FITTERS
Diversified Berhad

Annual Report 2016

Diversified Growth
Through Innovation & Technology

FITTERS
Diversified Berhad

Vision

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

Mission

- Provide engineering and creative solutions through innovation and technology

Core Values

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

Contents

Corporate Profile

DIVERSIFIED GROWTH THROUGH INNOVATION & TECHNOLOGY

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

FITTERS has gained recognition as a "one-stop" fire protection specialist through the years and is involved in the manufacturing, trading and specialised installation of fire-fighting equipments as well as the supply of fire safety protection products and services.

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

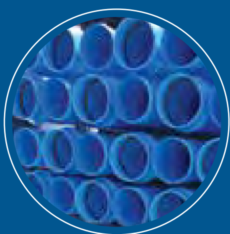
- *Fire Services (ONE-STOP Fire Protection Specialist)*
- *Property Development & Construction*
- *Renewable & Waste-to-Energy and Green Palm Oil Mill*
- *HYPRO® PVC-O Pipes Manufacturing & Distribution*

Fire Services Division

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

Property Development & Construction

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



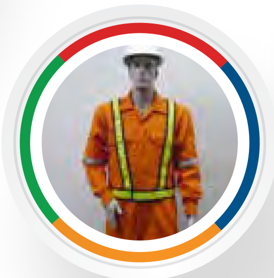
HYPRO® PVC-O Pipes Manufacturing & Distribution

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

Renewable & Waste-to-energy and Green Palm Oil Mill

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

Corporate Profile
(cont'd)



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

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

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

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

Mechanical Works

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

Electrical Works

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

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

Corporate Profile

(cont'd)

In 2007, FITTERS made its maiden foray into property development when it started its first property development project on a prime 8.43 acres commercial land in Setapak, Kuala Lumpur. FITTERS completed the 3-storey shopping mall, Setapak Central (previously known as KL Festival City Mall), in 2011 and subsequently launched ZetaPark @ Setapak, transforming it into an integrated commercial, retail and residential development. ZetaPark, sitting atop the vibrant Setapak Central, comprises 424 SOHOs and 470 LOFT serviced residences was fully completed in 2015.

Riding on this success, FITTERS launched its second property development project called ZetaDeSkye on a 2.84 acres of land located off Jalan Ipoh, Kuala Lumpur in 2013. ZetaDeSkye, featuring a 24-storey two-tower condominium consisting of 284 units of freehold semi-D in the sky, was completed in October 2016.

The successful launch of these projects has led the Group to invest in more niche property development opportunities. FITTERS through its wholly owned subsidiary, FITTERS Building Services Sdn Bhd, is currently pursuing with its plan to redevelop the newly acquired Plaza Pekeliling Global Tower, which is strategically located in a prime location along Jalan Tun Razak, Kuala Lumpur, into innovative high-end work suites. FITTERS also has a 50-acre parcel of land in Rawang, Selangor which is suitable for residential development.

Corporate Profile
(cont'd)

Renewable & Waste-to-energy and Green Palm Oil Mill

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

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

Sustainable Green Mill

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

Waste-to-Energy, Waste-to-Resource

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

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

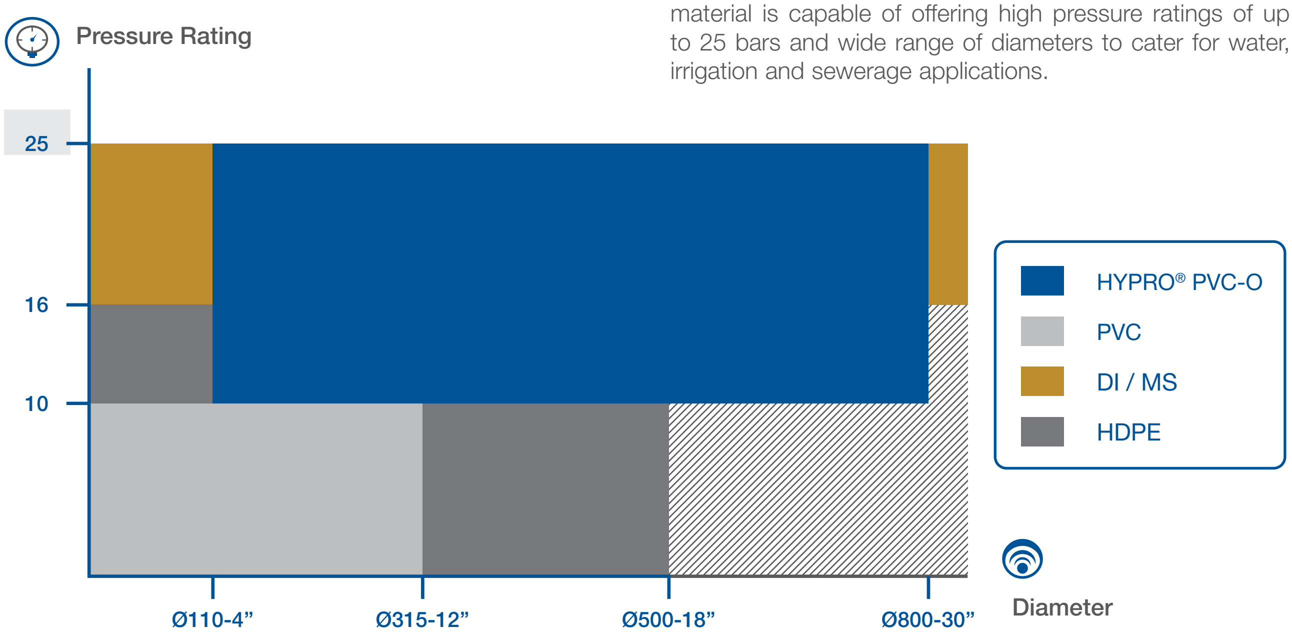
Corporate Profile
(cont'd)

HYPRO® PVC-O Pipes Manufacturing & Distribution

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

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

PVC-O material is a molecular orientated PVC material, offering higher mechanical strength and durability. The material is capable of offering high pressure ratings of up to 25 bars and wide range of diameters to cater for water, irrigation and sewerage applications.



Corporate Profile
(cont'd)

HYPRO® PVC-O is designed for up to 50 years of service life. Users of this pipe can enjoy non-corrosive material, non-clogging and lower maintenance cost due to superior material quality. HYPRO® PVC-O is proven to save electricity in the pumping operations over its service life, thanks to its smoother internal surfaces. Pipe installers can benefit in faster installation due to the material lightweightness and secure Spigot Bellmouth jointing system.

HYPRO® PVC-O are tested and certified by SIRIM under the ISO 16422 product standard and approved by National Water Service Commission of Malaysia ("SPAN").

To-date, HYPRO® PVC-O pipes are used in more than 170 km of pipe installation projects, providing clean water to the people of Malaysia. MSEA is currently growing its market presence in the region through export, starting with Papua New Guinea, Laos and Vietnam.

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

HYPRO® PVC-O for water supply project in Kelantan

PVC-O DN800 installation (Spain)

HYPRO® PVC-O for water supply project in Johor

Corporate Information

BOARD OF DIRECTORS

Dato' Fu Ah Kiow
@ Oh (Fu) Soon Guan
Chairman –
Independent Non-Executive Director

Dato' Wong Swee Yee
Non-Independent Managing Director

Datin Goh Hooi Yin
Non-Independent Executive Director

Datuk Dr Soh Chai Hock
@ Soh Hai San
Independent Non-Executive Director

Encik Zahedi Bin Haji Mohd Zain
Independent Non-Executive Director

Dato' Ir Low Keng Kok
Non-Independent
Non-Executive Director

Mr Chan Seng Fatt
Independent Non-Executive Director

Mr Chong Kwea Seng
Independent Non-Executive Director

COMPANY SECRETARIES

Ms Tai Yit Chan *(MAICSA 7009143)*
Ms Tan Seiw Ling *(MAICSA 7002302)*

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 : 603 7849 0777
Fax : 603 7841 8151/7841 8152

HEAD OFFICE & REGISTERED OFFICE

Wisma FITTERS
No. 1, Jalan Tembaga SD 5/2
Bandar Sri Damansara
52200 Kuala Lumpur
Tel : 603 6276 7155
Fax : 603 6275 8692
Email : fdb@fittersgroup.com

FIRE SERVICES DIVISION

Manufacturing & Trading
Contact : Mr Alex Teoh
Tel : 603 6277 9009
Fax : 603 6275 2780
Email : fdb@fittersgroup.com

M&E Engineering Services
Contact : Mr Y S Chin
Tel : 603 6276 7155
Fax : 603 6275 8712
Email : project@fittersgroup.com

CMS/Maintenance Services
Contact : En Anuar Yusuf
Tel : 603 6276 7155
Fax : 603 6275 8692
Email : mps@fittersgroup.com

PROPERTY DEVELOPMENT & CONSTRUCTION

Contact : Mr S K Gan
Tel : 603 6277 6768
Fax : 603 6277 7106
Email : zetapark@fittersgroup.com

RENEWABLE & WASTE-TO-ENERGY/GREEN MILL

Contact : Mr S K Gan/Mr K H Chan
Tel : 603 6277 2200
Fax : 603 6272 1535
Email : enquiry@futurenrg.net

HYPRO® PVC-O PIPES

Contact : En Farid Mohamed Nor
Tel : 603 6276 7155
Fax : 603 6275 1378
Email : inquiry@molecorsea.com

BRANCH OFFICES

Northern:
66B Lintang Angsana
Bandar Baru Ayer Itam
11500 Pulau Pinang
Contact : Mr Tee Joo Seng
Tel : 604 8290 734
Fax : 604 8290 731
Email : penang@fittersgroup.com

Central:
13 &13A Jalan Dato' Haji Megat Khas
Taman Bandaraya Utama
31400 Ipoh, Perak
Contact : Mr Choo Hin Keong
Tel : 605 5477 622
Fax : 605 5477 623
Email : ipoh@fittersgroup.com

Southern:
12 &12A Jalan Sagu 5
Taman Daya, 81100 Johor Bahru
Tel : 607 3559 585
Fax : 607 3530 062
Email : johor@fittersgroup.com

Sarawak:
28, G Floor, Wisma Koperkasa
Jalan Simpang Tiga
93300 Kuching, Sarawak
Tel : 6082 250 221
Fax : 6082 256 221
Email : sarawaku@fittersgroup.com

Singapore:
83 Genting Lane #06-01
Singapore 349568
Contact : Mr Pernod Sim
Tel : 02 6744 1171
Fax : 02 6741 4173
Email : adminsg@fittersgroup.com

AUDITORS

Baker Tilly Monteiro Heng
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 603 2297 1000
Fax : 603 2282 9980

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank (M) Berhad

SOLICITORS

Azwar & Associates
H.S. Tay, Baharin & Partners
Raj, Ong & Yudistra
Soon Eng Thye & Co

WEBSITE

http://www.fittersgroup.com

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
Stock Name : FITTERS
Stock Code : 9318
Warrant Name : FITTERS-WB
Stock Code : 9318WB

Corporate Structure

FITTERS Diversified Berhad

- 100% FITTERS Marketing Sdn Bhd (1)
- 100% Master Pyroserve Sdn Bhd (1)
- 51% FITTERS-MPS Sdn Bhd (1)
- 100% FITTERS (S) Pte Ltd (1)
- 100% FITTERS Sdn Bhd (1)
  - 100% FITTERS (Sarawak) Sdn Bhd (1)
  - 100% FITTERS Fire Technology Sdn Bhd (6)
  - 100% Modular Floor Systems (M) Sdn Bhd (6)
  - 100% FITTERS (Ipoh) Sdn Bhd (6)
  - 100% AHT NRG Asia Sdn Bhd (6)
- 100% FITTERS Engineering Services Sdn Bhd (1)
  - 100% FITTERS Engineering and Maintenance Services Sdn Bhd (6)
  - 100% FITTERS Engineering Services (Johor) Sdn Bhd (6)
  - 55% FITTERS-MCCT Sdn Bhd (1)
  - 100% FITTERS Construction Sdn Bhd (2)
- 100% FITTERS Property Development Sdn Bhd (2)
  - 100% ZetaPark Development Sdn Bhd (2)
  - 100% Superior Villa Sdn Bhd (2)
  - 100% Rasa Anggun Development Sdn Bhd (2)
- 100% FITTERS Building Services Sdn Bhd (2)
  - 100% Pyro-Tech Systems Sdn Bhd (6)
- 100% Future NRG Sdn Bhd (3)
  - 100% Future Biomass Gasification Sdn Bhd (3)
  - 100% Solid Orient Holdings Sdn Bhd (3)
  - 40% A.H.T. Syngas Technology N.V. (3)
    - 100% A.H.T. Services GmbH (3)
- 100% FITTERS-NRG Sdn Bhd (3)
  - 100% Liangshan Future NRG Biology Electric Power Co., Ltd (3)
- 100% Premier Equity Holdings Limited (5)
  - 100% Future NRG Asia Ltd (6)
  - 100% Future NRG (SEA) Pte Ltd (3)
- 100% Master Pyrodor Sdn Bhd (5)
- 65% Molecor (SEA) Sdn Bhd (4)
- 100% Future NRG Pte Ltd (6)
- 100% Wintip Sdn Bhd (6)
- 100% Armatrade Sdn Bhd (6)

Legends:

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

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of FITTERS Diversified Berhad ("FITTERS" or "the Company"), I am pleased to present the Annual Report and the Audited Financial Statements for the financial year ended 31 December 2016 ("FY2016").

FINANCIAL REVIEW

FITTERS Group recorded a revenue of RM366.1 million during the FY2016, representing a marginal decline of 4.3% from the revenue of RM382.5 million for the last financial year. The Group recorded a loss before tax of RM0.1 million as compared to the profit before tax of RM16.0 million in the preceding financial year. The loss before tax of RM0.1 million was registered after the provision for impairment loss on investment in associated company amounting to RM6.9 million and the share of loss of the associated company of RM0.4 million.

During the FY2016, the Fire Services Division registered a decline in profit before tax by 46.7% to RM8.1 million from RM15.3 million in the previous financial year despite an increase in revenue by 7.2% to RM171.5 million from RM160.0 million. The lower pre-tax profit was mainly due to decrease in sales from its Computerised Fire Alarm Monitoring System ("CMS") business and additional costs incurred for certain projects under its Mechanical and Electrical Services ("M&E") business.

The Property Development & Construction Division posted a decrease in profit before tax of 56.9% to RM7.7 million in FY2016 from RM17.9 million previously, mainly due to the completion of ZetaDeSkye project and there was no new project launched during FY2016. ZetaDeSkye, which comprises 24-storey two-tower condominium consisting of 284 units of freehold semi-D in the sky, was successfully completed in October 2016.

The Renewable & Waste-to-Energy Division recorded a lower loss before tax of RM8.1 million for the year under review as compared to loss before tax of RM8.4 million for the last financial year. The palm oil mill business has turned around during FY2016 and posted a profit before tax of RM0.4 million as opposed to loss before tax of RM3.6 million previously, representing an improved bottom-line of RM4.0 million. Other companies in the Renewable & Waste-to-Energy Division registered a lower loss before tax of RM1.6 million as compared to loss before tax of RM4.7 million in the previous year, representing an improvement of RM3.1 million mainly due to the absence of interest and expenses in relation to corporate exercise of the Division which were recorded in previous financial year. However, this improved results was off-set by the impairment loss on investment in associated company amounting to RM6.9 million recognised during FY2016.

HYPRO® Orientated Polyvinyl Chloride ("PVC-O") Pipes Manufacturing & Distribution Division commenced its production during first quarter of 2015. This newly set-up business recorded a lower loss before tax of RM5.9 million during FY2016 as compared to RM7.3 million in the preceding financial year.

DIVIDEND

The Board of Directors does not recommend any dividend for the financial year ended 31 December 2016.

CORPORATE DEVELOPMENT

The Group has decided not to proceed with the Proposed Listing of Future NRG Sdn Bhd ("FNRG") on Catalist, the Sponsor-Supervised Board of the Singapore Exchange Securities Trading Limited as the current position of FNRG is not ideal to carry out the exercise.

Chairman's Statement
(cont'd)

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

As a responsible corporate citizen, FITTERS Group is aware of its corporate social responsibility and the positive impact of the Group's business activities on the workplace, community and environment.

FITTERS Group places great emphasis on employee welfare and their career development as it recognises that the "right people" are the Group's most valuable asset in the Group's pursuit of sustainable growth. We believe in our human resources philosophy: "Create an environment which is performance based, surrounded by high caliber, empowered, motivated employees, who also have the drive doing the job". The Group constantly strives to provide a conducive work environment with equal training and development opportunities for the employees.

Effective communication and synergistic teamwork is the backbone of every successful corporation. The FITTERS Sports Club, an effective platform for employees to interact and create team spirit with one another, aims to cultivate a balanced and healthy lifestyle, while also fostering good interpersonal relationships among co-workers. FITTERS Sports Club organizes various activities which include amongst others regular badminton, futsal, bowling and ping-pong sessions, and social gatherings like annual dinner and recreational trips.

FITTERS continues its tradition of reaching out to the community with its on-going campaigns on "One-Home-One-Extinguisher" and "One-Car-One-Extinguisher", which were introduced by the Ministry of Housing and Local Authorities. FITTERS is hopeful of meeting its objective of creating fire safety and prevention awareness amongst the public and promoting the need for Malaysian homes and cars to be equipped with the "first line of fire defence tools".

FITTERS Group's Renewable & Waste-to-Energy Division and HYPRO® PVC-O Pipes Manufacturing & Distribution Division promote sustainability initiatives in relation to the responsible use of biomass waste and water resources in the course of its on-going business activities.

Our "Green Mill Solution" converts biomass waste into valuable resources that provides additional revenue while reducing carbon footprint. Dry long fibre produced from empty fruit bunches can be used in the production of mattresses, cushions, erosion control mats, etc. while mitigating the environmental damage caused by the conventional disposal methods such as incineration, open dumping and mulching. The generation of renewable electricity from palm oil mill effluent by the biogas capture plant displaces electricity generated by fossil fuel power plants and thereby reduces emission of carbon dioxide to the atmosphere.

The usage of our HYPRO® PVC-O pipes give rise to various environmental benefits that have significant contribution towards lower carbon footprint. HYPRO® PVC-O pipes light weight attribute minimises the need for usage of heavy machinery during pipe installation, its larger bore provides maximum hydraulic capacity and its smooth inner surface reduces fluid flow frictions and pumping losses in the network, therefore reducing the pumping energy during operation. In addition, water that flows through HYPRO® PVC-O pipes do not suffer any kind of alteration therefore promising water quality.

CORPORATE GOVERNANCE

The Board of Directors of FITTERS remains firmly determined and committed in ensuring that the Group applies and practises the required standards of corporate governance.

The Board believes that good and effective corporate governance includes the need to attain high standards of business ethics, accountability, integrity, transparency and professionalism across all activities and overall conduct of the Group. In observing and maintaining high standards of corporate governance, FITTERS Group strives to promote a culture of integrity, excellence and professionalism among its employees.

