months (Note (a)) | (832,560) | - | (832,560) | - |
| Pledged bank deposits (Note (a)) | (215,897) | (209,634) | - | - |
| **Cash and cash equivalents as reported in the statements of cash flows** | 32,830,981 | 51,235,033 | 3,416,399 | 7,219,786 |

## 21. CASH AND CASH EQUIVALENTS (cont'd)

(a) Deposits with licensed bank of the Group and of the Company bear interest rates ranging from 1.75% to 3.10% (2016: 2.75% to 3.50%) per annum with maturity period ranging from 1 day to 6 months.

Included in the deposits with licensed banks of the Group is an amount of RM215,897 (2016: RM209,634) pledged for the Feed-in Approval granted by Sustainable Energy Development Authority Malaysia ("SEDA").

(b) Time deposits of the Group were deposits placed with licensed bank for periods more than 3 months and bore effective interest at a rate of 3.10% per annum.

(c) At the end of the financial year, the deposits with licensed banks and bank balances of the Group denominated in Renminbi ("RMB"), which are held in People Republic of China amounted to RM24,092,019 (2016: RM28,981,956). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 22. SHARE CAPITAL

| | Number of ordinary shares | | <-------------Amount-------------> | |
|---|---|---|---|---|
| | 2017 Unit | 2016 Unit | 2017 RM | 2016 RM |
| **Issued and fully paid up:** | | | | |
| At 1 January | 178,025,503 | 178,025,503 | 178,025,503 | 178,025,503 |
| Issued during the financial year | 17,000,000 | - | 13,549,000 | - |
| | 195,025,503 | 178,025,503 | 191,574,503 | 178,025,503 |
| Transition to no-par value regime: | | | | |
| - share premium | - | - | 15,096,203 | - |
| - capital redemption reserve | - | - | 19,000,000 | - |
| | - | - | 34,096,203 | - |
| At 31 December | 195,025,503 | 178,025,503 | 225,670,706 | 178,025,503 |

The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and capital redemption reserve of RM15,096,203 and RM19,000,000 respectively become 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 amounts standing to the credit of its share premium account and capital redemption reserve of RM15,096,203 and RM19,000,000 respectively for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

## 22. SHARE CAPITAL (cont'd)

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company issued 17,000,000 new ordinary shares at a price of RM0.797 per share under private placement amounting to RM13,549,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

## 23. SHARE PREMIUM

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

Pursuant to Section 618(2) of the Companies Act 2016, the sum of RM15,096,203 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 22.

## 24. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 25 April 2017, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2017, the Company held a total of 5,288,275 treasury shares out of its 195,025,503 total issued shares. Such treasury shares are held at a carrying amount of RM4,383,954 (2016: RM4,383,954).

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury share during the financial years ended 31 December 2017 and 31 December 2016.

## 25. RESERVES

### (a) Asset revaluation reserve

The asset revaluation reserve represents increase in the fair value of warehouse buildings and freehold land, net of tax, and decrease to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

## 25. RESERVES (cont'd)

### (b) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in The People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory income after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

### (c) Foreign exchange translation reserve

The foreign exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (d) Fair value reserve

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

### (e) Other reserve

Other reserve represents the surplus arising from the change in ownership interest of a subsidiary of an associate, Hengyang Petrochemical Logistics Limited in the previous financial year. It is not distributable and the balance in other reserve will be recycled to the profit or loss when the associate is disposed.

### (f) Capital redemption reserve

Capital redemption reserve comprises mainly reserve arising from the cancellation of treasury shares.

Pursuant to Section 618(2) of the Companies Act 2016, the sum of RM19,000,000 standing to the credit of the Company's capital redemption reserve has been transferred and became part of the Company's share capital as disclosed in Note 22.

## 26. TERM LOANS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM | RM | RM | RM |
| **Non-current liabilities** | | | | | |
| Term loan 1 | (a) | 38,264,328 | 54,507,252 | - | - |
| Term loan 2 | (b) | 3,758,780 | 4,180,399 | 3,758,780 | 4,180,399 |
| Term loan 3 | (c) | 42,342,252 | - | - | - |
| | | 84,365,360 | 58,687,651 | 3,758,780 | 4,180,399 |
| **Current liabilities** | | | | | |
| Term loan 1 | (a) | 10,932,665 | 10,542,555 | - | - |
| Term loan 2 | (b) | 420,052 | 398,621 | 420,052 | 398,621 |
| Term loan 3 | (c) | 1,760,000 | - | - | - |
| | | 13,112,717 | 10,941,176 | 420,052 | 398,621 |
| Total term loans | | 97,478,077 | 69,628,827 | 4,178,832 | 4,579,020 |

**26. TERM LOANS** (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| **Non-current liabilities** | | | | |
| Term loans | | | | |
| More than 1 year but less than 2 years | 13,230,789 | 12,531,405 | 439,835 | 418,682 |
| More than 2 years but less than 3 years | 13,361,656 | 12,552,475 | 461,969 | 439,752 |
| More than 3 years but less than 4 years | 13,500,001 | 12,574,605 | 485,218 | 461,882 |
| More than 4 years but less than 5 years | 8,179,919 | 12,597,850 | 509,636 | 485,127 |
| More than 5 years | 36,092,995 | 8,431,316 | 1,862,122 | 2,374,956 |
| | 84,365,360 | 58,687,651 | 3,758,780 | 4,180,399 |
| **Current liabilities** | | | | |
| Secured term loans | 13,112,717 | 10,941,176 | 420,052 | 398,621 |
| | 97,478,077 | 69,628,827 | 4,178,832 | 4,579,020 |

**(a) Term loan 1**

The term loan 1 of a subsidiary is denominated in United States Dollar, bears interest at a rate of 1.50% (2016: 1.50%) per annum above the Bank's cost of fund and is repayable quarterly by 3 instalments of USD500,000 followed by 20 instalments of USD675,000 each commencing from the 15th month from the first drawdown date.

The term loan is secured by pledge of the Group's land use rights (Note 11), warehouse buildings included in property, plant and equipment (Note 10), the trade receivables derived from those warehouses and corporate guarantee from immediate holding company.

**(b) Term loan 2**

The term loan 2 of the Company bears interest at a rate of 4.88% (2016: 4.92%) per annum is repayable by monthly instalments of RM51,250 over 53 months and last instalment of the remaining loan balance, commencing from the day of full drawdown of the term loan.

The term loan is secured by pledge of the Company's freehold land and office building included in property, plant and equipment (Note 10).

**(c) Term loan 3**

The term loan 3 of a subsidiary bears interest at a rate of 5.70% (2016: Nil) per annum is repayable by monthly instalments of RM352,000 over 131 months and last instalment of the remaining loan balance, commencing on the date first day of the 13th month from the date of first drawdown of the term loan or upon receiving income from the sales of electricity to Tenaga National Berhad, whichever is earlier.

The term loan is secured by pledge of the subsidiary's freehold land in property, plant and equipment (Note 10) and corporate guarantee from the ultimate holding company.

# NOTES TO THE FINANCIAL STATEMENTS
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## 27. LOANS FROM CORPORATE SHAREHOLDERS

(a) The unsecured loan from Shun Hing China Investments Limited, a corporate shareholder of a subsidiary, amounting to RM8,178,931 (2016: RM9,134,193) is denominated in Hong Kong Dollar, is non-trade in nature and bears interest rates ranging from 2.76% to 3.31% (2016: 2.55% to 3.01%) per annum. The unsecured loan is extended for a period of 2 years upon its maturity on 31 December 2017 and is automatically rolled over for another period of 2 years subsequent to each maturity unless otherwise informed by the corporate shareholder.

(b) The unsecured loan from Jiangsu Etern Logistic Development Co. Limited, a corporate shareholder of a subsidiary, amounting to RM5,871,500 (2016: RM6,127,532) is denominated in Renminbi, is non-trade in nature and bears interest at a rate of 5% (2016: 5%) per annum. The loan period is from 1 January 2015 to 31 December 2017 without fixed repayment term.