ECONOMIC LANDSCAPE AND FUTURE OUTLOOK

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

Chairman’s Statement
(cont’d)

While the external environment may continue to remain challenging, the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to support disposable income of households. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

FITTERS Group will remain resilient by improving its earnings this year and continues to intensify its focus to manage costs and enhance the performance of its core businesses.

The Fire Services Division is expected to generate a steady stream of income for the Group. The Property Development & Construction Division will continue with its redevelopment planning activities for the proposed redevelopment of the newly acquired Plaza Pekeliling Global Tower, which is strategically located in a prime location along Jalan Tun Razak, Kuala Lumpur. In addition, this division is actively bidding for new construction and project management projects to bring in additional income to the Group. The Renewable & Waste-to-Energy Division is expected to perform better than FY2016 in view of the anticipated improvement in operations. The new HYPRO® PVC-O Pipes Manufacturing & Distribution Division will intensify its business development and sales initiatives to distribute its PVC-O pipes especially for irrigations, pipe replacement and new pipe-laying opportunities from both the private and public sectors.

Given the prevailing challenging market condition, the Board of Directors is cautiously optimistic of achieving a satisfactory operational and financial performance for the financial year ending 31 December 2017.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to extend our thanks and appreciation for the valuable and continuous support received from the shareholders, financiers, respective government authorities, customers, suppliers and contractors.

I wish to take this opportunity to welcome Mr Chong Kwea Seng to the Board as independent non-executive director of the Company. To my fellow colleagues on the Board, I would like to express my sincere appreciation for your contribution and support, and I look forward to your continued active participation on the Board. Last but not least, we wish to thank the management and staff of the Group for their loyalty, commitment and dedication.

DATO’ FU AH KIOW @ OH (FU) SOON GUAN
Chairman
31 March 2017

Management Discussion & Analysis

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

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

FIRE SERVICES

Fire Services Division continues to be main contributor for FITTERS Group generating a steady stream of income. The division registered an increase in revenue from RM160.0 million in the previous financial year to RM171.5 million for the financial year ended 31 December 2016 primarily due to higher contribution from the Mechanical & Electrical Services ("M&E") business and increase in sales volume from its fire door manufacturing and fire equipment businesses.

On the other hand, the sales of safety apparels and foam was lower than previous year due to the lower orders from the oil and gas industry. The division's Computerised Fire Alarm Monitoring System ("CMS") business also recorded a drop in sales during 2016 as a result of the appointment of a new service provider by Jabatan Bomba dan Penyelamat Malaysia.

Profit before tax declined to RM8.1 million for the year under review compared to RM15.3 million in the previous financial year. The decline in profit before tax was mainly due to the decrease in sales from its CMS business and additional costs incurred for certain projects under the M&E business.

Moving forward, the Group expects its fire door manufacturing and trading business to maintain its revenue growth momentum while its M&E business continue to build its order book and monitor its work progress.

PROPERTY DEVELOPMENT & CONSTRUCTION

For the financial year under review, the Property Development & Construction Division reported a revenue and profit before tax of RM63.1 million and RM7.7 million respectively, mainly contributed by ZetaDeSkye project which is situated off Jalan Ipoh, Kuala Lumpur. Launched in 2013, ZetaDeSkye, a 24-storey two-tower condominium consist of 284 units, was successfully completed in October 2016 and were handed over to the purchasers.

Meanwhile, FITTERS Building Services Sdn Bhd ("FBS"), a wholly owned subsidiary, prepares the necessary planning activities and submissions to the authorities to redevelop the newly acquired Plaza Pekeliling Global Tower, which is strategically located in a prime location along Jalan Tun Razak, Kuala Lumpur. Barring unforeseen circumstances, FBS targets to launch the project by fourth quarter of 2017.

Further to that, this division is actively bidding for new construction and project management projects to generate additional income stream for the Group and is hopeful to secure a contract as the project manager for a property development project undertaken by a third party.

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

The Group, via its wholly owned subsidiary namely Solid Orient Holdings Sdn Bhd ("SOH"), owns and operates a 60 fresh fruit bunches ("FFB") metric tonnes per hour palm oil mill in Baling, Kedah. For the financial year ended 31 December 2016, SOH recorded a revenue of RM152.6 million as compared to the revenue of RM155.6 million in the previous financial year. The decrease of 1.9% in revenue was mainly due to the lower throughput processed which was partially off-set by the higher crude palm oil and palm kernel prices. The lower FFB processed during the year was in line with the 30% drop in FFB production in Kedah. Despite the decline in revenue, SOH showed an improvement from a loss of RM3.6 million in the previous financial year to a pre-tax profit of RM0.4 million in the year under review due to more stringent FFB grading and the absence of bad debts and inventories write-off recognised in the previous financial year. SOH will continue with its stringent FFB grading to improve the quality of FFB received and processed, take appropriate measures to improve the mill efficiency and lower its operating costs.

Future Biomass Gasification Sdn Bhd ("FBG"), a wholly owned subsidiary, received a feed-in approval from the Sustainable Energy Development Authority Malaysia ("SEDA") on 24 February 2015 to generate up to 2 megawatts of electricity from renewable resources. FBG signed a Renewable Energy Power Purchase Agreement with Tenaga Nasional Berhad on 28 April 2015 for the sale of renewable electricity to the national grid for a period of 16 years. The renewable electricity will be

Management Discussion & Analysis
(cont'd)

produced at SOH's green mill in Baling, Kedah, which will generate biogas from palm oil mill effluent in a biogas capture plant and convert into electricity using highly efficient biogas engine generators. The biogas capture plant project is an integration between the existing palm oil mill and Green Technology.

FBG commenced the construction of the biogas capture plant during the financial year under review with targeted completion and feed-in commencement to be in July 2017. The biogas capture plant has received Pioneer Status approval from the Malaysian Investment Development Authority ("MIDA") where FBG will enjoy 100% tax exemption for 10 years for the sale of renewable electricity generated from biogas. The biogas capture plant was also approved for the Green Technology Financing Scheme ("GTFS") of the Malaysian Green Technology Corporation under the purview of the Ministry of Energy, Green Technology and Water.

Future NRG Sdn Bhd ("FNRG"), a wholly owned subsidiary, completed the construction of the Sendayan medical waste treatment plant in Sendayan Tech Valley, Bandar Sri Sendayan near Seremban, Negeri Sembilan during the financial year under review. The Certificate of Completion and Compliance which marked the completion of the construction of the building in compliance to the required local authority building approvals was issued by the architect and submitted to the local council on 5 September 2016.

The Sendayan medical waste treatment plant uses the latest Ozone Medical Waste Treatment process for the sterilisation of the medical waste generated from private healthcare facilities in Peninsular Malaysia. Compared to conventional methods of treatment by incineration, the ozone medical waste treatment plant does not generate any forms of pollutants that could degrade the environment because there is no consumption of chemicals or fuels in the process. There is no emission of Greenhouse Gas as the process does not use any form of thermal heating or burning, therefore making this a truly environmental friendly solution. The Sendayan medical waste treatment plant thus fulfilled the criteria and was approved for the GTFS of the Malaysian Green Technology Corporation. The Sendayan medical waste treatment plant has also received Pioneer Status approval from the MIDA.

The Group's associated company, A.H.T. Syngas Technology N.V., had on 28 November 2016 announced that its subsidiary company namely A.H.T. Services GmbH, had applied for an insolvency under self-administration. Following this development, the Group made a provision for impairment of its investment in the associated company amounting to RM6.9 million in 2016 and also aborted the plan to use its plant in Liangshan, China owned by Liangshan Future NRG Biology Electric Power Co Ltd, a wholly owned subsidiary, for the manufacturing and distribution of coal gasifiers in the China market. The Group will look for interested parties to divest this idle asset in Liangshan to better focus itself in growing its operations in the domestic market in Malaysia.

HYPRO® PVC-O PIPES MANUFACTURING & DISTRIBUTION

Molecor (SEA) Sdn Bhd ("MSEA") is jointly owned by FITTERS Diversified Berhad (65%), Ricwil (Malaysia) Sdn Bhd (25%) and Molecor Tecnologia S.L. (10%). Molecor Tecnologia S.L., our principal and technological partner for this venture, is a pioneer company specialising in the development of the latest technology applying molecular orientation using hot air to pipeline solutions with amazing mechanical properties.

MSEA registered a three-fold increase in revenue from RM5.0 million in 2015 to RM14.2 million in 2016, signalling a wider acceptance of HYPRO® PVC-O pipes in the water industry as material of choice. The increase in revenue was mainly due to the increased demand in supply of pipes in various water supply, water reticulation and irrigation projects. Most of the revenue were generated from government projects and water authorities pipe replacement programme with projects in Sarawak making up the majority of the revenue generated in 2016. The improved revenue has led to a lower loss of RM5.9 million in 2016 as compared to RM7.3 million in the previous financial year.

During the year under review, the sales and marketing team has been actively involved in exhibitions, roadshows and technical symposiums to promote and gain wider acceptance of our products as well as to build a larger project base. Moving forward, continued marketing efforts would be carried out in water, irrigation and sewerage applications extending to neighbouring countries of which some ground work has taken place. Plant visits feedback from various government agencies and water authorities have been positive and they are confident in the performance of HYPRO® PVC-O pipes. There will be greater technical emphasis and efforts to promote more usage of HYPRO® PVC-O pipes as cost effective solutions in various applications such as irrigation and sewerage systems.

The economic climate remains challenging in 2017 for the water infrastructure projects in Malaysia due to fiscal constraints by the government. There are stiff competitions among the pipe players and profit margin is suppressed as players compete to maintain their market share. MSEA will focus on revenue generation from selective government projects in irrigations and pipe replacement program.

Profile of Directors

DATO' FU AH KIOW @ OH (FU) SOON GUAN
Chairman, Independent Non-Executive Director
Aged 68, Malaysian, Male
Appointed on 20 June 2014

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

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

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

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

DATO' WONG SWEE YEE
Managing Director, Executive Non-Independent Director
Aged 59, Malaysian, Male
Appointed on 18 January 1986

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

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

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

Currently, he is also a Board Member of AHT Syngas Technology N.V., a company incorporated in the Netherlands and listed on the Frankfurt Stock Exchange, Germany. He has no other directorship in other public companies and listed issuers. Datin Goh Hooi Yin, his spouse, is also a member of the Board. Save for recurrent related party transactions noted in the Annual Report, he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Profile of Directors
(cont'd)

DATIN GOH HOOI YIN
Executive Non-Independent Director
Aged 56, Malaysian, Female
Appointed on 15 December 2008

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

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

She has no other directorship in other public companies and listed issuers. She is the spouse of Dato' Wong Swee Yee, the Managing Director and a substantial shareholder of the Company. Save for recurrent related party transactions noted in the Annual Report, she does not have any conflict of interest with the Company. She has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year ended 31 December 2016.

DATUK DR. SOH CHAI HOCK @ SOH HAI SAN
Independent Non-Executive Director
Aged 72, Malaysian, Male
Appointed on 1 April 2011

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

He is the National Chairman of the Malaysian Fire Prevention Council, a Government link NGO. Datuk Dr. Soh Chai Hock was conferred a 'Doctorate of Laws' (LLD) by the Anna Maria College, Paxton, Massachusetts, USA in 1998. He is professionally trained on FEMA's highest level of Command and Control program in the United States and on "Senior Crisis Management – Anti Terrorism" with the Department of State, Bureau of Diplomatic Security and Louisiana State University, USA.

He was also the co-founder and Adjunct Professor for the Master of Science ("ERP") program in University Putra Malaysia and Chief Editor for the "Guide for Fire Protection in Malaysia". In 1996, he was appointed Vice President of the Fire Chiefs Association of Asia (IFCAA) and was invited to sit in the United Nations Fire Expert Committee, Geneva, Switzerland during the Indonesian wild land fire and South East Asian haze disaster in 1997.

He was also a Post Cabinet committee member for the Ministry of Housing and Local Government, Malaysia. In 1999, he retired as the Director General of the Malaysian Fire and Rescue Services and was appointed 'Fire Expert' by the Asian Productivity Organization for 20 Asia-Pacific countries. In 2010, he was conferred the 'Fellow of the Institute of Fire Engineers, United Kingdom. He is the Advisor to Asia Pre-Hospital & Fire Rescue Federation Association (APFA) and a Panel Judge for The International Real Estate Federation (FIABCI).

At present, he has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Profile of Directors
(cont'd)

ENCIK ZAHEDI BIN HAJI MOHD ZAIN
Independent Non-Executive Director
Aged 61, Malaysian, Male
Appointed on 1 April 2011

Encik Zahedi bin Haji Mohd Zain was first appointed to the Board on 26 January 1994. On 22 December 2001, he was appointed as the Alternate Director to the late Tan Sri Datuk Paduka Dr Hajjah Saleha binti Haji Mohd Ali and ceased on 21 March 2011 after her demise. Subsequently he was re-appointed on 1 April 2011. He is also a member of the Audit Committee and Nominating Committee.

He holds a Bachelor of Science Honours Degree (Applied Science) from Brighton Polytechnic, United Kingdom. He started his career as a production engineer with Petronas in 1981. In 1985 he left Petronas to work in his family businesses which included automotive component parts manufacturing, property development and investment holdings.

He is also an Independent Non-Executive Director of Fajarbaru Builder Group Berhad and has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

DATO' IR. LOW KENG KOK
Non-Independent Non-Executive Director
Aged 62, Malaysian, Male
Appointed on 21 November 2012

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

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

Dato' Low has more than 38 years of experience in the management of buildings, infrastructure and privatisation projects. He was the Managing Director of Road Builder (M) Holdings Berhad from 1998 to 2007. Currently, he is the Chairman of Fajarbaru Builder Group Berhad and a Director of Universiti Teknologi Malaysia (UTM).

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Profile of Directors
(cont'd)

MR CHAN SENG FATT
Independent Non-Executive Director
Aged 53, Malaysian, Male
Appointed on 20 June 2014

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

Mr Chan has an extensive career exposure spanning more than 25 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation & general management.

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

Mr Chan is also an Independent Non-Executive Director and the Chairman of Audit Committee and Risk Management Committee of Salcon Berhad. He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

CHONG KWEA SENG
Independent Non-Executive Director
Aged 62, Malaysian, Male
Appointed on 15 February 2017

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

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

He held various positions since he commenced employment in 1978. He had held the position of Marketing Manager of Used Equipment, Sales Manager of New Machines, Area Sales Manager and Area Parts Manager.

From 1992 to 1998, he was the General Manager of the KLIA Project, being responsible for sales of equipment and product support. In 1998, he was promoted to General Manager, Used Equipment and later assumed the position of General Manager of Equipment in 2001, responsible for sales of Caterpillar (new and used) equipment.

In 2002, he was promoted to Director – Sales before his appointment as Managing Director of Sime Darby Industrial Sdn Bhd (previously known as Tractors Malaysia) in July 2006.

In 2006, he was made the Managing Director of China Engineering Ltd (CEL), Sime Darby's Caterpillar Dealer in China based in Hong Kong and China.

He has no other directorship in other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Profile of Key Senior Management

Dato' Wong Swee Yee
Managing Director, FITTERS Diversified Berhad
Aged 59, Malaysian, Male

The profile of Dato' Wong Swee Yee is stated in the Board of Directors' Profile on page 15 of the Annual Report.

Datin Goh Hooi Yin
Executive Director, FITTERS Diversified Berhad
Aged 56, Malaysian, Female

The profile of Datin Goh Hooi Yin is stated in the Board of Directors' Profile on page 16 of the Annual Report.

Chin Yong Shing
Executive Director, FITTERS Engineering Services Sdn Bhd
Aged 48, Malaysian, Male

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

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

He has no directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years and there were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Gan Soon Kiean
Executive Director, FITTERS Construction Sdn Bhd
Aged 45, Malaysian, Male

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

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

He has no directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years and there were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Mohd Farid Mohamed Nor
Chief Operating Officer, Molecor (SEA) Sdn Bhd
Aged 41, Malaysian, Male

Encik Mohd Farid Mohamed Nor graduated with a Bachelor of (Mechanical) Engineering from University of London Imperial College of Science, Technology and Medicine, UK.

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

He has no directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company and he does not have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences) within the past 5 years and there were no sanctions and/or penalties imposed on him by any regulatory body during the financial year ended 31 December 2016.

Group Financial Summary

Financial Year Ended 31 December	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	366,076	382,486	347,284	472,500	410,896
(Loss)/Profit before tax	(75)	16,026	42,157	55,831	38,109
Income tax expense	(5,284)	(7,988)	(12,751)	(16,339)	(10,046)
(Loss)/Profit for the financial year from continuing operations	(5,359)	8,038	29,406	39,492	28,063
Loss for the financial year from discontinued operation, net of tax	(1,100)	(1,167)	-	-	-
(Loss)/Profit for the financial year	(6,459)	6,871	29,406	39,492	28,063
Non-controlling interests	2,159	2,407	690	(277)	(175)
(Loss)/Profit attributable to owners of the Company	(4,300)	9,278	30,096	39,215	27,888
Share capital	240,248	240,130	240,130	155,929	155,929
Share premium	118	-	-	2,863	2,863
Treasury shares	(5,330)	(364)	-	(10,278)	(14,452)
Other reserves	35,211	36,162	30,273	29,949	7,908
Retained earnings	83,907	90,972	84,484	103,529	70,345
Shareholders' funds	354,154	366,900	354,887	281,992	222,593
Property, plant and equipment	235,811	245,940	218,460	148,459	43,550
Investment properties	683	712	740	528	550
Intangible assets	5,684	5,684	4,360	4,360	4,531
Land use rights	-	5,336	4,501	4,491	4,153
Investment in associate	-	7,330	-	-	-
Investment securities	2,321	20,904	21,541	21,541	29,203
Deferred tax assets	1,111	-	-	-	-
Non-current trade and other receivables	4,117	2,437	2,693	1,311	2,791
Current assets	361,517	352,674	289,983	283,684	266,901
Total assets	611,244	641,017	542,278	464,374	351,679
Loans and borrowings	174,399	173,390	98,528	79,714	31,818
Net assets	354,154	366,900	354,887	281,992	222,593
Net assets per share (sen)	75.70	76.52	73.89	95.37	77.01
Weighted average number of ordinary shares in issue ('000)	476,339	480,083	451,874	291,434	224,523
Basic (loss)/earnings per share (sen)	(0.90)	1.93	6.66	13.46	12.42

Statement on Corporate Governance

The Board of Directors ("Board") of FITTERS Diversified Berhad ("FITTERS" or "the Company") remains firmly determined and committed in ensuring that required standards of corporate governance are practised and applied across FITTERS Group of Companies ("FITTERS Group").

The Board is aware that good and effective corporate governance includes the need to attain high standards of business ethics, accountability, integrity, transparency and professionalism across all activities and overall conduct of the FITTERS Group. As such, FITTERS shall also continue to strive to promote a culture of integrity, excellence and professionalism among its employees.

The Board is pleased to disclose below a description of how the FITTERS Group has applied the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("Code") throughout the financial year ended 31 December 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

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

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

The Board has appropriately delegated specific tasks to four (4) Committees, being the Audit, Nominating, Remuneration and Long-Term Incentive Plan Committees. These Committees have wide ranging authorities and make recommendations to the Board which holds the ultimate responsibility. The responsibilities of each Committee are laid out in their written terms of reference. The Chairman of the respective Committees report to the Board on matters deliberated at the respective Committee Meetings and put forth their recommendations thereon.

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

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

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

The Board recognises that effective succession planning is a fundamental component of Board's effectiveness. The Board will look into the need to develop a succession plan.

Statement on Corporate Governance
(cont'd)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.2 Roles and Responsibilities

The management and control of the business of the Group is vested on the Board. The Board has the overall responsibility to oversee the corporate governance, business activities, strategic direction and management of the Group. The Group acknowledges the importance of having an effective Board to lead and control the Group.

The key responsibilities of the Board include:

- Establish the organisation's values, vision, mission, policies and strategies;
- Develop strategic and direction plans and ensuring strategic priorities;
- Review and approve the business (action) plans and annual budgets proposed by the senior management team;
- Monitor the achievement of the strategies, business plans and annual budgets;
- Establish board committees, policies and procedures where appropriate to ensure compliance, obligation and functions are effectively discharged;
- Ensure that all systems and procedures are in place for the effective and efficient operations of the Group;
- Ensure that all significant risks are adequately evaluated and accounted for by the senior management team and ensure that the Group has systems in place for risk management and internal control;
- Ensure high standards of corporate governance are practised;
- Deliberate and approve major capital expenditure, investments, acquisitions and divestments and any significant initiatives or opportunities that arise during the course of business;
- Deliberate, approve and monitor corporate exercises and funding requirement;
- Appoint Directors to the Board;
- Approve the quarterly, yearly financial statements, Annual Report and all other documents that require submissions to the relevant authorities;
- Recommend and approve interim and final dividends to shareholders, where applicable; and
- Review and monitor all related party transactions ensuring full compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

1.3 Code of Business Ethics

The Board has established the Code of Business Ethics for Directors and all employees of the Group. The Code of Business Ethics forms an integral part of the Group and it addresses ethical conduct in the work environment, business practices and relationships with customers.

The Code explains the standards of behaviour that the Company expects of its Directors and employees in their daily activities and dealing with others.

The Board will put in place a Whistleblowing Policy which provides an avenue for raising matters of concerns related to fraud, illegal acts, wrongdoing, misconduct or other unethical conduct within the Group and receive feedback on any action taken.

1.4 Sustainability

The Board is aware of the importance of business sustainability and ensures that there is a plan for promoting sustainability embedded in the development of the Group's strategies, taking into account the impact on the economic, environmental, social and governance aspects of the business operations. The Board and senior management will strive to ensure that these strategies meet the expectations of stakeholders such as customers, shareholders, business partners and the community in which it operates.

1.5 Access to Information and Advice

Prior to each Board meeting, every Director is given an agenda and a set of Board Papers for each agenda to be deliberated. The Board Papers include minutes of the previous meeting, quarterly financial results and issues requiring the Board's deliberation and approval and other ad-hoc reports. Minutes of the Audit Committee, Nominating Committee, Remuneration Committee, Long-Term Incentive Plan Committee, Risk Management Committee and EXCO are extended to the members of the Board at the conclusion of each of the meetings. The findings of the Risk Management Committee are also extended to the Board.

Statement on Corporate Governance
(cont'd)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.5 Access to Information and Advice (cont'd)

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

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

1.6 Qualified and Competent Company Secretary

The Company Secretary provides guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within relevant secretarial practice and regulatory requirements. This includes updating the Board on the MMLR and other legal and regulatory developments and their impact on the Group and its businesses.

The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the MMLR of Bursa Securities. The Company Secretary and/or her representatives attend all the meetings where she and/or her representative(s) records and circulates the minutes of the meetings. She is also responsible for the safekeeping of the minutes by ensuring that they are kept at the registered office of the Company and are available for inspection, if required.

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

1.7 Board Charter

The Board has developed a Board Charter which sets out its roles, structure, responsibilities, functions and processes of the Board and Committees and also the duties and responsibilities of the management. The Board Charter also sets out a list of specific functions that are reserved to the Board for its approval.

The Board Charter will be periodically reviewed and updated by the Board, as and when deemed necessary, to ensure it remains consistent with its objectives and existing regulatory requirements. The Board Charter is available in the Company's website at www.fittersgroup.com.

2. STRENGTHENING COMPOSITION

2.1 Board of Directors

The Board has eight (8) members providing a balanced mix of two (2) Executive Directors, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors, whose varied skills and vast experiences are relevant to the Group's business operations. There is a clear segregation of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority. The Board is led by Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan as the Independent Non-Executive Chairman. Dato' Wong Swee Yee, the Managing Director, leads the senior management of the Company. No one individual or small group of individual Directors dominate the Board's decisions. The composition of the Board fairly reflects the interest of the majority and minority shareholders. A brief profile of each Director is presented in the Profile of Directors section of the Annual Report.

Statement on Corporate Governance
(cont'd)

2. STRENGTHENING COMPOSITION (cont'd)

2.1 Board of Directors (cont'd)

In accordance with the Company's Constitution, one-third of the Directors for the time being shall retire from office at each Annual General Meeting. A retiring Director shall be eligible for re-election. The Constitution also provides that all Directors shall retire at least once in three (3) years. All newly appointed directors shall be retired and re-elected by the shareholders at the Company's Annual General Meeting. The Directors to retire in every year shall be those who have been longest in office since their last election.

Nominating Committee

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

Chairman: Datuk Dr. Soh Chai Hock @ Soh Hai San
(Independent Non-Executive Director)

Members: Mr Chan Seng Fatt
(Independent Non-Executive Director)
Encik Zahedi Bin Haji Mohd Zain
(Independent Non-Executive Director)
Mr Chong Kwea Seng (appointed on 22 March 2017)
(Independent Non-Executive Director)

The Nominating Committee's functions are to:

(a) ensure that the Company recruits, retains, trains and develops the best available Executive and Non-Executive Directors and manages Board rewards and succession effectively;
(b) recommend to the Board, candidates for directorships to be filled after considering the candidates' skills, knowledge, expertise, experience, professionalism, time commitment and integrity. In the case of the candidates for the position of the Independent Non-Executive Director, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
(c) consider, in making its recommendations, candidates for directorship proposed by the Managing Director and within the bounds of practicality, by any other senior executive or any Director or any shareholder;
(d) recommend to the Board, Directors to fill the seats on Board Committees;
(e) review the Board's structure and balance between Executive and Non-Executive Directors;
(f) assess annually the effectiveness of the Board as a whole, the effectiveness of the committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors and Managing Director;
(g) review annually the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors shall bring to the Board;
(h) perform any other ad-hoc duties that may be required by the Board;
(i) consider succession planning; and
(j) recommend the re-election of any Director under the Constitution of the Company.

The terms of reference of the Nominating Committee can be found in the Company's website at www.fittersgroup.com.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

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

The appointment of new Directors is under the purview of the Nominating Committee which is responsible for making recommendations to the Board of suitable candidates for appointment as Director of the Company. Suitable candidates must be approved by the Board.

Statement on Corporate Governance
(cont'd)

2. STRENGTHENING COMPOSITION (cont'd)

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors (cont'd)

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

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

- Skills, knowledge, expertise and experience;
- Professionalism;
- Commitment;
- Boardroom diversity (including gender, age and ethnicity diversity);
- Background, character, competence, time commitment and integrity; and
- In the case of candidates for the position of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities is also evaluated.

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

The Board is committed to provide fair and equal opportunities and to nurture diversity within the Group. The Nominating Committee will take steps to ensure women candidates are considered a part of the recruitment exercise. Currently, the Board has one (1) female Non-Independent Executive Director.

The Nominating Committee is also responsible for carrying out an assessment of the performance and effectiveness of the Board as a whole, as well as each individual on an annual basis through the Directors' Self-Evaluation Questionnaire. Based on the results of evaluation, the Nominating Committee meet to discuss areas for improvement to the Board. The annual assessment also includes specific assessment of independence of Independent Directors. In addition, the Nominating Committee also makes recommendation to the Board in relation to re-election and re-appointment of Directors. All assessments and evaluations carried out by the Nominating Committee are properly documented.

During the financial year ended 31 December 2016, the Nominating Committee met once and deliberated on the composition and performance of the Board members, assessed the independence of Independent Directors, recommended to the Board, the Directors who are eligible to stand for re-election/re-appointment and reviewed the structure, size, diversity and composition of the Board. It was concluded that the calibre, competencies, experiences, qualifications and the present mix of skills of the Board members are sufficiently adequate and capable in managing the Company and ensuring the Group's strategies are properly considered and implemented. The Board is satisfied with its current size and composition.

The Board has no specific policy on gender, age and ethnicity for candidates to be appointed to the Board. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. With the current composition, the Board feels that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have gained extensive experience with their many years of experience on Boards for other companies and/or also as professionals in their respective fields of expertise. The Nominating Committee will, however, continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its recruitment exercise.

The Board will formalise a Diversity Policy which formalises all appointments of the Board and the staff workforce of the Group in terms of race, ethnicity, age, gender, skills and competencies.

Statement on Corporate Governance
(cont'd)

2. STRENGTHENING COMPOSITION (cont'd)

2.3 Remuneration Policies and Procedures

Remuneration Committee

The Company had on 22 December 2001 established a Remuneration Committee in line with the Code. The composition of the Remuneration Committee is as follows:

Chairman: Datuk Dr. Soh Chai Hock @ Soh Hai San
(Independent Non-Executive Director)

Members: Dato' Wong Swee Yee
(Managing Director)
Mr Chan Seng Fatt
(Independent Non-Executive Director)
Mr Chong Kwea Seng (appointed on 22 March 2017)
(Independent Non-Executive Director)

The Remuneration Committee's functions are to:

(a) assist the Board in discharging its responsibilities in ensuring that the Company's and the Group's Executive Directors and senior management team are fairly rewarded for their individual contributions to the Company's and the Group's overall performance and the levels of remuneration is sufficient to attract and retain the best personnel to run the Company and the Group successfully;
(b) recommend to the Board on the policies and framework for the Company and the Group in relation to staff remuneration and rewards; and
(c) oversee and review the scope and quality of human resource programmes of the Company.

During the financial year ended 31 December 2016, the Remuneration Committee met once and deliberated on the renewal of service contracts for the Managing Director and Executive Director.

The Remuneration Committee concluded that the levels of remuneration set for each individual Director is sufficient to attract and retain the Directors. The component parts of the remuneration are structured so as to link rewards to responsibilities, contribution, corporate and individual performance, in the case of Executive Directors. The level of remuneration of Non-Executive Directors would reflect their contribution, relevant experience and level of responsibilities undertaken.

The Directors' Remuneration Policy will be developed to set out criteria to be used in recommending the remuneration packages of Directors of the Company.

Long-Term Incentive Plan Committee

The Company had on 26 February 2015 established a Long-Term Incentive Plan Committee and the composition of the Long-Term Incentive Plan Committee is as follows:

Chairman: Mr Chan Seng Fatt
(Independent Non-Executive Director)

Members: Datuk Dr. Soh Chai Hock @ Soh Hai San
(Independent Non-Executive Director)
Dato' Wong Swee Yee
(Managing Director)

The Long-Term Incentive Plan Committee met once during the financial year ended 31 December 2016 to deliberate and recommend on the long term incentive plan.

Statement on Corporate Governance
(cont'd)

2. STRENGTHENING COMPOSITION (cont'd)

2.3 Remuneration Policies and Procedures (cont'd)

Directors' Remuneration

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

Received from the Company

Aggregate Remuneration Categorisation	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	-	456
Salaries	661	-
Bonuses	95	-
Defined contribution plan	138	-
Benefits-in-kind	-	-
Total	894	456

Received on Group Basis

Aggregate Remuneration Categorisation	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	-	516
Salaries	1,700	-
Bonuses	425	-
Defined contribution plan	383	-
Benefits-in-kind	-	-
Total	2,508	516

The number of Directors of the Company whose total remuneration falls within the following bands:

Received from the Company

	Number of Directors	
Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	2
RM200,001 to RM250,000	1	-
RM650,001 to RM700,000	1	-

Statement on Corporate Governance
(cont'd)

2. STRENGTHENING COMPOSITION (cont'd)

2.3 Remuneration Policies and Procedures (cont'd)

Directors' Remuneration (cont'd)

Received on Group Basis

	Number of Directors	
Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	3
RM450,001 to RM500,000	1	-
RM2,000,001 to RM2,050,000	1	-

For confidential reasons, the details of individual Directors' remuneration by name-basis are not provided.

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Non-Executive Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group.

The assessment of the independence of the Directors based on the provisions of the MMLR covers a series of objective tests and is carried out before the appointment of the Independent Non-Executive Directors. Further, the Board with assistance from Nominating Committee will undertake to carry out annual assessment of the effectiveness of the Board as a whole, including Independent Non-Executive Directors and consider whether the Independent Non-Executive Directors can continue to bring independent and objective judgment to Board deliberations.

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

For the financial year ended 31 December 2016, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria set out in the MMLR of Bursa Securities, and is satisfied that they are independent.

3.2 Tenure of Independent Director

The Board in its Charter provides that the tenure of an Independent Director shall not exceed a cumulative or successive term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as an Independent Director after the latter has served a cumulative or successive term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting.

In justifying the decision, the Nominating Committee is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence. The Company, however, is not affected by this requirement as none of the Independent Directors have exceeded the cumulative term of nine (9) years.

Statement on Corporate Governance
(cont'd)

3. REINFORCE INDEPENDENCE (cont'd)

3.3 Chairman and Managing Director

There is a clear division of responsibilities between the Chairman and the Managing Director. The Chairman of the Board is an Independent Non-Executive Director. His role is to lead the Board and ensure that it is independent and effective. The Managing Director's primary role is to provide the overall management and day-to-day operation as well as to formulate or propose the Company's strategy to the Board.

4. FOSTER COMMITMENT

4.1 Time Commitment of Directors

The Board meets at least four (4) times a year, with additional meetings convened as and when necessary. During the financial year ended 31 December 2016, four (4) Board meetings were held at the registered office of the Company.

Senior management staff and/or external advisors may be invited to attend Board meetings to advise the Board and to furnish the Board with information and clarification needed on relevant items on the agenda to enable the Directors to arrive at a considered decision.

All Board meetings are furnished with proper agendas with due notice issued and board papers and reports are prepared by the management which provides updates on financial, operational, legal and circulated prior to the meetings to all Directors with sufficient time to review them for effective discussions and decision making during the meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings. The Board members are required to notify the Board prior to their acceptance of new directorships in other companies with indication of time that will be spent on the new appointment. The expected time commitment includes regular attendance, preparation for the meetings of the Board and Board Committees, travel time and time allocated by individuals to these directorships.

All Directors comply with the restriction of five (5) directorships on listed issuers as prescribed by MMLR.

Details of attendance of these meetings are as follows:

Directors	No. of Meetings Attended
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	4 / 4
Dato' Wong Swee Yee	4 / 4
Datin Goh Hooi Yin	3 / 4
Encik Zahedi Bin Haji Mohd Zain	3 / 4
Datuk Dr. Soh Chai Hock @ Soh Hai San	4 / 4
Dato' Ir. Low Keng Kok	3 / 4
Mr Chan Seng Fatt	4 / 4
Mr Chong Kwea Seng (appointed on 15 February 2017)	Not applicable

Each of the Directors has attended more than fifty percent (50%) of Board meetings, thus fulfilling the requirement of the MMLR.

Each Director is expected to attend all meetings of the Board, general meetings and each Committee Meeting that the Director is a member. The Board would agree on an annual basis on the meeting dates for the whole year so that each member of the Board is able to plan his/her schedule accordingly. This helps to ensure that the Board is committed to meet when the time arises.

Statement on Corporate Governance
(cont'd)

4. FOSTER COMMITMENT (cont'd)

4.1 Time Commitment of Directors (cont'd)

The Board meets on matters reserved specifically for its decision to ensure that the overall strategic direction and control of the FITTERS Group is firmly in its hands. These include matters such as dividend policy, major asset acquisitions and disposals, joint ventures and investments decisions, issue of new shares, related party transactions, financial performance and other important matters which fall under the purview of the Board.

4.2 Continuing Education Programmes

All Directors, save for Mr Chong Kwea Seng who was appointed on 15 February 2017, have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities. Mr Chong Kwea Seng will attend the MAP within 4 months from the date of his appointment. As an integral element in the process of appointing new Directors, there will be a period of orientation and education for the new Board members and where appropriate, visit to the Group's businesses and meetings with the senior management team to facilitate their understanding of the Group's businesses and operations.

All Directors have also attended the training programmes as required by Bursa Securities, in order to keep abreast with development in the industry as well as new regulatory development on a continuous basis.

During the financial year ended 31 December 2016, the Board members have attended individually and collectively the following training programmes:

Name of Directors	Training Programmes
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	• Briefing on the New and Revised Auditors Reporting Standards in line with the Revised International Standards on Auditing • In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
Dato' Wong Swee Yee	• In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
Datin Goh Hooi Yin	• Empowering Women Series: For Senior Women Leaders • In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
Datuk Dr. Soh Chai Hock @ Soh Hai San	• Ring the Bell for Gender Equality • Independent Directors Programme: "The Essence of Independence" • In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
Encik Zahedi Bin Haji Mohd Zain	• In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements

Statement on Corporate Governance
(cont'd)

4. FOSTER COMMITMENT (cont'd)

4.2 Continuing Education Programmes (cont'd)

Name of Directors	Training Programmes
Dato' Ir. Low Keng Kok	• CG Breakfast Series: "Anti-Corruption and Integrity Foundation of Corporate Sustainability • In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
Mr Chan Seng Fatt	• Ring the Bell for Gender Equality • In-house Directors' Training on: (i) Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements
Mr Chong Kwea Seng (appointed on 15 February 2017)	Not applicable

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

In addition, the Nominating Committee shall assist the Board in assessing the training needs of Directors and to identify and recommend appropriate educational and training programmes for continuous development of its Directors.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board aims to present a balance and meaningful assessment of the Company's position and prospects to the shareholders primarily through the annual financial statements, quarterly financial reporting as well as the Chairman's Statement on review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the FITTERS Group's financial reporting process and the quality of its financial reporting. This applies to price-sensitive public reports and reports to regulators. The Audit Committee plays a key role in assisting the Board to fulfill its corporate governance and oversight responsibilities in relation to the Group's financial reporting and disclosure process, internal control system, risk management system and internal and external audit functions.

In presenting the annual audited financial statements and interim financial statements on a quarterly basis to the shareholders, the Board is responsible to ensure that the financial statements are properly drawn up in accordance with the Companies Act, 1965 in Malaysia and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company as at the end of financial year and of the results of their operations and cash flows for the year ended on that date.

5.2 Assessment of Suitability and Independence of External Auditors

The Company works closely with the External Auditors and maintains a transparent relationship with them in seeking professional advice and ensuring compliance with applicable approved accounting standards and statutory requirements.