(c) The loan from Shun Hing China Investment Limited, a corporate shareholding of a subsidiary, amounting to RM25,900,000 (2016: Nil) is denominated in Hong Kong Dollar, is secured by pledged of the shares of a subsidiary and bears interest at HIBOR plus 3% per annum. The repayment date shall be 30 September 2018 unless otherwise selected by the subsidiary and notified to Shun Hing China Investment Limited prior to such date.

## 28. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| At 1 January | 1,995,710 | 1,562,898 |
| Translation differences | (145,779) | 17,610 |
| Recognised in profit or loss (Note 8) | 463,547 | - |
| Disposal of subsidiaries (Note 13) | - | (190,777) |
| Provision on revaluation surplus | 143,381 | 605,979 |
| At 31 December | 2,456,859 | 1,995,710 |

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| **Deferred tax liabilities** | | | | |
| Surplus arising from revaluation of warehouse buildings | 1,339,335 | 1,341,733 | - | - |
| Differences between carrying amount of property, plant and equipment and its tax base | 6,094,231 | - | 12,762 | 7,233 |
| Customer contract | 622,835 | 653,977 | - | - |
| | 8,056,401 | 1,995,710 | 12,762 | 7,233 |

## 28. DEFERRED TAX LIABILITIES (cont'd)

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows: (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| **Deferred tax assets** | | | | |
| Unabsorbed capital allowances | (5,593,672) | - | (1,550) | - |
| Unutilised business losses | (5,870) | - | - | - |
| Provisions for employee benefits | - | - | (11,212) | (7,233) |
| | (5,599,542) | - | (12,762) | (7,233) |
| | 2,456,859 | 1,995,710 | - | - |

Pursuant to the China Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is liable for withholding taxes at 5% on dividends from subsidiaries established in the PRC in respect of earnings generated since 1 January 2009.

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Unutilised tax losses | 7,759,640 | 8,019,167 | - | - |
| Deductible temporary differences in respect of expenses | - | 19,988 | - | 19,988 |
| Unabsorbed capital allowances claimed on property, plant and equipment | 46,685 | - | 46,685 | - |
| | 7,806,325 | 8,039,155 | 46,685 | 19,988 |

## 29. PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Trade payables | 41,702 | 39,700 | - | - |
| Other payables, deposits and accruals (Note 30) | 12,424,676 | 16,973,555 | 175,351 | 659,043 |
| Provisions (Note 31) | 46,721 | 50,123 | 46,721 | 50,123 |
| | 12,513,099 | 17,063,378 | 222,072 | 709,166 |

The normal trade credit terms granted to the Group and the Company ranges from 45 to 60 days (2016: 45 to 60 days).

## 30. OTHER PAYABLES, DEPOSITS AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Other payables | | | | |
| - external parties | 1,976,791 | 8,313,513 | 3,049 | 6,110 |
| - corporate shareholders | 1,374,091 | 1,189,039 | - | - |
| - an associate | 57,968 | 57,968 | 57,968 | 57,968 |
| - GST payable | - | 77,173 | - | 77,173 |
| | 3,408,850 | 9,637,693 | 61,017 | 141,251 |
| Rental and utilities deposits | 5,007,614 | 4,790,344 | - | - |
| Accruals | 4,008,212 | 2,545,518 | 114,334 | 517,792 |
| | 12,424,676 | 16,973,555 | 175,351 | 659,043 |

Other payables from corporate shareholders and an associate are non-trade in nature, unsecured, interest-free and are repayable on demand by cash.

## 31. PROVISIONS

| | Group/Company | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| **Employee benefits** | | |
| At 1 January | 50,123 | 29,127 |
| (Reversal)/Provision made during the financial year | (3,402) | 20,996 |
| At 31 December | 46,721 | 50,123 |

Employee benefits are in respect of short-term accumulating compensated absences for employees of the Group and of the Company.

The provision is made based on the number of days of outstanding compensated absences of each employee multiplied by their respective salary/wages as at the end of the financial year.

## 32. DIVIDENDS

| | Group/Company | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| **Recognised during the financial year:** | | |
| Dividends on ordinary shares | | |
| - Single tier interim dividend of 2.5% per ordinary share in respect of financial year ended 31 December 2015 | - | 4,318,435 |

## 33. SEGMENT INFORMATION

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

(i) Warehousing and related value added services - rental of warehouses, handling and providing logistics solution services

(ii) Transportation and distribution - trucking and container haulage

(iii) Solar energy and related businesses - solar power plant

Other non-reportable segments comprise of investment holding, renewable energy and dormant companies, which are below the quantitative thresholds for determining reportable segments.

Inter-segment pricing is determined on negotiated terms.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

## 33. SEGMENT INFORMATION (cont'd)

### (a) Operating Segments

| | Warehousing and Related Value Added Services | | Transportation and Distribution | | Solar energy and related businesses | | Others | | Adjustments and Eliminations | | Notes | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM | 2017 RM | 2016 RM | 2017 RM | 2016 RM | 2017 RM | 2016 RM | | 2017 RM | 2016 RM |
| Revenue | | | | | | | | | | | | | |
| External revenue | 14,531,997 | 20,689,486 | 242,826 | 443,672 | 1,532,109 | - | - | 5,520,000 | - | (5,000,000) | | 16,306,932 | 21,653,158 |
| Inter-segment revenue | - | - | - | - | - | - | - | - | - | - | A | - | - |
| Total revenue | 14,531,997 | 20,689,486 | 242,826 | 443,672 | 1,532,109 | - | - | 5,520,000 | - | (5,000,000) | | 16,306,932 | 21,653,158 |
| Results | | | | | | | | | | | | | |
| Interest income | (306,015) | (808,265) | - | - | - | - | (2,978,493) | (3,518,334) | 369,346 | 1,022,664 | | (2,915,162) | (3,303,935) |
| Interest expense | 4,197,717 | 4,112,263 | - | 83,924 | - | - | 214,812 | 204,108 | (372,459) | (1,108,888) | | 4,040,070 | 3,291,407 |
| Depreciation of property, plant and equipment | 3,016,350 | 2,071,107 | - | - | 638,328 | - | 248,537 | 252,866 | - | - | | 3,903,215 | 2,323,973 |
| Amortisation of land use rights | 396,643 | 415,026 | - | - | - | - | - | - | - | - | | 396,643 | 415,026 |
| Amortisation of intangible assets | - | - | - | - | 129,757 | - | - | - | - | - | | 129,757 | - |
| Non-cash (income)/ expenses (other than depreciation and amortisation) | (3,134,218) | (6,801) | - | - | - | - | (65,988) | 20,996 | - | - | B | (3,200,206) | 14,195 |
| Gain on disposal of subsidiaries | - | (14,413,081) | - | - | - | - | (52,005) | - | - | - | | (52,005) | (14,413,081) |
| Impairment loss on investment in an associate | 1,705,761 | - | - | - | - | - | - | - | - | - | | 1,705,761 | - |
| Reversal of impairment loss on investment in an associate | - | (15,820,723) | - | - | - | - | - | - | - | - | | - | (15,820,723) |
| Rental income | - | - | - | - | (10,983) | - | (1,593,730) | (1,576,198) | - | - | | (1,604,713) | (1,576,198) |
| Rental expense | - | 4,497,017 | - | - | 85,448 | - | 792,742 | 788,242 | - | - | | 878,190 | 5,285,259 |
| Segment profit/(loss) | 7,513,109 | 24,161,528 | 16,266 | (225,736) | (1,340,757) | - | (8,903,199) | (3,550,430) | 3,525,071 | (16,486,061) | C | 810,490 | 3,899,301 |

**33. SEGMENT INFORMATION** (cont'd)

**(a) Operating Segments** (cont'd)

A There is no inter-segment revenues.