Statement on Corporate Governance
(cont'd)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)

5.2 Assessment of Suitability and Independence of External Auditors (cont'd)

The Company has an Audit Committee whose composition meets with the MMLR, where Independent Directors form the majority and a member is a qualified accountant. The Audit Committee reviews issues related to accounting policies, external financial reporting, monitors the work of the Group Internal Audit Department and ensures an objective and professional relationship is maintained with the External Auditors. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year under review as well as the attendance record of each member are set out in the Audit Committee Report in the Annual Report.

During the financial year under review, the Audit Committee has met with the External Auditors where External Auditors highlight issues that may require the attention of the Audit Committee or the Board.

In safeguarding and supporting the External Auditors' independence and objectivity, the Board will formalise an External Auditors' Assessment Policy to spell out the selection process of new external auditors, assessment of independence, basic principles on the prohibition of non-audit services and the approval process for the provision of non-audit services.

The External Auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

6. RECOGNISE AND MANAGE RISKS

6.1 Internal Control and Risk Management

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

The system of internal control is continuously being reviewed and improved in line with the changing business environment, industry practices and risk-rewards profiles. The Company has an in-house Group Internal Audit Department (which reports directly to the Audit Committee) to conduct regular reviews on compliance with internal control procedures and practices and to review the effectiveness of the risk management and governance processes within the Group. The External Auditors are responsible for reviewing the Statement on Risk Management and Internal Control. The Statement on Risk Management and Internal Control in this Annual Report provides an overview of the state of internal controls within the Group.

The Board is assisted by the Risk Management Committee ("RMC") to carry out its responsibilities in relation to managing the Company's risk in a systematic and methodical manner. This includes risk assessment evaluation and the setting up of a risk management framework to monitor risks on a regular basis.

The RMC consists of at least one Independent Non-Executive Director, members of EXCO and senior management team/profit centre managers.

Statement on Corporate Governance
(cont'd)

6. RECOGNISE AND MANAGE RISKS (cont'd)

6.1 Internal Control and Risk Management (cont'd)

The risk management is an ongoing exercise which comprised of the following activities held throughout Year 2016:

- Discussions on risks and status of actions taken/to be taken were deliberated in monthly management meetings which were held by operating divisions.
- Results of risks assessment and implementation of controls as stated in Risk Registers were reported in respective Internal Audit Reports during the audit period and presented to the Audit Committee on a quarterly basis.
- Risk factors were also taken into account by management in the annual budgeting process.
- Yearly revision of Risk Registers by Risk Owners where revisions were also reviewed by Group Internal Audit Department and Chairman of RMC at the beginning of the year.
- Finalised Risk Registers were compiled into the Group Risk Profile Summary and presented in RMC meeting on an annual basis, which was on 17 March 2016.
- Upon completion of the RMC meeting, the Risk Management Report which comprised of significant and high risks would be presented once a year to the Board, which was on 31 May 2016.

6.2 Internal Audit Function

The Group Internal Audit Department is independent with unrestricted access to information and is rendered full cooperation by all levels of management in order to carry out their functions effectively. The Company is aware that the Internal Audit Function forms an integral part of an effective system of corporate governance. Thus, the External Auditors' and Internal Auditors' impartiality, integrity and objectivity are greatly respected and being reciprocated by their professionalism in conducting audits of the Company. The scope of works covered by the Internal Audit Function during the financial year under review is set out in the Audit Committee Report of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board will formalise a Corporate Disclosure Policy and Procedures to provide timely and accurate disclosure of material corporate information to Bursa Securities and communication to the investing public, media and other relevant stakeholders.

7.2 Leverage on Information Technology for Effective Dissemination of Information

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

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

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

Statement on Corporate Governance
(cont'd)

8. STRENGTHEN RELATIONSHIPS BETWEEN COMPANY AND SHAREHOLDERS

Whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

8.1 Shareholder Participation at General Meeting

The Company's Annual General Meeting ("AGM") has served as a principal forum for dialogue with the shareholders. The Chairman and the Board encourage all shareholders to attend, participate and ask questions about the resolutions being proposed at the AGM and to ask about the latest developments of the Company and of the Group in order to have a clear and complete picture pertaining to the Company's performance and their plans for the future. This also provides an opportunity for shareholders to have a dialogue with the Directors to share and exchange their views and opinions at the AGM. The Board, management team and the Company's external auditors are present to answer questions raised and provide clarification as required by the shareholders, proxies and corporate representatives.

Notice of AGM is sent to all shareholders not later than 21 days before the meeting date. The meeting notification, Annual Report and accompanying notes are made available on the Company's website.

8.2 Encourage Poll Voting

Poll voting which is previously only mandated for related party transactions, will now apply to all general meeting resolutions with effect from 1 July 2016. As part of enhanced corporate governance practices and shareholder engagement, listed companies are required to publish a summary of key matters arising at AGM onto their websites. At the forthcoming Thirty-First AGM of the Company, all resolutions will be voted by poll.

All resolutions put forth at the Thirtieth AGM held on 15 June 2016 were voted by a show of hands.

8.3 Effective Communication and Proactive Engagement

The Board recognises the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through disclosure to Bursa Securities and to the press.

As part of the Company's continuous investor relations and communications program, the Company held dialogues and briefed various research and investment analysts on the FITTERS Group's strategies, performance and major developments.

COMPLIANCE STATEMENT

This Statement is approved in accordance with a resolution of the Board dated 31 March 2017.

ADDITIONAL COMPLIANCE INFORMATION

1. Status of Utilisation of Proceeds Raised from Corporate Proposals during the Financial Year ended 31 December 2016

The Company did not raise funds through any corporate proposals during the financial year ended 31 December 2016.

Statement on Corporate Governance
(cont'd)

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

2. Audit and Non-Audit Fees

During the financial year ended 31 December 2016, the total audit and non-audit fees paid to the Company's auditors, Baker Tilly Monteiro Heng, and firm affiliated to Baker Tilly Monteiro Heng were as follows:

	The Company (RM'000)	The Group (RM'000)
Audit Fees	35	228
Non-Audit Fees	16	69

3. Material Contracts Awarded to Directors and Substantial Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving Directors and/or substantial shareholders during the financial year nor any whose interest still subsist at the end of the financial year ended 31 December 2016.

4. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature Conducted Pursuant to the Shareholders' Mandate during the Financial Year ended 31 December 2016

Pursuant to Practice Note 12 issued by the Bursa Securities, the aggregate value of recurrent related party transactions made during the financial year in respect of the Shareholders' Mandate which was obtained on 15 June 2016, are set out below:

Nature of RRPT	Subsidiary of FITTERS involved in the Transaction	Related Party	Interested Directors/Major Shareholders/Persons Connected to Directors and Major Shareholders	Estimated value as disclosed in the Circular to shareholders dated 29 April 2016 (5) (RM'000)		Actual Value Transacted during the financial year ended 31 December 2016 (RM'000)	
				Subcontract From	Subcontract To	Subcontract From	Subcontract To
Subcontract works (1)	FMKT	Wai Soon Engineering	Dato' Wong Swee Yee and Wong Swee Loy	-	15,000	-	7,641
				Sale To	Purchase From	Sale To	Purchase From
Sale of goods and services (2)	FSB Group FMKT MPS	Fsabah	Dato' Wong Swee Yee and Datin Goh Hooi Yin	1,500 1,000 300	- - -	531 102 46	- - -
	FMKT	Wai Soon Engineering	Dato' Wong Swee Yee and Wong Swee Loy	100	-	-	-

Statement on Corporate Governance
(cont'd)

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

4. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature Conducted Pursuant to the Shareholders' Mandate during the Financial Year ended 31 December 2016 (cont'd)

Nature of RRPT	Subsidiary of FITTERS involved in the Transaction	Related Party	Interested Directors/Major Shareholders/ Persons Connected to Directors and Major Shareholders	Estimated value as disclosed in the Circular to shareholders dated 29 April 2016 (5) (RM'000)		Actual Value Transacted during the financial year ended 31 December 2016 (RM'000)	
				Sale To	Purchase From	Sale To	Purchase From
	FMKT	Unitrade	Nomis Sim Siang Leng and Sim Keng Chor	1,000	-	-	-
Sale of goods (3)	MSEA	Ricwil Unitrade	Nomis Sim Siang Leng and Sim Keng Chor	10,000 10,000	- -	2,468 13	- -
Purchase of goods (4)	FES FSB Group MSEA	Unitrade	Nomis Sim Siang Leng and Sim Keng Chor	- - -	20,000 500 5,000	- - -	12,181 - 63
	MSEA	Ricwil	Nomis Sim Siang Leng and Sim Keng Chor	-	1,000	-	120
Aggregate				**23,900**	**41,500**	**3,160**	**20,005**

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

Statement on Corporate Governance
(cont'd)

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

4. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature Conducted Pursuant to the Shareholders' Mandate during the Financial Year ended 31 December 2016 (cont'd)

Notes:

(1) Portions of certain contracts secured are subcontracted due to certain product expertise is unique to that particular company inclusive of manpower and miscellaneous items, which are used in the manufacture of fire rated doors by the related party. Transaction prices are determined based on market rates, which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

(2) Sale of finished goods comprising certain fire safety and protection equipment, fire rated doors and maintenance services to the related party was performed in order to meet the needs of their customers at various geographical locations. Transaction prices for sales are determined based on cost plus taking into consideration the nature, complexity and urgency required and it is not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

(3) Sale of HYPRO® PVC-O pipes to the related party to meet the needs of their customers at various geographical locations. Transaction prices are determined based on market rates, which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

(4) Purchase of pipes and fittings from the related party. Transaction prices are determined based on market rates, which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

(5) The estimated transaction values are based on prevailing rates/prices obtained from the related party which are at reasonable market-competitive prices based on the normal level of transactions entered into by the FITTERS Group. The estimated amounts are further based on the assumptions that the current levels of operations will continue and all external conditions remain constant. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed above.

(6) Abbreviations used above:

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

Directors' Responsibility Statement In Respect of Financial Statements

The Directors are required by the Companies Act, 1965, to prepare financial statements for each financial year which have been made out in accordance with the applicable Approved Accounting Standards which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

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

In preparing the financial statements, the Directors have:

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

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position of the Group and of the Company and are in compliance with the Companies Act, 1965. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and have taken reasonable steps for the prevention and detection of fraud and other irregularities.

Audit Committee Report

The Board of Directors of FITTERS Diversified Berhad ("the Company") is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

COMPOSITION, MEETINGS AND ATTENDANCE

The Audit Committee was formed in June 1994. The Audit Committee currently comprises of four (4) members of the Board of which, all are Non-Executive Directors with three (3) of them being Independent Directors. The Chairman of the Audit Committee who is an Independent Non-Executive Director is a member of the Malaysian Institute of Accountants. All members of the Audit Committee are able to analyse and interpret financial statements and data without difficulties so as to properly discharge their duties as the Audit Committee members.

During the financial year under review, four (4) Audit Committee Meetings were held. The attendance of each Audit Committee member is tabulated below:

Audit Committee Members	No. of Meetings Attended
Mr Chan Seng Fatt *(Chairman / Independent Non-Executive Director)*	4 / 4
Dato' Ir. Low Keng Kok *(Member / Non-Independent Non-Executive Director)*	3 / 4
Encik Zahedi Bin Haji Mohd Zain *(Member / Independent Non-Executive Director)*	3 / 4
Mr Chong Kwea Seng - appointed on 22 March 2017 *(Member / Independent Non-Executive Director)*	Not applicable

The Company Secretary is the Secretary of the Audit Committee. During the quarterly presentation of the Internal Audit Reports, other Directors and representatives from the senior management of the Company attended the Audit Committee meetings at the Audit Committee's invitation to explain audit findings and risks which were related to their departments or operations.

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

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

Financial Reporting

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

External Audit

(i) Reviewed the External Auditors' Audit Plan 2016 on the nature and scope of audit work.
(ii) Reviewed the audit findings, auditing and accounting issues arising from the statutory audit of the audited financial statements and management's responses.
(iii) Met with the External Auditors twice during the financial year ended 31 December 2016 to review and deliberate matters relating to the audit findings and audit review memorandum for the financial year ended 31 December 2016 and the Audit Plan 2016 without the presence of the Management and Executive Directors.
(iv) Recommended to the Board of Directors on the re-appointment of external auditors and proposed audit fee.
(v) Considered the External Auditors' independence.

Audit Committee Report
(cont'd)

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

Related Party Transactions

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

Risk Management and Internal Control

(i) Reviewed the Statement on Risk Management and Internal Control for disclosure in the Annual Report.
(ii) Reviewed the risk assessment reports.

Internal Audit

(i) Reviewed the Group Internal Audit Department's resource requirements and Internal Audit Plan 2016.
(ii) Reviewed the internal control weaknesses, risk issues, recommendations proposed by the Group Internal Audit Department, audit recommendations and management's responses. The actions taken by Management to improve the system of internal controls based on the Internal Audit Reports were also discussed.
(iii) Reviewed and assessed the performance and competency of the internal audit function.

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

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

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

For the financial year ended 31 December 2016, the Group Internal Audit Department had carried out the following works:

(i) Tabled the Internal Audit Plan 2016 for the Audit Committee's review and endorsement.
(ii) Presented the Internal Audit Reports to the Audit Committee for review and discussion. The Internal Audit Reports which incorporated audit recommendations and Management's responses with regards to audit findings were issued to the Audit Committee and the Management of respective operating units. Improved procedures and practices were recommended to strengthen the internal controls and follow-up audits were carried out to assess the status of implementation of the agreed audit recommendations by Management.
(iii) Carried out audits and follow-up audits on various operating units within the Group on the implementation of audit recommendations.
(iv) Reviewed the adequacy and effectiveness in managing various risks at Group level via risk management processes, risk management reports and periodic audit reviews.

During the financial year ended 31 December 2016, the total cost incurred by the Internal Audit Function of the Group was RM209,186.

Statement on Risk Management and Internal Control

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires the Board of Directors of public listed companies to include in its Annual Report “a statement about the state of internal control of the listed corporation as a group”. The Board of Directors is committed to maintaining a sound internal control system in the Group and is pleased to provide the following Statement on Risk Management and Internal Control for the financial year ended 31 December 2016.

RESPONSIBILITY

The Board of Directors acknowledges its responsibility for maintaining sound internal control procedures to safeguard shareholders’ investment and the FITTERS Group of Companies’ (“the Group”) assets. This includes reviewing the strategic direction, financial, operational and compliance controls, risk profile and management policies and procedures. However, there are limitations that are inherent in any system of internal controls and that such control systems are designed to manage and control risks to an acceptable level. Accordingly, it should be noted that these systems could only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has put in place an ongoing risk management process for identifying, documenting, evaluating, monitoring and managing significant risks affecting the achievement of the Group’s business objectives. The process is regularly reviewed by the Board of Directors and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Guidelines”). The Board of Directors has received assurance from the Managing Director and the Group Chief Financial Controller that the Group’s risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

GROUP RISK MANAGEMENT FRAMEWORK

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

The Group has in place a formal risk management framework to identify, evaluate and manage significant risks impacting the Group. The process is supported by policies, procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

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

The Risk Management Committee closely monitors the risk management function and there are continuous plans to enhance the level of knowledge of risk management and understanding of risks affecting the Group among senior management and the Board to ensure it is responsive to the changes in the business environment.

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

GROUP INTERNAL AUDIT FUNCTION

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

Statement on Risk Management and Internal Control
(cont'd)

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

KEY INTERNAL CONTROL PROCESSES

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

- Organisation: The Group's structure is designed to clearly delineate various subsidiaries/divisions, authorisation levels and proper segregation of duties.

- Authority Level: The Group has set authority levels for different categories of transactions such as acquisitions, disposals, tenders, capital expenditures and other material/significant transactions. Proper research, assessment and analysis will be carried out by relevant appointed parties for all major business transactions/investment decisions.

- Board Delegated Committees: The Executive Committee reviews and recommends policies for the Group as well as monitors and reviews the performance of its business units. The Risk Management Committee, headed by an Independent Non-Executive Director and comprises of all Head of Divisions oversees the Group's risk management process as guided by its Risk Management Framework.

- Monthly Performance Review: The monthly management meetings report on the performance and profitability of each business unit through the review of key performance indicators ("KPI"), budgets and management reports. Where it is relevant, the internal audit findings and recommendations will also be communicated to relevant personnel for further actions.

- Group Standard Operating Procedures ("SOP"): The Group's SOP laid down the objectives, scope, policies and operating procedures to be complied by the business units, which are regularly reviewed and updated. Certain companies within the Group have ISO 9001:2008 accreditation for their operational processes.

- Centralisation of Functions: Key functions such as accounts, tax, treasury, procurement of materials and human resource are controlled centrally to ensure compliance to approved procedures.

- Audit Committee ("AC"): The AC has full unrestricted access to any information pertaining to the Group and has direct communication channels with the External and Internal Auditors. The AC deliberates the findings and recommendations highlighted in the internal audit reports in quarterly meetings held for the purpose of reviewing the Group's quarterly consolidated results and other issues that warrant the AC's attention.

NO MATERIAL LOSSES AS A RESULT OF DEFICIENCIES IN INTERNAL CONTROL

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

CONCLUSION

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

This statement is made in accordance with the resolution of the Board of Directors passed on 31 March 2017.

Financial Statements

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 2016.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year, net of tax		
- Continuing operations	(5,359)	4,927
- Discontinued operation	(1,100)	-
	(6,459)	4,927
Attributable to:		
Owners of the parent	(4,300)	4,927
Non-controlling interests	(2,159)	-
	(6,459)	4,927

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

RESERVE OR PROVISION

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

DIVIDENDS

During the financial year, the Company paid a first and final single-tier dividend of 0.6 sen per ordinary share in respect of the financial year ended 31 December 2015 amounting to RM2,858,813 on 9 September 2016.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

DIRECTORS

The directors in office since the date of the last report are:-

Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	Chairman
Dato' Wong Swee Yee	Managing Director
Datin Goh Hooi Yin	Non-Independent Executive Director
Dato' Ir Low Keng Kok	Non-Independent Non-Executive Director
Datuk Dr. Soh Chai Hock @ Soh Hai San	Independent Non-Executive Director
Chan Seng Fatt	Independent Non-Executive Director
Zahedi bin Haji Mohd Zain	Independent Non-Executive Director
Chong Kwea Seng - appointed on 15 February 2017	Independent Non-Executive Director

Directors' Report
(cont'd)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	**Acquired**	**Sold**	**At 31.12.2016**
Direct Interest :				
Dato' Wong Swee Yee	133,850,940	-	-	133,850,940
Datin Goh Hooi Yin	2,143,416	-	-	2,143,416
Dato' Ir Low Keng Kok	25,895,332	-	-	25,895,332
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	723,332	-	-	723,332
Zahedi bin Haji Mohd Zain	10,872	-	-	10,872
Deemed Interest :				
Dato' Wong Swee Yee (i)	2,243,416	-	-	2,243,416
Datin Goh Hooi Yin (i)	133,950,940	-	-	133,950,940
Zahedi bin Haji Mohd Zain (ii)	400,199	-	-	400,199

	Number of warrants 2014/2019			
	At 1.1.2016	**Acquired**	**Exercised/ Sold**	**At 31.12.2016**
Direct Interest :				
Dato' Wong Swee Yee	43,620,268	-	-	43,620,268
Datin Goh Hooi Yin	612,404	-	-	612,404
Dato' Ir Low Keng Kok	7,398,666	-	-	7,398,666
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	206,666	-	-	206,666
Zahedi bin Haji Mohd Zain	3,106	-	-	3,106
Deemed Interest :				
Dato' Wong Swee Yee (i)	612,404	-	-	612,404
Datin Goh Hooi Yin (i)	43,620,268	-	-	43,620,268
Zahedi bin Haji Mohd Zain (ii)	114,342	-	-	114,342

Directors' Report
(cont'd)

DIRECTORS' INTERESTS (cont'd)

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

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

Dato' Wong Swee Yee and Datin Goh Hooi Yin by virtue of their interest in shares of the Company is deemed to have interests in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

ISSUE OF SHARES AND DEBENTURES

On 13 June 2016, 236,200 units of FITTERS Warrants were exercised and converted into 236,200 ordinary shares of RM0.50 each at an exercise price of RM1.00 per share. The said shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 20 June 2016.

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

TREASURY SHARES

During the financial year, the Company repurchased 11,892,500 of its issued ordinary shares from the open market at an average price of RM0.415 per share. The total consideration paid for the repurchase including transaction costs was RM4,966,650. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2016, the Company held 12,680,500 treasury shares out of its 480,497,159 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM5,330,364. Further details are disclosed in Note 29(c) to the financial statements.

LONG TERM INCENTIVE PLAN

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

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

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report
(cont'd)

OTHER STATUTORY INFORMATION (cont'd)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

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

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

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

(f) In the opinion of the directors:

(i) no contingent or other liabilities have become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

SIGNIFICANT EVENT

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

SUBSEQUENT EVENT

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

AUDITORS

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

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

DATO' WONG SWEE YEE
Director

DATIN GOH HOOI YIN
Director

Kuala Lumpur
Date: 31 March 2017

Statement by Directors

We, **Dato' Wong Swee Yee** and **Datin Goh Hooi Yin**, being two of the directors of FITTERS Diversified Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 49 to 137 are properly drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 138 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

DATO' WONG SWEE YEE
Director

DATIN GOH HOOI YIN
Director

Kuala Lumpur
Date: 31 March 2017

Statutory Declaration

I, **Khoo Pao Yin**, being the officer primarily responsible for the financial management of FITTERS Diversified Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 49 to 137 and the supplementary information set out on page 138 are 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.

KHOO PAO YIN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 31 March 2017.

Before me,

MOHD FITRY ABDUL GHANI
NO: W703
Commissioner for Oaths

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
	Note		(Restated)		
Continuing operations					
Revenue	5	366,076	382,486	5,850	3,300
Cost of sales	6	(315,192)	(321,039)	-	-
Gross profit		50,884	61,447	5,850	3,300
Other income	7	2,768	4,222	6,441	5,747
Administrative expenses		(47,072)	(43,519)	(5,134)	(4,621)
Operating profit		6,580	22,150	7,157	4,426
Finance costs	8	(6,210)	(6,809)	(1,764)	(1,428)
Share of results of associate, net of tax		(445)	685	-	-
(Loss)/Profit before tax	9	(75)	16,026	5,393	2,998
Income tax expense	12	(5,284)	(7,988)	(466)	(663)
(Loss)/Profit for the financial year from continuing operations		(5,359)	8,038	4,927	2,335
Loss for the financial year from discontinued operation, net of tax		(1,100)	(1,167)	-	-
(Loss)/Profit for the financial year		(6,459)	6,871	4,927	2,335
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(857)	6,033	-	-
Other comprehensive (expense)/income for the financial year		(857)	6,033	-	-
Total comprehensive (loss)/income for the financial year		(7,316)	12,904	4,927	2,335
(Loss)/Profit attributable to :					
Owners of the Company		(4,300)	9,278	4,927	2,335
- From continuing operations		(3,200)	10,445	4,927	2,335
- From discontinued operation		(1,100)	(1,167)	-	-
Non-controlling interests		(2,159)	(2,407)	-	-
		(6,459)	6,871	4,927	2,335

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2016

(cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000 (Restated)	Company 2016 RM'000	Company 2015 RM'000
Total comprehensive (loss)/income attributable to :					
Owners of the Company		(5,157)	15,311	4,927	2,335
- From continuing operations		(4,057)	16,478	4,927	2,335
- From discontinued operation		(1,100)	(1,167)	-	-
Non-controlling interests		(2,159)	(2,407)	-	-
		(7,316)	12,904	4,927	2,335
Basic (loss)/earning per share (sen):	13 (a)				
- From continuing operations		(0.67)	2.17		
- From discontinued operation		(0.23)	(0.24)		
		(0.90)	1.93		
Diluted (loss)/earning per share (sen):	13 (b)				
- From continuing operations		(0.67)	2.17		
- From discontinued operation		(0.23)	(0.24)		
		(0.90)	1.93		

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

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000 (Restated)
ASSETS					
Non-current assets					
Property, plant and equipment	14	235,811	245,940	14,923	15,323
Investment properties	15	683	712	24,155	24,100
Intangible assets	16	5,684	5,684	-	-
Land use rights	17	-	5,336	-	-
Investment in subsidiaries	18	-	-	76,157	76,157
Investment in an associate	19	-	7,330	-	-
Investment securities	20	2,321	20,904	-	-
Deferred tax assets	21	1,111	-	-	-
Trade and other receivables	22	4,117	2,437	-	-
Total non-current assets		249,727	288,343	115,235	115,580
Current assets					
Development properties	23	92,183	96,491	-	-
Inventories	24	41,151	29,640	-	-
Current tax assets		2,454	2,661	109	-
Trade and other receivables	22	106,336	105,878	215,314	204,056
Other current assets	25	35,732	79,654	-	-
Investment securities	20	1	1	-	-
Deposits, cash and bank balances	27	49,202	38,349	775	1,609
		327,059	352,674	216,198	205,665
Assets of a disposal group classified as held for sale	28	34,458	-	-	-
Total current assets		361,517	352,674	216,198	205,665
TOTAL ASSETS		611,244	641,017	331,433	321,245

Statements of Financial Position

As at 31 December 2016

(cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000 (Restated)
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	29 (a)	240,248	240,130	240,248	240,130
Share premium	29 (b)	118	-	118	-
Treasury shares	29 (c)	(5,330)	(364)	(5,330)	(364)
Other reserves	30	35,211	36,162	13,251	13,320
Retained earnings		83,907	90,972	25,781	23,644
		354,154	366,900	274,068	276,730
Non-controlling interests		6,974	9,133	-	-
TOTAL EQUITY		361,128	376,033	274,068	276,730
Non-current liabilities					
Deferred tax liabilities	21	1,730	2,097	1,090	687
Loans and borrowings	31	86,388	109,226	15,553	19,797
Total non-current liabilities		88,118	111,323	16,643	20,484
Current liabilities					
Loans and borrowings	31	88,011	64,164	30,571	20,503
Current tax liabilities		1,930	1,831	-	225
Trade and other payables	32	65,371	75,375	10,151	3,303
Other current liabilities	33	6,354	12,291	-	-
		161,666	153,661	40,722	24,031
Liabilities of a disposal group classified as held for sale	28	332	-	-	-
Total current liabilities		161,998	153,661	40,722	24,031
TOTAL LIABILITIES		250,116	264,984	57,365	44,515
TOTAL EQUITY AND LIABILITIES		611,244	641,017	331,433	321,245

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2016

	Attributable to owners of the Company									
		Non-distributable				Distributable				
	Share Capital	Share Premium	Asset Revaluation Reserve	Capital Reserve	Foreign Currency Translation Reserve	Treasury Shares	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	240,130	-	18,391	7,275	4,607	-	84,484	354,887	11,540	366,427
Realisation of revaluation reserve	-	-	(144)	-	-	-	92	(52)	-	(52)
Total comprehensive income	-	-	-	-	6,033	-	9,278	15,311	(2,407)	12,904
Transactions with owners:										
Dividend paid	-	-	-	-	-	-	(2,882)	(2,882)	-	(2,882)
Shares repurchased	-	-	-	-	-	(364)	-	(364)	-	(364)
At 31 December 2015	240,130	-	18,247	7,275	10,640	(364)	90,972	366,900	9,133	376,033
Total comprehensive income	-	-	-	-	(857)	-	(4,300)	(5,157)	(2,159)	(7,316)
Realisation of revaluation reserve	-	-	(94)	-	-	-	94	-	-	-
Transactions with owners:										
Shares issued	118	118	-	-	-	-	-	236	-	236
Shares repurchased	-	-	-	-	-	(4,966)	-	(4,966)	-	(4,966)
Dividend paid	-	-	-	-	-	-	(2,859)	(2,859)	-	(2,859)
At 31 December 2016	240,248	118	18,153	7,275	9,783	(5,330)	83,907	354,154	6,974	361,128

	Attributable to owners of the Company						
		Non-distributable				Distributable	
	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Treasury Shares	Retained Earnings	Total Equity
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	240,130	-	7,495	5,915	-	24,123	277,663
Total comprehensive income	-	-	-	-	-	2,335	2,335
Realisation of revaluation reserve	-	-	(90)	-	-	68	(22)
Transactions with owners:							
Shares repurchased	-	-	-	-	(364)	-	(364)
Dividend paid	-	-	-	-	-	(2,882)	(2,882)
At 31 December 2015	240,130	-	7,405	5,915	(364)	23,644	276,730
Total comprehensive income	-	-	-	-	-	4,927	4,927
Realisation of revaluation reserve	-	-	(69)	-	-	69	-
Transactions with owners:							
Shares issued	118	118	-	-	-	-	236
Shares repurchased	-	-	-	-	(4,966)	-	(4,966)
Dividend paid	-	-	-	-	-	(2,859)	(2,859)
At 31 December 2016	240,248	118	7,336	5,915	(5,330)	25,781	274,068

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

Statements of Cash Flows
For the Financial Year Ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000 (Restated)
Cash flows from operating activities				
(Loss)/Profit before tax:				
-Continuing operations	(75)	16,026	5,393	2,998
-Discontinued operation	(1,100)	(1,167)	-	-
	(1,175)	14,859	5,393	2,998
Adjustments for:				
Amortisation of land use rights	275	277	-	-
Dividend income	-	-	(5,850)	(3,300)
Depreciation of investment properties	29	28	424	312
Inventories:				
- written back	-	(223)	-	-
- written down	180	115	-	-
- written off	-	32	-	-
Interest income from short term deposits	(1,738)	(820)	-	(76)
Impairment on investment in associate	6,885	-	-	-
Interest expense	6,210	6,809	1,764	1,428
Investment securities:				
- loss on disposal	-	2	-	-
- written off	-	607	-	-
Net fair value loss on loans and receivables	269	67	-	-
Property, plant and equipment:				
- gain on disposal	(98)	(40)	-	-
- depreciation	7,805	6,462	434	436
- written off	4	58	-	-
Reversal of impairment loss on amount owing by subsidiary	-	-	(469)	(264)
Impairment loss on amount owing by subsidiaries	-	-	11	-
Share of results of associate	445	(685)	-	-
Trade receivables:				
- impairment loss	261	282	-	-
- reversal of impairment loss	(62)	(211)	-	-
- written off	26	932	-	-
Unrealised (gain)/loss on foreign exchange	(26)	509	-	-
Operating profit before changes in working capital, carried forward	19,290	29,060	1,707	1,534

Statements of Cash Flows
For the Financial Year Ended 31 December 2016
(cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000 (Restated)
Cash flows from operating activities (cont'd)				
Operating profit before changes in working capital, brought forward	19,290	29,060	1,707	1,534
Construction contracts	2,190	(3,163)	-	-
Development properties	40,103	(45,193)	-	-
Inventories	(11,707)	(20,970)	-	-
Trade and other receivables	(4,787)	1,421	4,687	200
Trade and other payables	(9,725)	13,362	11	285
Subsidiaries	-	-	(2,800)	(15,499)
Net cash flows generated from/(used in) operations	35,364	(25,483)	3,605	(13,480)
Interest paid	(6,210)	(6,809)	(1,764)	(1,428)
Income tax refunded	439	465	-	70
Income tax paid	(6,903)	(8,423)	(397)	(723)
Net cash flows generated from/(used in) operating activities	22,690	(40,250)	1,444	(15,561)
Cash flows from investing activities				
Interest received	1,738	820	-	76
Investment in an associate company	-	(6,645)	-	-
Proceeds from disposal of:				
- property, plant and equipment	105	72	-	-
- investment securities	18,583	28	-	-
Purchase of:				
- intangible asset	-	(1,324)	-	-
- investment property	-	-	(479)	-
- property, plant and equipment	(12,025)	(17,041)	(34)	(1,840)
Proceeds from government grants	-	10,000	-	-
Net cash flows used in investing activities	8,401	(14,090)	(513)	(1,764)

Statements of Cash Flows

For the Financial Year Ended 31 December 2016
(cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000 (Restated)
Cash flows from financing activities				
Dividend paid	(2,859)	(2,882)	(2,859)	(2,882)
Drawdown of term loans	-	38,816	-	10,700
Proceeds from issuance of shares	236	-	236	-
Purchase of treasury shares	(4,966)	(364)	(4,966)	(364)
Payment of finance lease obligations	(832)	(1,763)	(85)	(82)
Repayment of term loans	(23,376)	(9,347)	(3,437)	(2,610)
Revolving credits and bankers' acceptance	12,922	22,795	11,245	5,800
Net cash flows (used in)/generated from financing activities	(18,875)	47,255	134	10,562
Net increase/(decrease) in cash and cash equivalents	12,216	(7,085)	1,065	(6,763)
Cash and cash equivalents at beginning of the financial year	35,872	41,946	(290)	6,473
Effect of foreign exchange rate changes on cash and cash equivalents	107	1,011	-	-
Cash and cash equivalents at end of the financial year (Note 27)	48,195	35,872	775	(290)

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash	12,025	17,041	34	1,840
Finance lease obligations	300	655	-	-
Financed by term loan	13,165	22,223	-	-
Government grant	-	(10,000)	-	-
	25,490	29,919	34	1,840

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 March 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Adoption of amendments/improvements to FRSs

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

Amendments/improvements to FRSs

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interest in Other Entities
FRS 101	Presentation of Financial Statements
FRS 116	Property, Plant and Equipment
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment in Associates and Joint Ventures
FRS 138	Intangible Assets

The adoption of the above amendments/improvements to FRSs 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.

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to FRS 7 Financial Instruments: Disclosures

Amendments to FRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of FRS 7.

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

Amendments to FRS 7 Financial Instruments: Disclosures (cont'd)

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to FRS 7) to condensed interim financial statements.

Amendments to FRS 11 Joint Arrangements

Amendments to FRS 11 clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in FRS 3, it shall apply the relevant principles on business combinations accounting in FRS 3, and other FRSs, that do not conflict with FRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

Amendments to FRS 101 Presentation of Financial Statements

Amendments to FRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to FRS 116 Property, Plant and Equipment

Amendments to FRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to FRS 119 Employee Benefits

Amendments to FRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to FRS 127 Separate Financial Statements

Amendments to FRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to FRS 138 Intangible Assets

Amendments to FRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or

- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

Amendments to FRS 10 Consolidated Financial Statements, FRS 12 Disclosures of Interests in Other Entities and FRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

2.3 New FRS, amendments/improvements to FRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
New FRS		
FRS 9	Financial Instruments	1 January 2018
Amendments/Improvements to FRSs		
FRS 1	First-time adoption of MFRSs	1 January 2018
FRS 2	Share-based Payment	1 January 2018
FRS 4	Insurance Contracts	1 January 2018
FRS 10	Consolidated Financial Statements	Deferred
FRS 12	Disclosure of Interests in Other Entities	1 January 2017
FRS 107	Statement of Cash Flows	1 January 2017
FRS 112	Income Taxes	1 January 2017
FRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
FRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	

A brief discussion on the above significant new FRS, amendments/improvements to FRSs and new IC Int are summarised below. Due to the complexity of these new FRS, amendments/improvements to FRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

FRS 9 Financial Instruments

Key requirements of FRS 9:-

- FRS 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.

- FRS 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.

- FRS 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.

Amendments to FRS 1 First-time Adoption of MFRSs

Amendments to FRS 1 deleted the short-term exemptions that relate to FRS 7 Financial Instruments: Disclosure, FRS 119 Employee Benefits and FRS 10 Consolidated Financial Statements because they are no longer applicable.

Amendments to FRS 2 Share-based Payment

Amendments to FRS 2 provide specific guidance on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to FRS 4 Insurance Contracts

Amendments to FRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

Amendments to FRS 12 Disclosure of Interests in Other Entities

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

Amendments to FRS 107 Statement of Cash Flows

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

Amendments to FRS 112 Income Taxes

Amendments to FRS 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.

Amendments to FRS 128 Investments in Associates and Joint Ventures

Amendments to FRS 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.

Amendments to FRS 140 Investment Property

Amendments to FRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

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

These amendments address an acknowledged inconsistency between the requirements in FRS 10 and those in FRS 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 FRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

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

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.

2.4 MASB Approved Accounting Standards, MFRSs

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

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

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

The effect is based on the Group's and the Company's best estimates at the reporting date. The financial effects may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

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

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

MFRS 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.

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

2.4 MASB Approved Accounting Standards, MFRSs (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

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 Group is currently assessing the impact of the adoption of this standard.

MFRS 16 Leases

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

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

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises.

The Group does not expect any impact on the financial statements arising from the adoption of this standard.

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

The Group does not expect any impact on the financial statements arising from the adoption of this standard.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 3.

2.6 Use of estimates and judgement

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

Notes to the Financial Statements
(cont'd)

2. BASIS OF PREPARATION (cont'd)

2.6 Use of estimates and judgement (cont'd)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

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

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

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

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

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

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

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

Transactions with non-controlling interest

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

Notes to the Financial Statements
(cont'd)

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

3.1 Basis of consolidation (cont'd)

Transactions with non-controlling interest (cont'd)

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

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

3.2 Subsidiaries

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

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

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

3.3 Associates

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

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

3.4 Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

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

(iii) Foreign operations

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

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

3.5 Property, Plant and Equipment and Depreciation

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

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

Notes to the Financial Statements
(cont'd)

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

3.5 Property, Plant and Equipment and Depreciation (cont'd)

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

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

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

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

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

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

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

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

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

3.6 Investment properties

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

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

Buildings	2%
Leasehold land	98 years

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

Notes to the Financial Statements
(cont'd)

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

3.6 Investment properties (cont'd)

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

3.7 Intangible assets

(i) Goodwill

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

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

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

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

Acquisition on or after 1 January 2011

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

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

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

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

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

Acquisition between 1 January 2006 and 1 January 2011

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

Notes to the Financial Statements
(cont'd)

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

3.7 Intangible assets (cont'd)

(i) Goodwill (cont'd)

Acquisition between 1 January 2006 and 1 January 2011 (cont'd)

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

Acquisition prior to 1 January 2006

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

(ii) Other intangible assets

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

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

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

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

3.8 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.