B Other non-cash (income)/expenses consist of the following:

| | 2017 RM | 2016 RM |
|---|---|---|
| Impairment loss on fair value of other investment | 55,543 | - |
| (Gain)/Loss on disposal of property, plant and equipment | (112,219) | 280 |
| Gain on unrealised foreign exchange | (3,140,155) | (7,081) |
| Property, plant and equipment written off | 27 | - |
| (Reversal)/Provision for employee benefits | (3,402) | 20,996 |
| | (3,200,206) | 14,195 |

C The following items are added to/(deducted from) segment profit/(loss) to arrive at "(Loss)/ Profit before tax" presented in the statements of comprehensive income:

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Share of results of associates | 19,051,320 | (11,803,484) |
| Share of results of a jointly controlled entity | (15,526,249) | (4,682,577) |
| | 3,525,071 | (16,486,061) |

**(b) Geographical Segments**

The Group operates in three principal geographical areas of the world:

(i) Malaysia
(ii) The People's Republic of China (including Hong Kong)
(iii) United Arab Emirates

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 (including interests in associates and a jointly controlled entity) and deferred tax assets.

| | Revenue | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Malaysia | 1,532,109 | 520,000 |
| The People's Republic of China (including Hong Kong) | 14,774,823 | 21,133,158 |
| | 16,306,932 | 21,653,158 |

**33. SEGMENT INFORMATION** (cont'd)

**(b) Geographical Segments** (cont'd)

| | Non-current assets | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Malaysia | 123,912,063 | 57,776,682 |
| The People's Republic of China (including Hong Kong) | 144,810,613 | 151,593,900 |
| | 268,722,676 | 209,370,582 |

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

| | **2017** | **2016** |
|---|---|---|
| | **RM** | **RM** |
| Property, plant and equipment | 250,178,327 | 189,595,495 |
| Land use rights | 15,949,202 | 17,050,183 |
| Intangible assets | 2,595,147 | 2,724,904 |
| | 268,722,676 | 209,370,582 |

**(c) Major Customers**

For warehousing segment, revenue from two (2016: one) major individual customers represented approximately RM14.1 million (2016: RM11.5 million) for the Group's total revenue.

**34. CAPITAL AND OTHER COMMITMENTS**

**(a) Capital commitments**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Approved and contracted for, but not provided for: | | | | |
| - construction of warehouse buildings | 975,912 | 3,838,347 | - | - |
| - office building | 93,765 | 583,859 | 93,765 | 583,859 |
| - share of a jointly controlled entity's capital commitments in relation to enhancement of logistics warehouse facility | - | 474,683 | - | - |
| | 1,069,677 | 4,896,889 | 93,765 | 583,859 |

## 34. CAPITAL AND OTHER COMMITMENTS (cont'd)

### (b) Operating lease commitments – as lessor

The Group had contracted with lessees under non-cancellable operating leases in respect of the Group's warehouse buildings. As at the end of the financial year, the future minimum lease payments receivable by the Group under the non-cancellable operating leases with its tenants are as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| Within one year | 13,968,378 | 11,174,513 |
| Between two to five years | 51,487,506 | 46,035,115 |
| Over five years | 42,036,250 | 50,193,120 |
| | 107,492,134 | 107,402,748 |

## 35. CONTINGENT LIABILITY

The Company is contingently liable for corporate guarantees granted to financial institutions to secure credit facilities granted to subsidiaries and a jointly controlled entity amounting to RM93,299,246 (2016: RM65,049,807) and RM28,665,929 (2016: RM44,461,427) respectively.

## 36. RELATED PARTIES

### (a) Identify of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associate, director related companies and key management personnel. Director related companies refer to companies in which directors of the Company have substantial financial interests.

### (b) Significant related party transactions

Significant related party transactions are as follows:

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| (Received or receivable from)/Paid or payable to subsidiaries | | |
| - Interest | (369,346) | (1,022,664) |
| - Sale of freehold land | - | (32,100,000) |
| - Waiver of amount owing by a subsidiary | - | 4,117,517 |

**36. RELATED PARTIES** (cont'd)

**(b) Significant related party transactions** (cont'd)

Significant related party transactions are as follows: (cont'd)

| | Company 2017 RM | Company 2016 RM |
|---|---|---|
| (Received or receivable from)/Paid or payable to a jointly controlled entity | | |
| - Interest | (2,544,137) | (2,479,964) |
| (Received or receivable from)/Paid or payable to an associate | | |
| - Rental of premises | 656,242 | 656,242 |
| - Secretarial fee | (1,440) | (1,430) |
| - Dividend | - | (5,000,000) |

**(c) Compensation of the key management personnel**

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any director of the Company.

The remuneration of the key management personnel other than those as disclosed in Note 7 is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| **Other key management personnel:** | | | | |
| Short-term employee benefits | 673,921 | 764,158 | 601,730 | 622,583 |
| Post-employment benefits | 62,520 | 57,510 | 53,940 | 57,510 |
| | 736,441 | 821,668 | 655,670 | 680,093 |

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are exercised by the Executive Directors and the Financial Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(a) Foreign Currency Risk**

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

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and borrowings) that are denominated in a foreign currency and the Group's net investments in foreign subsidiaries.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

| | Group | | | Company | |
|---|---|---|---|---|---|
| | <------------Functional currencies---------------> | | | <-----Functional currencies----> | |
| | Chinese Renminbi RM | Ringgit Malaysia RM | Total RM | Ringgit Malaysia RM | Total RM |
| **31 December 2017** | | | | | |
| Functional assets and liabilities not held in functional currencies: | | | | | |
| **Trade receivables** | | | | | |
| Hong Kong Dollar | 52,577 | - | 52,577 | - | - |
| **Other receivables** | | | | | |
| Hong Kong Dollar | 889,082 | 274,134 | 1,163,216 | 274,134 | 274,134 |
| United Arab Emirates Dirham | - | 11,433,063 | 11,433,063 | 11,433,063 | 11,433,063 |
| | 889,082 | 11,707,197 | 12,596,279 | 11,707,197 | 11,707,197 |
| **Cash and cash equivalents** | | | | | |
| Hong Kong Dollar | 24,091,091 | - | 24,091,091 | - | - |
| United States Dollar | 1,818,831 | 20,467 | 1,839,298 | 20,467 | 20,467 |
| | 25,909,922 | 20,467 | 25,930,389 | 20,467 | 20,467 |

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(a) Foreign Currency Risk** (cont'd)

The Group's and the Company's unhedged financial assets and liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows: (cont'd)

| | Group | | | Company | |
|---|---|---|---|---|---|
| | <------------Functional currencies---------------> | | | <-----Functional currencies----> | |
| | Chinese Renminbi RM | Ringgit Malaysia RM | Total RM | Ringgit Malaysia RM | Total RM |
| **31 December 2017** | | | | | |
| Functional assets and liabilities not held in functional currencies: | | | | | |
| **Amounts owing by subsidiaries** | | | | | |
| Hong Kong Dollar | - | - | - | 11,946,228 | 11,946,228 |
| **Amounts owing by a jointly controlled entity** | | | | | |
| United Arab Emirates Dirham | - | 80,101,283 | 80,101,283 | 80,101,283 | 80,101,283 |
| **Other payables** | | | | | |
| Hong Kong Dollar | (208,973) | - | (208,973) | - | - |
| United States Dollar | (7,880,277) | - | (7,880,277) | - | - |
| | (8,089,250) | - | (8,089,250) | - | - |
| **Term loans** | | | | | |
| United States Dollar | (49,196,993) | - | (49,196,993) | - | - |
| **Amounts owing to subsidiaries** | | | | | |
| Hong Kong Dollar | - | - | - | (34,188,000) | (34,188,000) |

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(a) Foreign Currency Risk** (cont'd)