3.9 Impairment of non-financial assets

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

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

Notes to the Financial Statements
(cont'd)

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

3.9 Impairment of non-financial assets (cont'd)

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

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

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

3.10 Financial Assets

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

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

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

3.10 Financial Assets (cont'd)

(ii) Loans and Receivables

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

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

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

(iii) Held-to-Maturity Investments

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

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

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

(iv) Available-for-Sale Financial Assets

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

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

3.11 Impairment of financial assets

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

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

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

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

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

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

(ii) Unquoted equity securities carried at cost

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

(iii) Available-for-sale financial assets

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

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

3.12 Cash and cash equivalents

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

Notes to the Financial Statements
(cont'd)

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

3.13 Construction contracts

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

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

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

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

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

3.14 Development properties

(i) Land held for property development

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

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

(ii) Property development costs

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

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

3.14 Development properties (cont'd)

(ii) Property development costs (cont'd)

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

3.15 Inventories

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

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

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

<u>Property development inventory</u>

Cost includes:

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

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

3.16 Provisions

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

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

3.17 Financial Liabilities

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

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

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

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

Notes to the Financial Statements
(cont'd)

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

3.17 Financial Liabilities (cont'd)

(i) Financial Liabilities at Fair Value Through Profit or Loss (cont'd)

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

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

(ii) Other Financial Liabilities

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

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

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

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

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

3.18 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.

Notes to the Financial Statements
(cont'd)

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

3.19 Employee benefits

(i) Defined contribution plans

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

(ii) Employee share option plans

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

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

3.20 Leases

As lessee

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

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

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

3.21 Revenue

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

(i) Construction contracts

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

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

3.21 Revenue (cont'd)

(ii) Sale of goods

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

(iii) Revenue from services

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

(iv) Revenue from property development

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

(v) Rental income

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

(vi) Interest income

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

(vii) Dividend income

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

3.22 Income taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the Financial Statements
(cont'd)

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

3.22 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

3.23 Segment reporting

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.

3.24 Share capital and share issuance expenses

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

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

Notes to the Financial Statements
(cont'd)

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

3.25 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3.26 Contingencies

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

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

3.27 Fair value measurements

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

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

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

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

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

3.28 Discontinued operation

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Notes to the Financial Statements
(cont'd)

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

3.29 Non-current assets or disposal groups held for sale

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

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

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

3.30 Goods and Service Tax

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Critical judgements made in applying accounting policies

Significant judgements made by management in the process of applying the accounting policies of the Group which may have significant effect on the amounts recognised in the financial statements is discussed below:

(a) Disposal group classified as held for sale (Note 28)

As disclosed in Note 28, on 27 December 2016, the Group entered into a Cooperation Framework Agreement with Shandong Yongneng Energy-conserving & Eco-friendly Services Holding Corporation for an acquisition due diligence exercise on its subsidiary, Liangshan Future NRG Biology Electric Power Co., Ltd. The Board of Directors considered that the subsidiary met the criteria to be classified as disposal group classified as held for sale at that date for the following reasons:

- Liangshan Future NRG Biology Electric Power Co., Ltd. is available for immediate sale and can be sold to a potential buyer in its current condition;
- The Board of Directors had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified; and
- The Board of Directors expects negotiations to be finalised and the sale to be completed by one year.

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

4.2 Key source of estimation uncertainty

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

(a) Impairment of goodwill (Note 16)

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Impairment of loans and receivables (Note 22)

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(c) Construction contracts (Note 26)

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

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

(d) Property development (Note 23)

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

(e) Impairment of property, plant and equipment and investment property (Note 14 and 15)

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

Notes to the Financial Statements
(cont'd)

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

4.2 Key source of estimation uncertainty (cont'd)

(e) Impairment of property, plant and equipment and investment property (Note 14 and 15) (cont'd)

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

(f) Depreciation and useful lives of property, plant and equipment (Note 14)

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(g) Income taxes (Note 12)

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the estimation of the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(h) Write-down of obsolete or slow moving inventories (Note 24)

The Group write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

Notes to the Financial Statements
(cont'd)

5. REVENUE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sale of goods	46,409	44,981	-	-
Sale of palm oil	152,581	155,632	-	-
Sale of pipes	14,235	4,961	-	-
Rendering of services	8,539	14,111	-	-
Construction contract revenue	99,762	74,202	-	-
Property development	44,153	86,691	-	-
Renewable energy	397	1,908	-	-
Tax exempt dividend income from subsidiaries	-	-	5,850	3,300
	366,076	382,486	5,850	3,300

6. COST OF SALES

	Group	
	2016	2015
	RM'000	RM'000
Cost of goods sold	36,469	36,309
Cost of palm oil sold	146,845	152,757
Cost of pipes sold	11,689	5,809
Cost of services rendered	1,780	2,283
Construction contract costs	84,584	55,843
Property development costs	33,044	66,162
Cost of renewable energy	781	1,876
	315,192	321,039

Notes to the Financial Statements
(cont'd)

7. OTHER INCOME

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Administrative fee from subsidiaries	-	-	2,096	2,096
Bad debts recovered	2	-	-	-
Foreign exchange gain:				
- realised	404	164	-	-
- unrealised	26	195	-	-
Interest income from short term deposits	1,738	820	-	76
Interest income from subsidiaries	-	-	296	-
Net gain on disposal of property, plant and equipment	98	40	-	-
Rental income	287	188	3,580	3,575
Reversal of impairment loss on:				
- trade receivables	62	211	-	-
- amount owing by subsidiary	-	-	469	264

8. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- bankers' acceptances	1,063	623	-	-
- bank overdrafts	85	14	-	-
- obligations under finance lease	68	145	23	28
- revolving credits	759	250	540	229
- term loans	4,235	4,312	1,201	1,171
- redeemable convertible notes	-	1,465	-	-
Total finance costs	6,210	6,809	1,764	1,428

Notes to the Financial Statements
(cont'd)

9. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before taxation:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
				(Restated)
Auditors' remuneration:				
- statutory audits	256	217	35	30
- under/(over) provision in prior year	46	(8)	5	2
- other services	8	8	8	8
Depreciation of investment properties	29	28	424	312
Employee benefits expense (Note 10)	21,295	20,667	2,226	2,787
Investment securities:				
- loss on disposal	-	2	-	-
- written off	-	607	-	-
Impairment on investment in associate	6,885	-	-	-
Inventories:				
- written back	-	(223)	-	-
- written down	180	115	-	-
- written off	-	32	-	-
Loss on foreign exchange:				
- realised	33	202	21	-
- unrealised	-	704	-	-
Non-executive directors' remuneration (Note 11)	556	516	456	456
Property, plant and equipment:				
- depreciation	7,750	6,372	434	436
- written off	4	58	-	-
Rental expenses on:				
- land and buildings	355	503	-	-
- plant and machineries	419	277	-	-
Net fair value loss on loans and receivables	269	67	-	-
Trade receivables :				
- impairment loss	261	282	-	-
- written off	26	932	-	-
Amount owing by subsidiary				
- impairment loss	-	-	11	-

Notes to the Financial Statements
(cont'd)

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	19,179	17,750	1,729	2,089
Social security contributions	184	136	9	9
Contributions to defined contribution plan	1,858	2,190	135	329
Other benefits	704	947	353	360
Less: Capitalised as capital work-in-progress				
- Wages and salaries	(562)	(314)	-	-
- Social security contribution	(4)	(1)	-	-
- Contributions to defined contribution plan	(64)	(41)	-	-
	21,295	20,667	2,226	2,787

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM4,641,000 (2015: RM4,204,000) and RM894,000 (2015: RM1,051,000) respectively as further disclosed in Note 11.

11. DIRECTORS' REMUNERATION

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	3,069	2,953	661	716
Fee	120	212	-	-
Bonus	673	514	95	142
Defined contribution plan	581	525	138	193
Other emoluments	198	-	-	-
Total executive directors' remuneration	4,641	4,204	894	1,051
Non-Executive:				
Fees	556	516	456	456
Total directors' remuneration	5,197	4,720	1,350	1,507

Notes to the Financial Statements
(cont'd)

11. DIRECTORS' REMUNERATION (cont'd)

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

	Number of directors	
	2016	2015
Executive directors:		
RM450,001 - RM500,000	1	-
RM500,001 - RM550,000	-	1
RM2,000,001 - RM2,050,000	1	1
Non-Executive directors:		
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	3	3

12. INCOME TAX EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Current income tax:				
- Malaysian income tax	7,849	8,352	621	700
(Over)/under provision in prior years:				
- Malaysian income tax	(1,087)	175	(558)	(58)
	6,762	8,527	63	642
Deferred tax:				
- Current year	(3,301)	764	(77)	21
- Under/(over) provision in prior year	1,823	(1,303)	480	-
	(1,478)	(539)	403	21
Income tax expense attributable to continuing operations	5,284	7,988	466	663
Income tax expense attributable to discontinued operations	-	-	-	-
Income tax recognised in profit or loss	5,284	7,988	466	663

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

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

Notes to the Financial Statements
(cont'd)

12. INCOME TAX EXPENSE (cont'd)

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before tax	(75)	14,859	5,393	2,998
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	(18)	3,715	1,294	750
Expenses not deductible for tax purposes	3,553	2,507	654	796
Income not subject to tax	(460)	(67)	(1,404)	(825)
Utilisation of previously unrecognised deferred tax assets	-	(1)	-	-
Reversal of deferred tax assets not recognised in the financial statements	1,473	2,962	-	-
(Over)/under provision of income tax in prior years	(1,087)	175	(558)	(58)
Under/(over) provision of deferred tax in prior years	1,823	(1,303)	480	-
Income tax expense for the financial year	5,284	7,988	466	663

13. (LOSS)/EARNINGS PER SHARE

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

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

	Group	
	2016	2015
	RM'000	RM'000
(Loss)/profit attributable to owners of the Company:		
- Continuing operations	(3,200)	10,445
- Discontinued operation	(1,100)	(1,167)
	(4,300)	9,278

	2016	2015
	'000	'000
Weighted average number of ordinary shares for basic (loss)/earning per share	476,339	480,083

Notes to the Financial Statements
(cont'd)

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

(a) Basic (loss)/earnings per ordinary share (cont'd)

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

	Group	
	2016	**2015**
	Sen	**Sen**
Basic (loss)/earning per ordinary share		
- Continuing operations	(0.67)	2.17
- Discontinued operation	(0.23)	(0.24)
	(0.90)	1.93

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

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

The Company has no potential dilution of earnings per share during the financial year.

Notes to the Financial Statements
(cont'd)

14. PROPERTY, PLANT AND EQUIPMENT

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

Group	Freehold land at valuation RM'000	Buildings at valuation RM'000	Long term leasehold land at valuation RM'000	Plant, equipment and machineries RM'000	Motor vehicles RM'000	Tools and office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Cost, unless otherwise stated:										
At 1 January 2015	22,493	13,367	498	65,534	4,400	3,328	436	1,112	118,116	229,284
Additions	-	-	-	8,100	888	925	230	17	19,759	29,919
Disposals	-	-	-	(80)	(411)	(13)	-	-	-	(504)
Write off	-	-	-	(631)	-	(220)	(48)	(227)	-	(1,126)
Reclassification	-	16,392	7,402	43,053	-	(115)	115	-	(66,847)	-
Exchange differences	-	-	-	28	42	92	4	7	4,047	4,220
At 31 December 2015	22,493	29,759	7,900	116,004	4,919	3,997	737	909	75,075	261,793
Accumulated depreciation and impairment losses:										
At 1 January 2015	-	470	13	4,034	2,852	2,490	250	715	-	10,824
Depreciation for the financial year	-	522	64	4,540	718	402	74	142	-	6,462
Disposals	-	-	-	(61)	(406)	(5)	-	-	-	(472)
Write off	-	-	-	(573)	-	(220)	(48)	(227)	-	(1,068)
Exchange differences	-	-	-	19	24	57	3	4	-	107
At 31 December 2015	-	992	77	7,959	3,188	2,724	279	634	-	15,853
Net carrying amount	22,493	28,767	7,823	108,045	1,731	1,273	458	275	75,075	245,940

Notes to the Financial Statements
(cont'd)

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

Company	Freehold Land at Valuation RM'000	Building at Valuation RM'000	Long Term Leasehold Land at Valuation RM'000	Motor Vehicles RM'000	Tools and Office Equipment RM'000	Furniture and Fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Cost, unless otherwise stated:								
At 1 January 2016	4,500	10,500	-	845	322	338	-	16,505
Additions	-	-	-	7	27	-	-	34
At 31 December 2016	4,500	10,500	-	852	349	338	-	16,539
Accumulated depreciation and impairment losses								
At 1 January 2016	-	462	-	230	252	238	-	1,182
Depreciation for the financial year	-	210	-	168	23	33	-	434
At 31 December 2016	-	672	-	398	275	271	-	1,616
Net carrying amount	4,500	9,828	-	454	74	67	-	14,923

Company (Restated)	Freehold Land at Valuation RM'000	Building at Valuation RM'000	Long term Leasehold Land at Valuation RM'000	Motor Vehicles RM'000	Tools and Office Equipment RM'000	Furniture and Fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Cost, unless otherwise stated:								
At 1 January 2015	4,500	10,500	-	845	294	338	22,588	39,065
Additions	-	-	-	-	16	-	1,824	1,840
Transfer from a subsidiary	-	-	-	-	12	-	-	12
Transfer to investment property	-	-	-	-	-	-	(24,412)	(24,412)
At 31 December 2015	4,500	10,500	-	845	322	338	-	16,505
Accumulated depreciation and impairment losses								
At 1 January 2015	-	252	-	61	220	204	-	737
Depreciation for the financial year	-	210	-	169	23	34	-	436
Transfer from a subsidiary	-	-	-	-	9	-	-	9
At 31 December 2015	-	462	-	230	252	238	-	1,182
Net carrying amount	4,500	10,038	-	615	70	100	-	15,323

Notes to the Financial Statements

(cont'd)

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

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

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

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Group			
2016			
Freehold Land	7,822	-	7,822
Leasehold Land	280	(65)	215
Buildings	10,595	(3,851)	6,744
	18,697	(3,916)	14,781
2015			
Freehold Land	7,822	-	7,822
Leasehold Land	280	(62)	218
Buildings	10,595	(3,663)	6,932
	18,697	(3,725)	14,972
Company			
2016			
Freehold Land	622	-	622
Buildings	7,937	(3,651)	4,286
	8,559	(3,651)	4,908
2015			
Freehold Land	622	-	622
Buildings	7,937	(3,492)	4,445
	8,559	(3,492)	5,067

(b) **Fair value information**

Fair value of the land and buildings are categorised under level 2 of fair value. Level 2 fair value is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation method used was combination of Cost and Comparison Method that makes reference to reproduction cost of similar assets and recent transactions and sales evidences involving other similar properties in the vicinity. The most significant input to this valuation approach is cost per square feet and price per square feet of comparable properties.

Notes to the Financial Statements
(cont'd)

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

(c) Assets under finance leases

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	1,547	1,667	448	616
Plant and machinery	-	5,547	-	-
	1,547	7,214	448	616

(d) Capital work in progress

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

(i) an amount of RM Nil (2015: RM27,555,000) which represents the cost of a biomass-power-plant under construction located on certain plots of state-owned land in the People's Republic of China ("PRC"). The capital work in progress is transferred to the disposal group classified as held for sale during the year;

(ii) an amount of RM30,199,087 (2015: RM29,180,000) which represents the cost of palm oil mill and equipment acquired which is not ready for intended use, located in Kedah;

(iii) an amount of RM13,851,194 (2015: RM1,217,055) which represents the cost of a biomass-power-plant under construction located in Kedah;

(iv) an amount of RM23,482,964 (2015: RM17,124,000) which represents the cost of medical waste treatment plant and equipment which is not ready for intended use, located at Sendayan, Negeri Sembilan; and

(v) an amount of RM792,642 (2015: RM240,000) finance costs which has been capitalised during the financial year.

(e) Assets pledged as security

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
				(Restated)
Freehold land	10,500	10,500	4,500	4,500
Long term leasehold land	7,346	7,346	-	-
Buildings	27,840	27,315	9,828	10,038
Plant, equipment and machineries	101,555	100,369	-	-
Tools and office equipment	790	896	-	-
Capital work-in-progress	67,476	43,279	-	-
	215,507	189,705	14,328	14,538

Notes to the Financial Statements
(cont'd)

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

(f) Lease period for leasehold land

Leasehold land comprises land with unexpired lease period of more than 50 years.

15. INVESTMENT PROPERTIES

Group	Building at cost RM'000	Total RM'000
Cost		
At 1 January 2016	1,322	1,322
At 31 December 2016	1,322	1,322
Accumulated depreciation and impairment losses		
At 1 January 2016	610	610
Depreciation charge for the financial year	29	29
At 31 December 2016	639	639
Net carrying amount	683	683
Cost		
At 1 January 2015	1,322	1,322
At 31 December 2015	1,322	1,322
Accumulated depreciation and impairment losses		
At 1 January 2015	582	582
Depreciation charge for the financial year	28	28
At 31 December 2015	610	610
Net carrying amount	712	712

As at reporting date, titles to investment properties with carrying amount of RM683,000 (2015: RM712,000) have yet to be registered in the subsidiaries' name.

Notes to the Financial Statements
(cont'd)

15. INVESTMENT PROPERTIES (cont'd)

Company	Building at cost RM'000	Long term Leasehold Land at cost RM'000	Total RM'000
Cost			
At 1 January 2016	17,010	7,402	24,412
Addition	479	-	479
At 31 December 2016	17,489	7,402	24,891
Accumulated depreciation and impairment losses			
At 1 January 2016	255	57	312
Depreciation charge for the financial year	349	75	424
At 31 December 2016	604	132	736
Net carrying amount	16,885	7,270	24,155
Company (Restated)			
Cost			
At 1 January 2015	-	-	-
Transfers from property, plant and equipment	17,010	7,402	24,412
At 31 December 2015	17,010	7,402	24,412
Accumulated depreciation and impairment losses			
At 1 January 2015	-	-	-
Depreciation charge for the financial year	255	57	312
At 31 December 2015	255	57	312
Net carrying amount	16,755	7,345	24,100

Group	Buildings RM'000	Total RM'000
Fair Value		
At 31 December 2016	3,527	3,527
At 31 December 2015	3,598	3,598

Company	Leasehold Land at cost RM'000	Buildings RM'000	Total RM'000
Fair Value			
At 31 December 2016	7,754	16,885	24,639
At 31 December 2015	7,754	16,755	24,509

Notes to the Financial Statements
(cont'd)

15. INVESTMENT PROPERTIES (cont'd)

The investment properties comprise of long term leasehold land and building. The rental income earned by the Group and Company from its investment properties amounted to RM20,400 and RM2,200,008 (2015: RM20,400 and RM2,200,008). Direct operating expenses pertaining to the income generating investment properties during the financial year amounted to RM28,396 and RM424,385 (2015: RM28,397 and RM311,799).