The Group's and the Company's unhedged financial assets and liabilities of the Group and of the Company that are not denominated in their functional currencies are as follows: (cont'd)

| | Group <------------Functional currencies---------------> | | | Company <-----Functional currencies----> | |
|---|---|---|---|---|---|
| | **Chinese Renminbi RM** | **Ringgit Malaysia RM** | **Total RM** | **Ringgit Malaysia RM** | **Total RM** |
| **31 December 2016** | | | | | |
| Functional assets and liabilities not held in functional currencies: | | | | | |
| **Other receivables** | | | | | |
| Hong Kong Dollar | 5,165 | 132,960 | 138,125 | 132,960 | 132,960 |
| United Arab Emirates Dirham | - | 9,985,070 | 9,985,070 | 9,985,070 | 9,985,070 |
| | 5,165 | 10,118,030 | 10,123,195 | 10,118,030 | 10,118,030 |
| **Cash and cash equivalents** | | | | | |
| United States Dollar | 10,942,595 | 22,489 | 10,965,084 | 22,489 | 22,489 |
| **Amounts owing by subsidiaries** | | | | | |
| Hong Kong Dollar | - | - | - | 13,341,492 | 13,341,492 |
| **Amounts owing by a jointly controlled entity** | | | | | |
| United Arab Emirates Dirham | - | 101,367,900 | 101,367,900 | 101,367,900 | 101,367,900 |
| **Other payables** | | | | | |
| United States Dollar | (10,950) | - | (10,950) | - | - |
| **Term loans** | | | | | |
| United States Dollar | (65,049,807) | - | (65,049,807) | - | - |
| **Amounts owing to subsidiaries** | | | | | |
| Hong Kong Dollar | - | - | - | (9,256,000) | (9,256,000) |

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(a) Foreign Currency Risk** (cont'd)

Sensitivity analysis for foreign currency risk

As at the end of the financial year, if Chinese Renmimbi ("RMB") had strengthened or weakened 100 basis points against Hong Kong Dollar ("HKD") and United States Dollar ("USD") with all other variables held constant, the Group's loss after tax for the financial year would increase/(decrease) by the following amounts.

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| RMB/HKD - strengthen | (188,661) | - |
| - weaken | 188,661 | - |
| RMB/USD - strengthen | 419,964 | 405,886 |
| - weaken | (419,964) | (405,886) |

As at the end of the financial year, if Ringgit Malaysia ("RM") had strengthened or weakened 100 basis points against United Arab Emirates Dirham ("AED") and HKD with all other variables held constant, the Group's and the Company's loss after tax for the financial year would increase/(decrease) by the following amounts.

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| RM/AED - strengthen | 695,661 | 835,147 | 695,661 | 760,259 |
| - weaken | (695,661) | (835,147) | (695,661) | (760,259) |
| RM/HKD - strengthen | 2,083 | 997 | (166,954) | 31,638 |
| - weaken | (2,083) | (997) | 166,954 | (31,638) |

**(b) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates to interest bearing financial assets and liabilities.

Interest bearing financial assets includes deposits placed with licensed banks which are placed for better yield returns than cash at banks and advances to a jointly controlled entity at fixed rate which expose the Group to fair value risk.

The Group's interest bearing financial liabilities comprise bank borrowings and loan from a corporate shareholder at floating rate which expose the Company to interest rate risk.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(b) Interest Rate Risk** (cont'd)

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the financial year would not affect profit or loss.

As at the end of the financial year, a change of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the equity and increase or decrease the loss after tax by approximately RM740,833 (2016: RM529,179) arising mainly as a result of lower/higher interest income on floating deposits rate and lower/higher interest expense on floating rate loans and borrowings.

**(c) Credit Risk**

Credit risk is the risk of a financial loss to the Group that may arise if a customer or counterparty to a financial instrument default on its contractual obligations. The Group's exposure to credit risk arises principally from its receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and the financial guarantees given.

**Receivables**

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group's maximum exposure to credit risk arising from the receivables is represented by the carrying amounts in the statements of financial position.

The exposure of credit risk for receivables as at the end of the financial year by geographic region is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | RM | % of total | RM | % of total |
| Malaysia | 103,942 | 66% | - | 0% |
| The People's Republic of China | 52,577 | 34% | 57,782 | 100% |
| | 156,519 | 100% | 57,782 | 100% |

The Group does not have any significant exposure to any individual customer. A significant portion of its trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 19.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(c) Credit Risk** (cont'd)

**Financial Guarantees**

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and a jointly controlled entity and their financial performance.

The maximum exposure to credit risk amounts to RM93,299,246 (2016: RM65,049,807) and RM28,665,929 (2016: RM44,461,427) representing the outstanding banking facilities of the subsidiaries and a jointly controlled entity respectively as at the end of the financial year.

As at the end of the financial year, there was no indication that any of these subsidiaries and a jointly controlled entity would default on repayment.

The financial guarantee has not been recognised in the financial statements of the Company since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' and of the jointly controlled entity's borrowings in view of the security pledged by the subsidiaries and a jointly controlled entity and it is unlikely that the subsidiaries and the jointly controlled entity will default within the guarantee period.

**Inter-Company/Related Party Balances**

The Company provides unsecured loans and advances to subsidiaries and a jointly controlled entity. The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position as at the end of the financial year.

As at the end of the financial year, there was no indication that the loans and advances to the subsidiaries and a jointly controlled entity are not recoverable.

**(d) 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 loans and borrowings.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. The Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and by monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (d) Liquidity Risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations:

| | | <----- Contractual Undiscounted Cash Flows ----> | | |
|---|---|---|---|---|
| | Carrying amount RM | On demand or within 1 year RM | 2 to 5 years RM | Total RM |
| **2017** | | | | |
| **Group** | | | | |
| **Financial liabilities:** | | | | |
| Loans from corporate shareholders | 39,950,431 | 41,234,969 | - | 41,234,969 |
| Payables | 12,513,099 | 12,513,099 | - | 12,513,099 |
| Term loans | 97,478,077 | 16,431,837 | 102,442,277 | 118,874,114 |
| | 149,941,607 | 70,179,905 | 102,442,277 | 172,622,182 |
| **Company** | | | | |
| **Financial liabilities:** | | | | |
| Payables | 222,072 | 222,072 | - | 222,072 |
| Term loans | 4,178,832 | 615,000 | 4,084,041 | 4,699,041 |
| | 4,400,904 | 837,072 | 4,084,041 | 4,921,113 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (d) Liquidity Risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations: (cont'd)

| | Carrying amount RM | <----- Contractual Undiscounted Cash Flows ----> On demand or within 1 year RM | 2 to 5 years RM | Total RM |
|---|---|---|---|---|
| **2016** | | | | |
| **Group** | | | | |
| **Financial liabilities:** | | | | |
| Loans from corporate shareholders | 15,261,725 | 6,710,120 | 9,410,405 | 16,120,525 |
| Payables | 17,063,378 | 17,063,378 | - | 17,063,378 |
| Term loans | 69,628,827 | 11,522,328 | 61,492,583 | 73,014,911 |
| | 101,953,930 | 35,295,826 | 70,902,988 | 106,198,814 |
| **Company** | | | | |
| **Financial liabilities:** | | | | |
| Payables | 709,166 | 709,166 | - | 709,166 |
| Term loans | 4,579,020 | 615,000 | 5,099,380 | 5,714,380 |
| | 5,288,186 | 1,324,166 | 5,099,380 | 6,423,546 |

## 38. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2017 RM | 2016 RM |
|---|---|---|
| **Group** | | |
| **Financial assets** | | |
| **Loans and receivables** | | |
| - Receivables, net of prepayments and GST refundable | 15,040,006 | 17,478,993 |
| - Amounts owing by a jointly controlled entity | 80,101,283 | 101,367,900 |
| - Cash and cash equivalents | 33,879,438 | 52,252,005 |
| | 129,020,727 | 171,098,898 |
| **Available-for-sale financial assets** | | |
| - Other investments | 389,140 | 494,625 |
| **Financial liabilities** | | |
| **Other financial liabilities** | | |
| - Payables, net of provisions and GST payable | 12,466,378 | 16,936,082 |
| - Term loans | 97,478,077 | 69,628,827 |
| - Loans from corporate shareholders | 39,950,431 | 15,261,725 |
| | 149,894,886 | 101,826,634 |
| **Company** | | |
| **Financial assets** | | |
| **Loans and receivables** | | |
| - Receivables, net of prepayments and GST refundable | 84,998,597 | 61,487,582 |
| - Amounts owing by subsidiaries | 11,946,228 | 13,341,492 |
| - Amounts owing by a jointly controlled entity | 80,101,283 | 101,367,900 |
| - Cash and cash equivalents | 4,248,959 | 8,027,124 |
| | 181,295,067 | 184,224,098 |
| **Available-for-sale financial assets** | | |
| - Other investments | 389,140 | 494,625 |
| **Financial liabilities** | | |
| **Other financial liabilities** | | |
| - Payables, net of provisions and GST payable | 175,351 | 581,870 |
| - Term loans | 4,178,832 | 4,579,020 |
| - Amounts owing to subsidiaries | 34,222,019 | 9,330,536 |
| | 38,576,202 | 14,491,426 |

**38. FINANCIAL INSTRUMENTS** (cont'd)

**(b) Fair values measurements**

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

There have been no transfers between Level 1 and Level 2 during the financial year (2016: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Total fair value RM | Carrying amount RM |
| **2017** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | | |
| - golf club memberships | - | 389,140 | - | 389,140 | - | - | - | - | 389,140 | 389,140 |
| Held for trading financial assets | | | | | | | | | | |
| - short-term fund | 20,445,371 | - | - | 20,445,371 | - | - | - | - | 20,445,371 | 20,445,371 |
| | 20,445,371 | 389,140 | - | 20,834,511 | - | - | - | - | 20,834,511 | 20,834,511 |
| **Financial liabilities** | | | | | | | | | | |
| Term loans | - | - | - | - | - | 97,478,077 | - | 97,478,077 | 97,478,077 | 97,478,077 |

**38. FINANCIAL INSTRUMENTS** (cont'd)

**(b) Fair values measurements** (cont'd)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Total fair value RM | Carrying amount RM |
| **2016** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | | |
| - golf club memberships | - | 494,625 | - | 494,625 | - | - | - | - | 494,625 | 494,625 |
| Held for trading financial assets | | | | | | | | | | |
| - short-term fund | 17,443,664 | - | - | 17,443,664 | - | - | - | - | 17,443,664 | 17,443,664 |
| | 17,443,664 | 494,625 | - | 17,938,289 | - | - | - | - | 17,938,289 | 17,938,289 |
| **Financial liabilities** | | | | | | | | | | |
| Term loans | - | - | - | - | - | 69,628,827 | - | 69,628,827 | 69,628,827 | 69,628,827 |

**38. FINANCIAL INSTRUMENTS** (cont'd)

**(b) Fair values measurements** (cont'd)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Total fair value RM | Carrying amount RM |
| **2017** | | | | | | | | | | |
| **Company** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | | |
| - golf club memberships | - | 389,140 | - | 389,140 | - | - | - | - | 389,140 | 389,140 |
| Held for trading financial assets | | | | | | | | | | |
| - short-term fund | 20,445,371 | - | - | 20,445,371 | - | - | - | - | 20,445,371 | 20,445,371 |
| | 20,445,371 | 389,140 | - | 20,834,511 | - | - | - | - | 20,834,511 | 20,834,511 |
| **Financial liabilities** | | | | | | | | | | |
| Term loans | - | - | - | - | - | 4,178,832 | - | 4,178,832 | 4,178,832 | 4,178,832 |

38. **FINANCIAL INSTRUMENTS** (cont'd)

**(b) Fair values measurements** (cont'd)

| | **Fair value of financial instruments carried at fair value** | | | | **Fair value of financial instruments not carried at fair value** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** | **Total fair value** | **Carrying amount** |
| | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| **2016** | | | | | | | | | | |
| **Company** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | | | |
| - golf club memberships | - | 494,625 | - | 494,625 | - | - | - | - | 494,625 | 494,625 |
| Held for trading financial assets | | | | | | | | | | |
| - short-term fund | 17,443,664 | - | - | 17,443,664 | - | - | - | - | 17,443,664 | 17,443,664 |
| | 17,443,664 | 494,625 | - | 17,938,289 | - | - | - | - | 17,938,289 | 17,938,289 |
| **Financial liabilities** | | | | | | | | | | |
| Term loans | - | - | - | - | - | 4,579,020 | - | 4,579,020 | 4,579,020 | 4,579,020 |

During the financial years ended 31 December 2017 and 31 December 2016, there was no transfer between fair value measurement hierarchy.

## 39. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of disposal of a subsidiary during the financial year are disclosed in Note 13.

## 40. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 18 January 2018, IL Energy Sdn. Bhd., a wholly-owned subsidiary has acquired 400,000 ordinary shares representing 20% of the issued and paid up capital of IL Solar Sdn. Bhd. from Atlantic Blue Sdn. Bhd. and Pensolar Sdn. Bhd. for a total cash consideration of RM400,000.

Upon completion of the acquisitions, IL Solar Sdn. Bhd. will become a wholly-owned subsidiary of the Company.

## 41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities in the Group will be able to continue as a going concern, maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

Deposits are made at varying periods depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates.

The Group reviews the capital structure on an annual basis. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Payables | 12,513,099 | 17,063,378 | 222,072 | 709,166 |
| Term loans | 97,478,077 | 69,628,827 | 4,178,832 | 4,579,020 |
| Loans from corporate shareholders | 39,950,431 | 15,261,725 | - | - |
| Total debts | 149,941,607 | 101,953,930 | 4,400,904 | 5,288,186 |
| Less: Cash and cash equivalents | (32,830,981) | (51,235,033) | (3,416,399) | (7,219,786) |
| Less: Short-term fund | (20,445,371) | (17,443,664) | (20,445,371) | (17,443,664) |
| Net debt/(cash) | 96,665,255 | 33,275,233 | (19,460,866) | (19,375,264) |
| Total equity | 349,213,462 | 354,458,386 | 230,216,652 | 278,104,480 |
| Debt-to-equity ratio | 28% | 9% | * | * |

* Not meaningful as the Group and the Company are in net cash positions.

**41. CAPITAL MANAGEMENT** (cont'd)

The Company is also required to comply with the disclosure and necessary capital requirement as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

As disclosed in Note 25(b), certain subsidiaries of the Group is required by the Foreign Enterprise Law of the PRC to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the respective PRC's subsidiaries for the financial years ended 31 December 2017 and 31 December 2016.

**42. RESTATEMENT**

The following comparative figures have been restated to incorporate the impact of misclassification of the Group's share of other reserves in its associate as retained earnings in the previous financial years.

| | Group | | |
|---|---|---|---|
| | **As previously reported RM** | **Restatement RM** | **As restated RM** |
| **1.1.2016** | | | |
| **Statements of Changes in Equity** | | | |
| Retained earnings | 25,128,752 | (4,962,796) | 20,165,956 |
| Other reserve | 5,943,208 | 4,962,796 | 10,906,004 |

# STATEMENT BY DIRECTORS

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

We, **TEE TUAN SEM** and **MAKOTO TAKAHASHI**, being two of the directors of Integrated Logistics Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 46 to 145 are drawn up in accordance with the 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 at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

**TEE TUAN SEM**
Director

**MAKOTO TAKAHASHI**
Director

Date: 19 March 2018

# STATUTORY DECLARATION

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

I, **TEE TUAN SEM**, being the director primarily responsible for the financial management of Integrated Logistics Berhad, do solemnly and sincerely declare that the financial statements as set out on pages 46 to 145 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**TEE TUAN SEM**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 19 March 2018.

Before me,

TAN KIM CHOOI
Commissioner for Oaths (W661)
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTEGRATED LOGISTICS BERHAD
(Incorporated in Malaysia)

**Opinion**

We have audited the financial statements of Integrated Logistics Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies, as set out on pages 46 to 145.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended in accordance with the 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 report. We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

**Amount owing by a jointly controlled entity (Note 18 to the financial statements)**

The Group and the Company assessed whether objective evidence of impairment exists for the amount owing by a jointly controlled entity ("JCE").

The recoverable amount of the amount owing by a JCE was assessed by the Group, which involves exercise of significant judgement on the discount rates applied and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margin.

**Key Audit Matters** (cont'd)

**Amount owing by a jointly controlled entity (Note 18 to the financial statements)** (cont'd)

**Our response:**

Our audit procedures focused on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:

- comparing the actual results with previous cash flow projections to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key assumptions such as discount rates, forecast growth rates and gross profit margins;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

**Interest in associates (Note 14 to the financial statements)**

The Group determined whether there is any indication of impairment in interest in associates. An asset is impaired when its carrying amount exceeds its recoverable amount. There is a risk in estimating the expected recoverable amount.

**Our response:**

Our audit procedures included, among others:

- reviewing the comparison of the net carrying amount of the interest in associates with its quoted price and net asset as at year end;
- reviewing the basis used by the Group to determine the recoverable amount; and
- testing the mathematical accuracy of the impairment assessment.

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTEGRATED LOGISTICS BERHAD
(Incorporated in Malaysia)

**Responsibilities of the Directors for the Financial Statements**

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

**Other Matters**

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2018 J
Chartered Accountant

Kuala Lumpur

Date: 19 March 2018

# PROPERTIES OF ILB GROUP

As at 31 December 2017

| Location | Description | Age of Building (Years) | Tenure | Area (sq. ft.) | | NBV @ 31.12.2017 (RM) | Year of Acquisition Or Revaluation* |
|---|---|---|---|---|---|---|---|
| Wu Guo Yong (2007)<br>No. 07049293<br>Fenhu Economic Centre,<br>East Fenhu Road,<br>Fenhu, Wujiang, Jiangsu<br>The People's Republic of China | Land with Warehouse Building | 8.5 | Land Use Rights expiring in 2056 | Land-<br>Built-up- | 718,501<br>286,825 | 7,234,117<br>33,215,030 | 2017* |
| Wu Guo Yong (2010)<br>No. 07049217<br>Fenhu Economic Centre,<br>East Fenhu Road,<br>Fenhu, Wujiang, Jiangsu<br>The People's Republic of China | Land with Warehouse building | 4.5<br><br>1.3 | Land Use Rights expiring in 2060 | Land-<br>Built-up-<br>Built-up- | 694,023<br>192,582<br>351,164 | 8,715,085<br>28,877,246<br>64,075,264 | 2017* |
| Lot 1552, Seberang Perai Utara, Pulau Pinang | Land with Solar Plant | 1.65 | Freehold | Land-<br>Plant- | 175,527 | 800,000<br>10,245,921 | 2015<br>2017 |
| Lot 560, 561, 562, 563 & Lot 2011, Bandar Kayu Hitam, Daerah Kubang Pasu, Kedah | Agriculture Land with Solar Plant | 1 | Freehold | Land-<br>Plant- | 3,349,175 | 33,451,893<br>66,414,919 | 2016<br>2017 |
| No.6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor | Land with Office building | 1.67 | Freehold | Land-<br>Built-up- | 12,723<br>4,667 | 4,855,311<br>1,290,889 | 2016 |
| | | | **Total** | | | **259,175,675** | |

# ANALYSIS OF SHAREHOLDINGS
As at 28 February 2018

## ISSUED SHARES OF THE COMPANY

The total number of issued shares of the Company stand at 195,025,503 ordinary shares, with voting right of one vote per ordinary share.

The changes in the number of issued shares in the Company from 178,025,503 ordinary shares since 1 January 2017 to 195,025,503 ordinary shares as at 28 February 2018 are set out in the table below:

| Date of Allotment | Number of shares Allotted | Consideration | Total Number of Issued Shares |
|---|---|---|---|
| 31 March 2017 | 17,000,000 | Private placement of 17,000,000 new ordinary shares in the Company at RM0.797 per share, which represents approximately a 9.89% discount from the 5 days volume weighted average market price of the Company's shares up to 27 March 2017 of RM0.8845 | 195,025,503 |

## DISTRIBUTION OF SHAREHOLDINGS

| Category | No. of Holders | | No. of Shares * | | Percentage (%) | |
|---|---|---|---|---|---|---|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| Less than 100 | 748 | 52 | 24,295 | 900 | 0.01 | 0.00 |
| 100 – 1,000 | 334 | 4 | 134,761 | 1,125 | 0.07 | 0.00 |
| 1,001 – 10,000 | 2,733 | 42 | 9,374,815 | 152,899 | 4.94 | 0.08 |
| 10,001 – 100,000 | 729 | 43 | 19,723,221 | 1,459,073 | 10.40 | 0.77 |
| 100,001 to less than 5% of issued shares | 106 | 19 | 46,053,508 | 34,406,407 | 24.27 | 18.13 |
| 5% and above of issued shares | 2 | 2 | 40,602,234 | 37,803,990 | 21.40 | 19.93 |
| Total | 4,652 | 162 | 115,912,834 | 73,824,394 | 61.09 | 38.91 |
| Grand Total | **4,814** | | **189,737,228** | | **100.00** | |

* Excluding a total of 5,288,275 ordinary shares bought back by the Company and retained as treasury shares

## LIST OF THIRTY LARGEST SHAREHOLDERS

| No. | Name of shareholder | No. of shares held | % of issued capital* |
|---|---|---|---|
| 1. | Makoto Takahashi | 20,803,990 | 10.96 |
| 2. | Lembaga Tabung Haji | 20,584,783 | 10.85 |
| 3. | Kenanga Nominees (Asing) Sdn Bhd<br>Etern Group (HK) Co. Limited | 17,000,000 | 8.96 |
| 4. | Amsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account - AmBank (M) Berhad for Tee Tuan Sem | 14,682,675 | 7.74 |
| 5. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt AN for OCBC Securities Private Limited (Client A/C-NR) | 8,380,138 | 4.42 |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for The Hongkong & Shanghai Banking Corporation Limited (PB-HKDIV-ACCL) | 6,642,000 | 3.50 |

# ANALYSIS OF SHAREHOLDINGS
As at 28 February 2018

| No. | Name of shareholder | No. of shares held | % of issued capital* |
|---|---|---|---|
| 7. | TA Nominee (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tee Tuan Sem | 5,334,776 | 2.81 |
| 8. | AllianceGroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teh Win Kee (8106483) | 5,000,400 | 2.64 |
| 9. | Hassan Mohammad Kazem Ahmadi | 5,000,000 | 2.64 |
| 10. | United Asia Success Limited | 4,354,848 | 2.30 |
| 11. | Loh Cheng Keat | 3,520,300 | 1.86 |
| 12. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd (SFS) | 3,010,000 | 1.59 |
| 13. | Anastasia Amanda Beh Gaik Sim | 2,690,000 | 1.42 |
| 14. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt AN for OCBC Securities Private Limited (Client A/C-Res) | 2,138,500 | 1.13 |
| 15. | Citigroup Nominees (Asing) Sdn Bhd<br>CBHK PBGSG for Gan Boon Hwee | 2,036,426 | 1.07 |
| 16. | Tan Bee Kong | 1,633,000 | 0.86 |
| 17. | Chow Chin Yann | 1,323,800 | 0.70 |
| 18. | Chng Kok Leong | 1,086,600 | 0.57 |
| 19. | Lee Chin Chai | 1,080,486 | 0.57 |
| 20. | Motohiko Tachibana | 941,544 | 0.50 |
| 21. | Goh Theow Hiang | 936,735 | 0.49 |
| 22. | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Chan Han Siong | 928,100 | 0.49 |
| 23. | Wang Jim | 888,800 | 0.47 |
| 24. | Yeoh Teng Lye | 823,700 | 0.43 |
| 25. | Teoh Ean Kee | 752,000 | 0.40 |
| 26. | Yeoh Chin Kueng | 750,000 | 0.40 |
| 27. | Yeoh Hsiao Wye | 731,900 | 0.39 |
| 28. | Ong Aik Bin | 720,000 | 0.38 |
| 29. | Lim Hong Liang | 668,144 | 0.35 |
| 30. | Chuah Suan Chin | 638,200 | 0.34 |
| | **Total** | **135,081,845** | **71.19** |

* Excluding a total of 5,288,275 ordinary shares bought back by the Company and retained as treasury shares

**The Directors shareholdings in the Company as at 28 February 2018 are as follows :-**

| Name of Directors | Direct No. of Shares | Note | % of issued Capital* | Indirect No. of Shares | Note | % of issued Capital * |
|---|---|---|---|---|---|---|
| Datuk R. Karunakaran | - | - | - | - | - | - |
| Tee Tuan Sem | 20,017,451 | 1 | 10.55 | 381,931 | 2 | 0.20 |
| Makoto Takahashi | 20,803,990 | 3 | 10.96 | - | - | - |
| Loh Cheng Keat | 3,520,300 | 3 | 1.86 | - | - | - |
| Wan Azfar bin Dato' Wan Annuar | - | - | - | - | - | - |
| Dato' Wan Hashim bin Wan Jusoh | - | - | - | - | - | - |
| Lee Kay Loon | - | - | - | - | - | - |

Notes
1. Held through Amsec Nominees (Tempatan) Sdn Bhd and TA Nominees (Tempatan) Sdn Bhd.
2. Deemed interest by virtue of the shareholdings of his wife, Yang Chiew Bi, which are held directly.
3. Held directly.

# ANALYSIS OF SHAREHOLDINGS
As at 28 February 2018

## Substantial Shareholders

The substantial shareholders of the Company as at 28 February 2018 are as follows :-

| Name of Shareholder | Direct No. of Shares | Note | % of issued Capital* | Indirect No. of Shares | Note | % of issued Capital * |
|---|---|---|---|---|---|---|
| Makoto Takahashi | 20,803,990 | 3 | 10.96 | - | - | - |
| Lembaga Tabung Haji | 20,584,783 | 3 | 10.85 | - | - | - |
| Tee Tuan Sem | 20,017,451 | 1 | 10.55 | 381,931 | 2 | 0.20 |
| Etern Group (HK) Co. Limited | 17,000,000 | 4 | 8.96 | - | - | - |

Notes
1. Held through Amsec Nominees (Tempatan) Sdn Bhd and TA Nominees (Tempatan) Sdn Bhd.
2. Deemed interest by virtue of the shareholdings of his wife, Yang Chiew Bi, which are held directly.
3. Held directly.
4. Held through Kenanga Nominees (Asing) Sdn Bhd.

* Excluding a total of 5,288,275 ordinary shares bought back by the Company and retained as treasury shares

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 26th Annual General Meeting ("AGM") of Integrated Logistics Berhad ("ILB" or "Company") will be held at Selangor 3, Grand Selangor Ballroom, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Tuesday, 17 April 2018 at 10:00 a.m. for the following purposes:-

## AGENDA

**AS ORDINARY BUSINESS**

| | |
|---|---|
| 1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2017 and Auditors Report thereon. | Please refer to Explanatory Note 1 |
| 2. To approve the payment of Directors' Fees to Non-Executive Directors amounting to RM376,750 for the period from 1 January 2017 to 31 December 2017. | (Resolution 1) |
| 3. To approve the payment of Directors' Benefits to Non-Executive Directors amounting to RM59,693 for the period from 1 January 2017 to 31 March 2018. | (Resolution 2) |
| 4. To approve the payment of Directors' Benefits (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM48,000 for the period from 1 April 2018 until the next Annual General Meeting of the Company. | (Resolution 3) |
| 5. To approve the payment of Directors' Fees to the Non-Executive Directors up to an amount of RM526,250 for the period from 1 January 2018 until the next Annual General Meeting of the Company. | (Resolution 4) |
| 6. To re-elect the following Directors retiring by rotation in accordance with Article 80 of the Company's Constitution :- | |
| a) Datuk R. Karunakaran | (Resolution 5) |
| b) En Wan Azfar bin Dato' Wan Annuar | (Resolution 6) |
| 7. To re-elect Dato' Wan Hashim bin Wan Jusoh as a Director in accordance with Article 87 of the Company's Constitution. | (Resolution 7) |
| 8. To re-appoint Messrs Baker Tilly Monteiro Heng as the Company's Auditors until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. | (Resolution 8) |
| 9. To transact any other ordinary business of the Company for which due notice has been received. | |

**AS SPECIAL BUSINESS**

To consider and if thought fit, pass the following as Ordinary Resolution and Special Resolutions:-

**ORDINARY RESOLUTIONS**

| | |
|---|---|
| 10. **RETENTION OF INDEPENDENT DIRECTOR OF THE COMPANY**<br><br>"**THAT**, approval be and is hereby given to Datuk R. Karunakaran who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code of Corporate Governance 2017." | (Resolution 9) |

11. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** (Resolution 10)

**"THAT**, subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act, 2016, the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to buy back and/or hold from time to time and at any time such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company ("the Proposed Share Buy-Back") provided that :-

The maximum number of shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten (10) per cent of the total issued and paid-up share capital of the Company from time to time being quoted on Bursa Securities provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandate for share buy-back which was obtained at the Annual General Meeting held on 25 April 2017, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being quoted on Bursa Securities.

ii) The maximum amount of funds to be allocated for the purchase of the shares pursuant to the Proposed Share Buy-Back shall not exceed the retained profits of the Company based on its latest audited accounts available up to the date of a transaction pursuant to the Proposed Share-Buy Back. As at 31 December 2017, the audited Retained Profits of the Company were RM8,929,900.

iii) The Proposed Share Buy-Back to be undertaken will be in compliance with Section 127 of the Companies Act, 2016 and the Directors will deal with the shares purchased in the following manner:-

(a) to cancel the Shares so purchased; or

(b) to retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or re-sell on Bursa Securities in accordance with the Main Market Listing Requirements of Bursa Securities and/or cancellation subsequently; or

(c) to retain part of the Shares so purchased as treasury shares and cancel the remainder.

# NOTICE OF ANNUAL GENERAL MEETING

**AND THAT** such authority to purchase the Company's own shares will be effective immediately from the passing of this resolution until the conclusion of the next Annual General Meeting ("AGM") at which such resolution was passed at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally or the passing of the date on which the next AGM is required by law to be held or the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting but so as not to prejudice the completion of a purchase made before such expiry date;

**AND THAT** the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things in accordance with the Companies Act, 2016, the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Securities and all other relevant governmental/regulatory authorities."

12. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** (Resolution 11)

**"THAT** subject to Sections 75 and 76 of the Companies Act, 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) for the time being.

**AND THAT** such authority shall commence immediately upon passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

By Order of the Board
Amarjit Singh A/L Banta Singh
Company Secretary
Selangor Darul Ehsan
Date: 20 March 2018

# NOTICE OF ANNUAL GENERAL MEETING

**NOTES**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 9 April 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 26th AGM of the Company.

2. Any member of the Company entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. A proxy need not be a member of the Company and where a member appoints more than one (1) proxy, the member must specify the proportion of his shareholdings to be represented by each proxy respectively, failing which the appointment shall be invalid.

3. If you wish to appoint as your proxy any person other than "the Chairman of the Meeting", please insert the full name of the proxy (in block letters) in the space provided and delete the words "the Chairman of the Meeting".

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

5. A corporation may complete the proxy form under its common seal or under the hand of an officer or attorney duly authorized.

6. The instrument appointing a proxy must reach the Business Office of the Company at No.6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia not less than 48 hours before the AGM. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

**EXPLANTORY NOTES**

1. **Item 1 of the Agenda**

   **AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

   This Agenda item is meant for discussion only as under the provisions of Section 248(2) of the Companies Act 2016, the audited financial statements do not require formal approval of shareholders and hence, the matter will not be put to a vote.

2. **Item 2, 3, 4 & 5 of the Agenda**

   Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board had agreed that the shareholders' approval be sought at the 26th AGM on the Directors' remuneration in four separate resolutions as below:

   - **Resolution 1** on payment of Directors' fees to the Non-Executive Directors for the period from 1 January 2017 to 31 December 2017;
   - **Resolution 2** on payment of Directors' Benefits to the Non-Executive Directors for the period from 1 January 2017 to 31 March 2018;
   - **Resolution 3** on payment of Directors' Benefits (excluding Directors' fees) to the Non-Executive Directors for the period from 1 April 2018 until the next AGM of the Company; and
   - **Resolution 4** on payment of Directors' Fees to the Non-Executive Directors for the period from 1 January 2018 until the next AGM of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

The details of the remuneration and benefits payable to the Non-Executive Directors which have remained unchanged since May 2013 are as follows:

**Directors Fees (per annum)**

| | |
|---|---|
| Chairman of the Board | - RM108,000 |
| Chairman of the Audit & Risk Management Committee | - RM90,000 |
| Board Member | - RM60,000 |

**Meeting Allowance (per meeting)**

| | |
|---|---|
| Board | - RM500 |
| Board Committee | - RM500 |

**Benefits in kind**
Medical and insurance coverage

3. **Item (10) of the Agenda**

**RETENTION OF INDEPENDENT DIRECTOR OF THE COMPANY**

The Nomination & Remuneration Committee has assessed the independence of Datuk R. Karunakaran, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and the Board, upon the Nomination & Remuneration Committee's recommendation, had recommended for shareholders' approval for him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

(a) He fulfills the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus he would be able to function as a check & balance and bring with him an element of objectivity to the Board;

(b) He provides the Board with a diverse set of skills, experience and expertise;

(c) He has performed his duties diligently in the best interests of the Company and provides a broader view, independent and balanced assessment of proposals from the Board and Management; and

(d) He does not hold any shares in the Company and does not have any business dealings with the Company, save and except as a Chairman and a member of the Board of Directors of the Company.

4. **Item (11) of the Agenda**

**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The proposed ordinary resolution 10, if passed, will empower the Directors of the Company to buy back and/or hold from time to time shares of the Company not exceeding ten (10) per cent of the issued and paid-up share capital of the Company from time to time being quoted on Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company.

For further information, please refer to the Share Buy-Back Statement dated 20 March 2018, which is dispatched together with the Annual Report 2017.

5. **Item (12) of the Agenda**

**AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

The proposed ordinary resolution 11 is to seek the shareholders' approval on the renewal of the general mandate for the issuance of shares by the Company under Section 75 and 76 of the Companies Act 2016. If the resolution is duly passed, it will give flexibility to the Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interests of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any proposal involves the issuance of new shares, the Directors would have to convene a general meeting to approve the issuance of new shares. In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being. The renewed authority will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Annual General Meeting of the Company in accordance with Article 80 of the Company's Constitution are :-

   a) Datuk R. Karunakaran
   b) En Wan Azfar bin Dato' Wan Annuar

   Details of the Directors seeking re-election are set out in the Directors Profiles' section and their shareholdings in the Company are set out in this Annual Report.

2. To re-elect Dato' Wan Hasim bin Wan Jusoh as a Director in accordance with Article 87 of the Company's Constitution.

   Details of Dato' Wan Hashim bin Wan Jusoh, who is seeking re-election are set out in the Directors Profiles' section and his shareholdings in the Company are set out in this Annual Report.

3. Details of attendance at Board Meetings

   Four Board Meetings were held during the financial year ended 31 December 2017. Details of attendance of the Directors at Board Meetings are set out in this Annual Report.

4. Date, Time and Place of the 26th Annual General Meeting

   Date and Time : 17 April 2018 at 10:00 a.m.

   Place : Dorsett Grand Subang<br>Selangor 3, Grand Selangor Ballroom<br>Jalan SS 12/1<br>47500 Subang Jaya<br>Selangor Darul Ehsan

# PROXY FORM

“I/We,”________________________________________ of ____________________

____________________________________________ being a member/members of

INTEGRATED LOGISTICS BERHAD, hereby appoint (“the Chairman of the Meeting”) or ____________________

________________________ NRIC No. __________________________________

of ____________________________________________________________

_______________________________________________________________

as my/our proxy to vote for me/us on my/our behalf, at the 26th Annual General Meeting (“AGM”) of the Company to be held at Selangor 3, Grand Selangor Ballroom, Dorsett Grand Subang Hotel, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Tuesday, 17 April 2018 at 10.00 a.m. or any adjournment thereof and to vote as indicated below:-

| **AS ORDINARY BUSINESS** | | **FOR** | **AGAINST** |
|---|---|---|---|
| RESOLUTION 1 | To approve payment of Directors’ fees to Non-Executive Directors amounting to RM376,750 for the period from 1 January 2017 to 31 December 2017. | | |
| RESOLUTION 2 | To approve payment of Directors’ Benefits to Non-Executive Directors amounting to RM59,693 for the period from 1 January 2017 to 31 March 2018. | | |
| RESOLUTION 3 | To approve payment of Directors’ Benefits (excluding directors’ fees) to Non-Executive Directors up to an amount of RM48,000 for the period from 1 April 2018 until the next AGM of the Company. | | |
| RESOLUTION 4 | To approve the payment of Directors’ Fees to Non-Executive Directors up to an amount of RM526,250 for the period from 1 January 2018 until the next AGM of the Company. | | |
| RESOLUTION 5 | To re-elect Datuk R. Karunakaran as Director in accordance with Article 80 of the Company’s Constitution. | | |
| RESOLUTION 6 | To re-elect En Wan Azfar bin Dato’ Wan Annuar as Director in accordance with Article 80 of the Company’s Constitution. | | |
| RESOLUTION 7 | To re-elect Dato’ Wan Hashim bin Wan Jusoh as Director in accordance with Article 87 of the Company’s Constitution. | | |
| RESOLUTION 8 | To re-appoint Messrs Baker Tilly Monteiro Heng as the Company’s Auditors until the conclusion of the next AGM and to authorize the Directors to fix their remuneration. | | |
| **AS SPECIAL BUSINESS**<br>**ORDINARY RESOLUTIONS** | | | |
| RESOLUTION 9 | Retention of Datuk R. Karunakaran as an Independent Non-Executive Director of the Company. | | |
| RESOLUTION 10 | Proposed Renewal of Share Buy-Back Authority. | | |
| RESOLUTION 11 | To authorize the Directors to allot and issue shares in the Company pursuant to Section 75 and 76 of the Companies Act 2016. | | |

Signature of Shareholder(s)__________________________ ____________________

No. of shares held

Signed this ________ day of ________________, 2018

NOTE :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 9 April 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 26th AGM.
2. Any member of the Company entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him, and that a proxy need not be a member of the Company and where a member appoints more than one (1) proxy, the member must specify the proportion of his shareholdings to be represented by each proxy respectively, failing which the appointment shall be invalid.
3. If you wish to appoint as your proxy any person other than “the Chairman of the Meeting”, please insert the full name of the proxy (in block letters) in the space provided and delete the words “the Chairman of the Meeting”.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“Omnibus Account”), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
5. A corporation may complete the proxy form under its common seal or under the hand of an officer or attorney duly authorized.
6. Please indicate with and “X” either “For” or “Against”. If neither “For” or “Against” is indicated, the proxy will vote as he thinks fit or abstain from voting.
7. The instrument appointing a proxy must reach the Business Office of the Company at No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia not less than 48 hours before the AGM. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

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STAMP

**The Company Secretary**
**Integrated Logistics Berhad** (229690-K)

No. 6, Jalan Sungai Buloh 27/101A,
Seksyen 27
40400 Shah Alam
Selangor Darul Ehsan

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Integrated Logistics Berhad (229690 K)
No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan
Tel: 603-5614 2555 / Fax: 603-5614 3848