Fair value information

Fair value of investment properties is categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2016				
Buildings	-	3,527	-	3,527
2015				
Buildings	-	3,598	-	3,598
Company				
2016				
Leasehold Land	-	7,754	-	7,754
Buildings	-	16,885	-	16,885
	-	24,639	-	24,639
2015				
Leasehold Land	-	7,754	-	7,754
Buildings	-	16,755	-	16,755
	-	24,509	-	24,509

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

Assets pledged as security

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Long term leasehold land	-	-	7,270	7,345
Buildings	-	-	16,885	16,755
	-	-	24,155	24,100

Notes to the Financial Statements
(cont'd)

16. INTANGIBLE ASSETS

	Computer software RM'000	Goodwill RM'000	License RM'000	Total RM'000
Group				
At 1 January 2015	#	4,360	-	4,360
Addition	-	-	1,324	1,324
At 31 December 2015	#	4,360	1,324	5,684
Addition	-	-	-	-
At 31 December 2016	#	4,360	1,324	5,684

RM1

(a) Computer software

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

(b) Goodwill

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

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

	Group	
	2016 RM'000	2015 RM'000
Malaysia - Contracting		
At 1 January/31 December	4,360	4,360

(c) License

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

The carrying amount of the license is as follows:

	Group	
	2016 RM'000	2015 RM'000
Malaysia - Pipes Manufacturing		
At 1 January	1,324	-
Addition	-	1,324
At 31 December	1,324	1,324

Notes to the Financial Statements
(cont'd)

16. INTANGIBLE ASSETS (cont'd)

(d) Impairment testing of goodwill and license

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

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

	Gross margin		Growth rate		Discount rate	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Contracting	16%	16%	4%	4%	16%	12%
Pipes Manufacturing	18%	34%	3%	15%	12%	12%

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

(i) Budgeted gross margin

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

(ii) Growth rate

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

(iii) Discount rate

The discount rates applied to the cash flow projections are pre-tax and reflect management's estimate of the risks specific to the CGUs at the date of assessment.

Sensitivity to changes in assumptions

Based on the sensitivity analysis performed, management believes that there is no reasonably possible change in key assumptions that would cause the carrying value of the CGUs to exceed its recoverable amount. The estimated recoverable amount exceeds that carrying amount of the CGUs. As a result of the analysis, management did not identify an impairment for this CGU.

17. LAND USE RIGHTS

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	5,336	4,501
Amortisation	(275)	(277)
Exchange differences	(182)	1,112
Transfer to disposal group classified as held for sale	(4,879)	-
At 31 December	-	5,336

Notes to the Financial Statements
(cont'd)

17. LAND USE RIGHTS (cont'd)

The Group has land use rights over certain plots of state-owned land in the People's Republic of China ("PRC") where the Group's biomass-power-plant under construction is located. The land use rights are not transferable and have a remaining tenure of 44 years.

18. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost		
In Malaysia	77,875	77,875
Outside Malaysia	33	33
	77,908	77,908
Less: Accumulated impairment losses	(1,751)	(1,751)
	76,157	76,157

Details of the subsidiaries are as follows:

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
Direct subsidiaries				
FITTERS Sdn Bhd	Malaysia	Trading and installation of fire safety materials and equipment, manufacture and assembly of fire fighting, protection and prevention systems and equipment	100	100
Master Pyrodor Sdn Bhd	Malaysia	Property holdings	100	100
FITTERS (S) Pte Ltd *	Singapore	Trading and installation of fire safety materials and equipment	100	100
Molecor (SEA) Sdn Bhd ("MSSB")	Malaysia	Manufacturing and distribution of HYPRO® PVC-O pipes	65	65
FITTERS Engineering Services Sdn Bhd	Malaysia	Design, manufacture, assemble, supply and installation of fire fighting, protection and prevention systems and equipment	100	100
FITTERS Marketing Sdn Bhd	Malaysia	Manufacturing and marketing of fire resistant doorsets and marketing of general building materials	100	100
FITTERS Building Services Sdn Bhd	Malaysia	Property development	100	100
FITTERS-MPS Sdn Bhd ("FMPS")	Malaysia	Design, installation and maintenance of fire protection systems	51	51

Notes to the Financial Statements
(cont'd)

18. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
Direct subsidiaries				
Master Pyroserve Sdn Bhd	Malaysia	Install and operate the computerised fire alarm monitoring and communication systems for Jabatan Perkhidmatan Bomba dan Penyelamat Malaysia	100	100
Armatrade Sdn Bhd	Malaysia	Ceased operations	100	100
Wintip Sdn Bhd	Malaysia	Ceased operations	100	100
Future NRG Sdn Bhd	Malaysia	Renewable energy development	100	100
Premier Equity Holdings Limited **	British Virgin Island	Investment holding	100	100
FITTERS-NRG Sdn Bhd	Malaysia	Renewable energy development	100	100
FITTERS Property Development Sdn Bhd	Malaysia	Property development	100	100
Future NRG Pte Ltd #	Singapore	Dormant	100	100
FITTERS-Nrg Limited #	Australia	Dormant	100	-
Subsidiaries of FITTERS Sdn Bhd				
FITTERS (Ipoh) Sdn Bhd	Malaysia	Ceased operations	100	100
FITTERS (Sarawak) Sdn Bhd	Malaysia	Trading of fire safety materials and equipment	100	100
AHT NRG Asia Sdn Bhd	Malaysia	Dormant	100	100
FITTERS Fire Technology Sdn Bhd	Malaysia	Ceased operations	100	100
Modular Floor Systems (M) Sdn Bhd	Malaysia	Ceased operations	100	100
Subsidiaries of FITTERS Building Services Sdn Bhd				
Pyro-Tech Systems Sdn Bhd	Malaysia	Ceased operations	100	100
Subsidiaries of FITTERS Engineering Services Sdn Bhd				
FITTERS Engineering and Maintenance Services Sdn Bhd	Malaysia	Ceased operations	100	100

Notes to the Financial Statements
(cont'd)

18. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name	Principal place of business/ country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
Subsidiaries of FITTERS Engineering Services Sdn Bhd (cont'd)				
FITTERS Engineering Services (Johor) Sdn Bhd	Malaysia	Ceased operations	100	100
FITTERS Construction Sdn Bhd	Malaysia	Construction of civil work, residential and commercial building	100	100
FITTERS-MCCT Sdn Bhd ("FMCCT")	Malaysia	Mechanical engineering works contractors and fabricators	55	55
Subsidiaries of Future NRG Sdn Bhd				
Future Biomass Gasification Sdn Bhd	Malaysia	Renewable energy development	100	100
Solid Orient Holdings Sdn Bhd	Malaysia	Operation of palm oil mill	100	100
Subsidiaries of FITTERS Property Development Sdn Bhd				
ZetaPark Development Sdn Bhd	Malaysia	Property development	100	100
Superior Villa Sdn Bhd	Malaysia	Property development	100	100
Rasa Anggun Development Sdn Bhd	Malaysia	Property development	100	100
Subsidiaries of Premier Equity Holdings Limited				
Future NRG Asia Ltd **	British Virgin Island	Dormant	100	100
Future NRG (SEA) Pte Ltd *	Singapore	Renewable energy development	100	100
Subsidiary of FITTERS-NRG Sdn Bhd				
Liangshan Future NRG Biology Electric Power Co., Ltd *	People's Republic of China	Build and operate the Liangshan Biomass Power Plant	100	100

* *Audited by auditors other than Baker Tilly Monteiro Heng*

** *Not required to be audited in their countries of incorporation. The financial statements have been reviewed for consolidation purpose.*

\# *Applied for striking off*

Notes to the Financial Statements
(cont'd)

18. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) On 22 February 2016, FITTERS had announced the incorporation of its wholly owned subsidiary, FITTERS-Nrg Limited, with an issued capital of 100 shares of AUD1.00 each on 17 February 2016. FITTERS-Nrg Limited is a public company limited by shares. The company is registered under the Corporation Act 2001 and is taken to be registered in Queensland, Australia.

On 6 December 2016, application for voluntary deregistration of FITTERS-Nrg Limited was accepted by the Australian Securities and Investments Commission. FITTERS-Nrg Limited had been deregistered on 6 February 2017.

The subsidiary has not commenced operation since the date of incorporation.

(b) On 5 December 2016, FITTERS had submitted application to the Accounting and Corporate Regulatory Authority of Singapore to strike off Future NRG Pte Ltd, a wholly owned subsidiary, from the registrar.

The subsidiary has not commenced operation since the date of incorporation.

Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:-

	FMPS RM'000	FMCCT RM'000	MSSB RM'000	Total RM'000
2016				
NCI Percentage of ownership interest and voting interest	49%	45%	35%	
Carrying amount of NCI	657	1,407	4,910	6,974
(Loss)/Profit allocated to NCI	(117)	36	(2,078)	(2,159)
2015				
NCI Percentage of ownership interest and voting interest	49%	45%	35%	
Carrying amount of NCI	775	1,370	6,988	9,133
Profit/(Loss) allocated to NCI	105	42	(2,554)	(2,407)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	FMPS RM'000	FMCCT RM'000	MSSB RM'000	Total RM'000
Summarised statements of financial position				
As at 31 December 2016				
Non-current assets	229	153	48,360	48,742
Current assets	43,418	4,285	25,139	72,842
Non-current liabilities	-	(88)	(24,061)	(24,149)
Current liabilities	(42,305)	(1,224)	(35,410)	(78,939)
Net assets	1,342	3,126	14,028	18,496

Notes to the Financial Statements
(cont'd)

18. INVESTMENT IN SUBSIDIARIES (cont'd)

Non-controlling interest in subsidiaries (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows: (cont'd)

	FMPS RM'000	FMCCT RM'000	MSSB RM'000	Total RM'000
Summarised statements of comprehensive income				
Financial year ended 31 December 2016				
Revenue	8,918	3,426	14,235	26,579
(Loss)/profit for the financial year	(235)	124	(5,938)	(6,049)
Total comprehensive (loss)/income	(239)	81	(5,938)	(6,096)
Summarised cash flows information				
Financial year ended 31 December 2016				
Cash flows from operating activities	1,295	106	9,075	10,476
Cash flows from investing activities	-	-	(314)	(314)
Cash flows from financing activities	-	(51)	(9,169)	(9,220)
Net increase/(decrease) in cash and cash equivalents	1,295	55	(408)	942
Summarised statements of financial position				
As at 31 December 2015				
Non-current assets	235	218	51,096	51,549
Current assets	5,554	5,249	14,790	25,593
Non-current liabilities	-	(140)	(36,902)	(37,042)
Current liabilities	(4,208)	(2,282)	(9,017)	(15,507)
Net assets	1,581	3,045	19,967	24,593
Summarised statements of comprehensive income				
Financial year ended 31 December 2015				
Revenue	6,713	5,606	4,961	17,280
Profit/(loss) for the financial year	214	93	(7,297)	(6,990)
Total comprehensive income/(loss)	214	93	(7,297)	(6,990)
Summarised cash flows information				
Financial year ended 31 December 2015				
Cash flows from operating activities	66	48	(12,946)	(12,832)
Cash flows from investing activities	-	-	(10,318)	(10,318)
Cash flows from financing activities	-	(48)	22,091	22,043
Net increase/(decrease) in cash and cash equivalents	66	-	(1,173)	(1,107)

Notes to the Financial Statements
(cont'd)

19. INVESTMENT IN AN ASSOCIATE

	Group	
	2016	2015
	RM'000	RM'000
Quoted shares, at cost		
Outside Malaysia	6,645	6,645
Share of post-acquisition reserves	240	685
Less : Impairment loss	(6,885)	-
	-	7,330
Market value		
- Quoted shares	2,494	16,046

Details of associate are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
Associate of Future NRG Sdn. Bhd.				
AHT Syngas Technology NV	Netherlands	Investment holding	40%	40%
Subsidiary of AHT Syngas Technology NV				
AHT Services GmbH	Germany	Engineering and production of biomass and coal-co-generation systems (gasification)	40%	40%

On 28 November 2016, AHT Services GmbH filed for insolvency in its own administration. The Group made an impairment loss on investment in associated company amounting to RM6.9 million.

Fair value information

As at 31 December 2016, the fair value of AHT Syngas Technology NV, which is listed on the Frankfurt Stock Exchange, was RM2,494,000 based on the quoted market price available on the stock exchange, which has been categorised within Level 1 fair value hierarchy.

Notes to the Financial Statements
(cont'd)

20. INVESTMENT SECURITIES

	2016		2015	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
	RM'000	RM'000	RM'000	RM'000
Group				
Non-current				
Fair value through profit or loss				
- Convertible redeemable preference shares (unquoted), at cost	-	#	18,583	#
Available-for-sale financial assets				
- Equity instruments (unquoted), at cost	2,216	#	2,216	#
- Corporate memberships in golf club	105	#	105	#
Total non-current investment securities	2,321		20,904	
Current				
Held for trading investments				
- Equity instruments (quoted in Malaysia)	1	1	1	1
Total current investment securities	1		1	
Total investment securities	2,322		20,905	

The fair value information has not been disclosed for these financial instruments as their fair value cannot be measured reliably.

Their fair value cannot be measured reliably due to the lack of quoted market price in an active market and assumptions required for valuing these financial instruments using valuation techniques are subject to material uncertainties.

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:				
At 1 January	2,097	2,584	687	644
Transfer to profit or loss	(367)	(539)	403	21
Crystallisation of deferred tax liabilities	-	52	-	22
Exchange differences	-	-	-	-
At 31 December	1,730	2,097	1,090	687

Notes to the Financial Statements
(cont'd)

21. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
At 1 January	-	-	-	-
Transfer to profit or loss	1,111	-	-	-
Crystallisation of deferred tax liabilities	-	-	-	-
Exchange differences	-	-	-	-
At 31 December	1,111	-	-	-

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

	Revaluation on property, plant and equipment	Temporary differences between net book values and corresponding tax written down values	Total
	RM'000	RM'000	RM'000
Group			
At 1 January 2015	890	1,694	2,584
Transfer to profit or loss	-	(539)	(539)
Crystallisation of deferred tax liabilities	52	-	52
At 31 December 2015	942	1,155	2,097
Recognised in profit or loss	-	(367)	(367)
Crystallisation of deferred tax liabilities	-	-	-
At 31 December 2016	942	788	1,730

	Revaluation on property, plant and equipment	Temporary differences between net book values and corresponding tax written down values	Total
	RM'000	RM'000	RM'000
Company			
At 1 January 2015	347	297	644
Transfer to profit or loss	-	21	21
Crystallisation of deferred tax liabilities	22	-	22
At 31 December 2015	369	318	687
Transfer to profit or loss	-	403	403
Crystallisation of deferred tax liabilities	-	-	-
At 31 December 2016	369	721	1,090

Notes to the Financial Statements
(cont'd)

21. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2016	2015
	RM'000	RM'000
Unutilised tax losses	(15,777)	(12,878)
Other taxable temporary differences	(11,563)	(8,290)
	(27,340)	(21,168)
Potential deferred tax assets at 24% (2015: 24%)	(6,562)	(5,080)

22. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Non-current					
Trade receivables					
Retention sum on contracts		4,117	2,437	-	-
Trade receivables, net		4,117	2,437	-	-
Current					
Trade receivables					
Third parties		54,492	60,590	-	-
Less: Impairment for trade receivables		(3,897)	(4,432)	-	-
		50,595	56,158	-	-
Retention sum on contracts		7,295	10,135	-	-
Amounts owing by related parties		827	923	-	-
Trade receivables, net	(a)	58,717	67,216	-	-
Other receivables					
Sundry receivables	(b)	40,534	28,459	7,786	12,455
Refundable deposits		2,546	5,750	532	532
Prepayment		1,689	1,122	42	42
GST refundable		2,850	3,331	-	18
Amounts owing by subsidiaries	(c)	-	-	206,954	191,009
		47,619	38,662	215,314	204,056
		106,336	105,878	215,314	204,056
Total trade and other receivables (current and non-current)		110,453	108,315	215,314	204,056

Notes to the Financial Statements
(cont'd)

22. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables

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

Included in trade receivables of the Group is an amount totalling RM12,379,316 (2015: RM12,772,000) which represents the stakeholders' sum receivable from house buyers.

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Neither past due nor impaired **	52,906	54,180
1 to 30 days past due not impaired	3,473	5,657
31 to 60 days past due not impaired	1,473	3,458
61 to 90 days past due not impaired	1,128	1,590
91 to 120 days past due not impaired	2,226	2,753
More than 121 days past due not impaired	1,628	2,015
	9,928	15,473
Impaired	3,897	4,432
	66,731	74,085

** Included in neither past due nor impaired are retention sums amounted to RM11,412,000 (2015: RM12,572,000).

<u>Receivables that are neither past due nor impaired</u>

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

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to RM9,928,000 (2015: RM15,473,000) that are past due at the reporting date but not impaired.

In assessing the extent of non-recoverable debts, the directors have given due consideration to all pertinent information relating to the ability of the debtors to settle the debts. Notwithstanding the overdue nature of these debts, the directors have assessed these debts as fully recoverable. Accordingly, no further impairment has been made for doubtful recovery in respect of these debts.

<u>Receivables that are impaired</u>

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment of trade receivables is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Individually impaired		
Trade receivables - nominal amounts	3,897	4,432
Less: Impairment of trade receivables	(3,897)	(4,432)
	-	-

22. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired

Movement in allowance accounts:

	Group	
	2016	2015
	RM'000	RM'000
At 1 January	4,432	4,455
Charges for the financial year	261	282
Written off	(734)	(94)
Reversal of impairment losses	(62)	(211)
At 31 December	3,897	4,432

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

(b) Sundry receivables

Included in sundry receivables are receivables from Pencala Jaya Sdn Bhd amounting to RM18,583,000 (2015: Nil) which is a receivable for redemption of convertible redeemable preference share.

(c) Amount owing by subsidiaries

Amount owing by subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Included in amount owing by subsidiaries is an amount totalling RM296,000 (2015: RM Nil) which represents the interest receivable from a subsidiary that bears the interest at 8% (2015: Nil) per annum.

23. DEVELOPMENT PROPERTIES

Property development costs

	Group	
	2016	2015
	RM'000	RM'000
At 1 January		
Leasehold land	32,670	33,013
Freehold land	35,008	7,103
Development cost	28,812	23,332
	96,490	63,448
Cost incurred during the financial year:		
Freehold land	-	40,250
Development cost	26,893	63,218
	26,893	103,468

Notes to the Financial Statements
(cont'd)

23. DEVELOPMENT PROPERTIES (cont'd)

Property development costs (cont'd)

	Group	
	2016	2015
	RM'000	RM'000
Costs recognised in profit or loss:		
Leasehold land	-	(75)
Freehold land	(6,326)	(12,345)
Development cost	(24,874)	(53,742)
	(31,200)	(66,162)
Transfer:		
To inventories	-	(4,263)
At 31 December		
Leasehold land	32,670	32,670
Freehold land	28,682	35,008
Development cost	30,831	28,813
Carrying amounts	92,183	96,491

Included in development cost is finance costs amounting to RM2,688,726 (2015: RM2,250,000) which has been capitalised during the financial year.

24. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
At lower of cost and net realisable value:		
Completed properties	2,019	4,263
Raw materials	13,427	8,855
Work-in-progress	4,407	-
Finished goods	21,298	16,522
	41,151	29,640

The cost of inventory of the Group recognised as an expense in cost of sales during the financial year was RM202,881,000 (2015: RM60,674,000).

Notes to the Financial Statements
(cont'd)

25. OTHER CURRENT ASSETS

	Group	
	2016	2015
	RM'000	RM'000
Accrued billings in respect of property development costs	657	38,010
Amount owing from customers for contracts (Note 26)	35,075	41,644
	35,732	79,654

26. GROSS AMOUNT OWING FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2016	2015
	RM'000	RM'000
Construction contract costs incurred to date	834,199	751,311
Attributable profits	121,284	98,185
	955,483	849,496
Less: Progress billings	(926,762)	(820,143)
	28,721	29,353
Presented as:		
Gross amount owing from customers for contracts (Note 25)	35,075	41,644
Gross amount owing to customers for contracts (Note 33)	(6,354)	(12,291)
	28,721	29,353
Retention sums on construction contract, included within trade receivables	11,412	12,572

27. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	19,382	17,320	775	1,609
Cash held under Housing Development Accounts	20,419	15,136	-	-
Deposits placed with licensed banks	9,401	5,893	-	-
	49,202	38,349	775	1,609

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in deposits with licensed banks are short-term deposits made for varying periods of between 7 and 30 days depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group were 2.45% (2015: 2.7%).

Deposits with licensed banks of the Group amounting to RM5,000,000 (2015: RM4,870,000) are pledged as securities for borrowings.

Notes to the Financial Statements
(cont'd)

27. DEPOSITS, CASH AND BANK BALANCES (cont'd)

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances	49,202	38,349	775	1,609
Bank overdrafts	(1,307)	(2,477)	-	(1,899)
Asset of a disposal group classified as held for sale (Note 28)	300	-	-	-
	48,195	35,872	775	(290)

28. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

(a) Assets/(liabilities) of a disposal group classified as held for sale

On 27 December 2016, the Group entered into a Cooperation Framework Agreement with Shandong Yongneng Energy-conserving & Eco-friendly Services Holding Corporation for an acquisition due diligence exercise on its subsidiary, Liangshan Future NRG Biology Electric Power Co., Ltd.

The assets classified as held for sale on the Group's statement of financial position as at 31 December 2016 are as follows:

Assets of a disposal group classified as held for sale

	2016
	RM'000
Property, plant and equipment	27,030
Land use rights	4,879
Inventories	15
Other receivables	2,234
Cash and bank balances	300
	34,458

Liabilities of a disposal group classified as held for sale

	2016
	RM'000
Other payables	332

Notes to the Financial Statements
(cont'd)

28. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (cont'd)

(b) Discontinued operation

As disclosed as Note (a) above, the Group had discontinued its renewable energy business in People's Republic of China on 27 December 2016. The operation segment in People's Republic of China was not a discontinued operation and classified as held for sale as at 31 December 2015 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

(i) Analysis of the result of discontinued operation and the result recognised on the remeasurement of disposal group is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Other Income	43	13
Expenses	(1,143)	(1,180)
Loss before tax of discontinued operation	(1,100)	(1,167)

(ii) The following items have been credited/(charged) in arriving at profit before tax:

	2016	2015
	RM'000	RM'000
Auditors' remuneration	2	2
Amortisation of land use right	275	277
Depreciation of property, plant and equipment	55	90
Wages and salaries	127	127
Contribution to defined contribution plan	-	38
Staff welfare	-	10

(iii) Cash flow generated from/(used in) discontinued operation:

	2016	2015
	RM'000	RM'000
Net cash flows used in operating activities	(871)	(629)

29. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary share of RM0.50 each		← Amount →	
	2016	2015	2016	2015
	Units ('000)	Units ('000)	RM'000	RM'000
Authorised share capital				
At 1 January/31 December	1,000,000	1,000,000	500,000	500,000

Notes to the Financial Statements
(cont'd)

29. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (cont'd)

	Number of ordinary share of RM0.50 each		Amount			
Group and Company	Share capital (Issued and fully paid) Units ('000)	Treasury shares Units ('000)	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000	Treasury shares RM'000
At 1 January 2015	480,261	-	240,130	-	240,130	-
Shares repurchased	-	788	-	-	-	(364)
At 31 December 2015	480,261	788	240,130	-	240,130	(364)
Shares repurchased	-	11,892	-	-	-	(4,966)
Issuance of shares	236	-	118	118	236	-
At 31 December 2016	480,497	12,680	240,248	118	240,366	(5,330)

(a) Share capital

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.

On 13 June 2016, 236,200 units of FITTERS Warrants were exercised and converted into 236,200 ordinary shares of RM0.50 each at an exercise price of RM1.00 per share. The said shares were listed on the Main Market of Bursa Malaysia Securities Berhad on 20 June 2016.

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

(b) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

(c) Treasury shares

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was first approved by the Company's shareholders in the Annual General Meeting held on 11 June 2008 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

During the financial year, the Company repurchased 11,892,500 of its issued ordinary shares from the open market at an average price of RM0.415 per share. The total consideration paid for the repurchase including transaction costs was RM4,966,650. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

Notes to the Financial Statements
(cont'd)

29. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (cont'd)

(c) Treasury shares (cont'd)

During the financial year ended 31 December 2016, the Company repurchased 11,892,500 shares of its issued shares from the open market. The average price paid for the shares repurchased was RM0.415 per share. The details of repurchase of treasury shares during the financial year are as follows:

Month	No. of shares repurchased	← Price per share → Highest	Lowest	Average	Total consideration
	Units ('000)	RM	RM	RM	RM'000
2016					
January 2016	1,361	0.460	0.440	0.453	621
February 2016	140	0.455	0.455	0.455	64
March 2016	332	0.430	0.430	0.430	144
June 2016	891	0.420	0.415	0.420	376
July 2016	516	0.420	0.415	0.419	218
August 2016	220	0.415	0.410	0.414	92
September 2016	2,017	0.430	0.410	0.416	842
October 2016	1,243	0.415	0.415	0.415	518
November 2016	2,207	0.410	0.395	0.404	897
December 2016	2,965	0.405	0.400	0.401	1,194
	11,892				4,966

30. OTHER RESERVES

	Asset revaluation reserve	Capital reserve	Foreign currency translation reserve	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2015	18,391	7,275	4,607	30,273
Foreign currency translation	-	-	6,033	6,033
Realisation of revaluation reserve	(144)	-	-	(144)
At 31 December 2015	18,247	7,275	10,640	36,162
Foreign currency translation	-	-	(857)	(857)
Realisation of revaluation reserve	(94)	-	-	(94)
At 31 December 2016	18,153	7,275	9,783	35,211

Notes to the Financial Statements
(cont'd)

30. OTHER RESERVES (cont'd)

	Asset revaluation reserve RM'000	Capital reserve RM'000	Total RM'000
Company			
At 1 January 2015	7,495	5,915	13,410
Realisation of revaluation reserve	(90)	-	(90)
At 31 December 2015	7,405	5,915	13,320
Realisation of revaluation reserve	(69)	-	(69)
At 31 December 2016	7,336	5,915	13,251

The nature and purpose of each category of reserve are as follows:

(a) Asset revaluation reserve

Asset revaluation reserve represents the cumulative net change in fair value of land and buildings, net of deferred tax.

(b) Capital reserve

Included in the capital reserve, RM1,360,010 represents a reserve set aside for bonus issues made by subsidiaries. The balance of the capital reserve represents balance of the unexercised warrants in the previous years.

(c) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

Notes to the Financial Statements
(cont'd)

31. LOANS AND BORROWINGS

		Group		Company	
		2016	2015	2016	2015
	Maturity	RM'000	RM'000	RM'000	RM'000
Non-current					
Secured:					
Finance lease liabilities	2021	994	1,118	367	457
Term loans	2023	85,394	108,108	15,186	19,340
		86,388	109,226	15,553	19,797
Current					
Secured:					
Finance lease liabilities	2017	370	778	90	85
Term loans	2017	33,964	21,461	3,436	2,719
Bank overdrafts	2017	-	1,899	-	1,899
Bankers' acceptances	2017	16,212	14,822	-	-
Revolving credit	2017	16,245	15,800	16,245	15,800
		66,791	54,760	19,771	20,503
Unsecured:					
Bank overdrafts	2017	1,307	578	-	-
Bankers' acceptances	2017	6,013	5,726	-	-
Revolving credit	2017	13,900	3,100	10,800	-
		21,220	9,404	10,800	-
		88,011	64,164	30,571	20,503
Total loans and borrowings		174,399	173,390	46,124	40,300

Notes to the Financial Statements
(cont'd)

31. LOANS AND BORROWINGS (cont'd)

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year	88,011	64,164	30,571	20,503
More than 1 year and less than 2 years	26,385	30,683	3,530	2,904
More than 2 year and less than 5 years	56,511	55,187	10,023	9,366
More than 5 years	3,492	23,356	2,000	7,527
	174,399	173,390	46,124	40,300

(a) Finance lease liabilities

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Future minimum lease payments:				
Not later than 1 year	426	843	109	109
Later than 1 year and not later than 2 years	370	389	108	109
Later than 2 years and not later than 5 years	696	751	289	325
Later than 5 years	-	73	-	71
Total minimum lease payments	1,492	2,056	506	614
Less: Future finance charges	(128)	(160)	(49)	(72)
Present value of finance lease liabilities	1,364	1,896	457	542
Analysis of present value of finance lease liabilities:				
Not later than 1 year	370	778	90	85
Later than 1 year and not later than 2 years	332	346	94	90
Later than 2 years and not later than 5 years	662	701	273	296
Later than 5 years	-	71	-	71
	1,364	1,896	457	542
Less: Amount due within 12 months	(370)	(778)	(90)	(85)
Amount due after 12 months	994	1,118	367	457

Group

The average effective interest rate implicit in the leases is 4.9% p.a. (2015: 5.2% p.a.). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Company

The average effective interest rate implicit in the leases is 4.8% p.a. (2015: 4.8% p.a.).

31. LOANS AND BORROWINGS (cont'd)

(b) Term loans

Group

(a) The term loans of the Group bear a weighted average effective interest rate of:

(i) Cost of Funds + 1.5% per annum; and
(ii) BLR + 0% to 1.5% per annum

(b) The term loans of the Group are secured by way of :

(i) a first party first legal charge over a freehold land and all the plant and machineries on the said land of the Group at Baling, Kedah;
(ii) corporate guarantees provided by the Company;
(iii) first party first legal charge over a freehold land and building of the Company at Sri Damansara, Kuala Lumpur;
(iv) first party first legal charge over a leasehold land of the Company at Kuantan, Pahang;
(v) a debenture creating first fixed and floating charges over all present and future assets of the Group located at Kuantan, Pahang;
(vi) a third party debenture by the Group creating second fixed and floating charges over all present and future assets of the Group located at Kuantan, Pahang;
(vii) a third party legal charge over a freehold land at Jalan Ipoh, Kuala Lumpur;
(viii) specific debenture incorporating first fixed and floating charges over all assets in relation to a development project of the Group at Jalan Ipoh, Kuala Lumpur;
(ix) fixed charge over an industrial land together with the building of the Group at Sendayan, Negeri Sembilan and short term fixed deposits with licensed bank amounting to RM5,000,000;
(x) a debenture creating a fixed and floating charge over all present and future assets of the Group located at Sendayan, Negeri Sembilan;
(xi) charge over a leasehold land of the Group at Rawang, Selangor; and
(xii) first party legal charge over the freehold land and building of the Group at Jalan Tun Razak, Kuala Lumpur.

Company

(a) The term loans of the Company bear a weighted average effective interest rate of:

(i) Cost of Funds + 1.5% per annum; and
(ii) BLR + 0% per annum

(b) The term loans of the Company are secured by way of:

(i) first party first legal charge over a freehold land and building of the Company at Sri Damansara, Kuala Lumpur;
(ii) first party first legal charge over a leasehold land of the Company at Kuantan, Pahang; and
(iii) third party debenture by its subsidiary, Molecor (SEA) Sdn. Bhd.

(c) Bank overdrafts

Group

(a) Bank overdrafts are denominated in RM, bear interest at BLR + 1% to 2% p.a.

(b) The bank overdrafts of the Group are secured by way of:

(i) corporate guarantees provided by the Company;
(ii) short term fixed deposit with licensed bank of the Group amounting to RM NIL (2015: RM20,000); and
(iii) properties owned by a debtor of the Group.

Notes to the Financial Statements
(cont'd)

31. LOANS AND BORROWINGS (cont'd)

(c) Bank overdrafts (cont'd)

Company

(a) Bank overdrafts are denominated in RM, bear interest at BLR + 1% p.a.

(b) The bank overdraft of the Company are secured by the properties owned by a debtor of the Company.

(d) Revolving credit

Group

The revolving credit of the Group are secured by way of:

(i) corporate guarantees provided by the Company; and
(ii) properties owned by a debtor of the Group.

Company

The revolving credit of the Company is secured by the properties owned by a debtor of the Company.

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	29,832	37,760	-	-
Amount owing to related parties	5,283	5,614	-	-
Accruals	2,062	13,922	-	-
	37,177	57,296	-	-
Other payables				
Other payables	7,776	4,621	44	35
Deposits received	65	497	-	-
Accruals	4,548	10,595	748	663
Deferred income	4,672	-	-	-
GST payable	1,729	2,044	77	160
Provision for cost to completion	3,717	48	-	-
Amount owing to related parties	5,687	274	-	-
Amount owing to subsidiaries	-	-	9,282	2,445
	28,194	18,079	10,151	3,303
Total trade and other payables	65,371	75,375	10,151	3,303

Notes to the Financial Statements
(cont'd)

32. TRADE AND OTHER PAYABLES (cont'd)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2015: 30 to 90 days) terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 3 months (2015: average term of 3 months).

(c) Amounts owing to subsidiaries and related parties

The amount owing to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Included in amount owing to related party is an amount totalling RM87,123 (2015: RM Nil) which represents the interest receivable from a subsidiary that bears the interest at 5% (2015: Nil) per annum.

33. OTHER CURRENT LIABILITIES

	Group	
	2016	2015
	RM'000	RM'000
Amount owing to customers for contracts (Note 26)	6,354	12,291

34. RELATED PARTY DISCLOSURES

(a) Identify of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Details of the related party relationships are as follows:

Related parties	Relationship
Fitters (Sabah) Sdn. Bhd.	Dato' Wong Swee Yee who is a director and major shareholder of the Company, is also a director and major shareholder of Fitters (Sabah) Sdn. Bhd.
Wai Soon Engineering Sdn. Bhd.	Wong Swee Loy who is the brother of Dato' Wong Swee Yee, is the director and major shareholder of Wai Soon Engineering Sdn. Bhd.
Syarikat Logam Unitrade Sdn. Bhd.	Nomis Sim Siang Leng, a director of Molecor (SEA) Sdn. Bhd. ("MSSB"), and Sim Keng Chor, father of Nomis Sim Siang Leng owns 50% shareholding in Syarikat Logam Unitrade Sdn. Bhd.
Ricwil (Malaysia) Sdn. Bhd.	Ricwil (Malaysia) Sdn. Bhd. owns 25% shareholding in MSSB. Nomis Sim Siang Leng is a director of MSSB and shareholder of Ricwil (Malaysia) Sdn. Bhd. Sim Keng Chor is the father of Nomis Sim Siang Leng and major shareholder of Ricwil (Malaysia) Sdn. Bhd.

Notes to the Financial Statements
(cont'd)

34. RELATED PARTY DISCLOSURES (cont'd)

(b) Significant related party transactions

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

	2016 RM'000	2015 RM'000
Group		
Transaction with related parties		
Wai Soon Engineering Sdn. Bhd.		
- contract fees	7,641	5,642
- sales to	-	(63)
Fitters (Sabah) Sdn. Bhd.		
- sales to	(679)	(817)
- rental expenses	5	4
Syarikat Logam Unitrade Sdn. Bhd.		
- sales to	(13)	(1,171)
- purchases from	12,244	8,884
Ricwil (Malaysia) Sdn. Bhd.		
- sales to	(2,468)	-
- purchases from	120	-
- interest payable to	87	-
Company		
Transaction with subsidiaries		
Administrative income receivable	(2,096)	(2,096)
Rental income	(3,580)	(3,575)
Dividend income	(5,850)	(3,300)
Interest income	(296)	-

(c) Compensation of key management personnel

The Group considers the directors to be the key management personnel. Disclosure of their remuneration is made in Note 11.

Notes to the Financial Statements
(cont'd)

35. CAPITAL COMMITMENT

Capital commitment as at the reporting date is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Capital expenditure approved and contracted for:		
Property, plant and equipment	7,669	24,173

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Loans and receivables (LR);
(ii) Held for trading;
(iii) Fair value through profit or loss;
(iv) Available-for-sale; and
(v) Other financial liabilities measured at amortised cost (OL).

	Carrying amount	LR/ (OL)	Held for trading	Fair value through profit or loss	Available for sale
	RM'000	RM'000	RM'000	RM'000	RM'000
2016					
Group					
Financial assets					
Trade and other receivables (exclude prepayments)	108,764	108,764	-	-	-
Amount owing from customers for contracts	35,075	35,075	-	-	-
Investment securities	2,322	-	1	-	2,321
Deposits, cash and bank balances	49,202	49,202	-	-	-
	195,363	193,041	1	-	2,321
Financial liabilities					
Trade and other payables (exclude deposits received)	(65,306)	(65,306)	-	-	-
Amount owing to customers for contracts	(6,354)	(6,354)	-	-	-
Loans and borrowings	(174,399)	(174,399)	-	-	-
	(246,059)	(246,059)	-	-	-

Notes to the Financial Statements
(cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

	Carrying amount RM'000	LR/ (OL) RM'000	Held for trading RM'000	Fair value through profit or loss RM'000	Available for sale RM'000
2016					
Company					
Financial assets					
Trade and other receivables (exclude prepayments)	215,272	215,272	-	-	-
Deposits, cash and bank balances	775	775	-	-	-
	216,047	216,047	-	-	-
Financial liabilities					
Trade and other payables (exclude deposits received)	(10,151)	(10,151)	-	-	-
Loans and borrowings	(46,124)	(46,124)	-	-	-
	(56,275)	(56,275)	-	-	-
2015					
Group					
Financial assets					
Trade and other receivables (exclude prepayments)	107,193	107,193	-	-	-
Amount owing from customers for contracts	41,644	41,644	-	-	-
Investment securities	20,905	-	1	18,583	2,321
Deposits, cash and bank balances	38,349	38,349	-	-	-
	208,091	187,186	1	18,583	2,321
Financial liabilities					
Trade and other payables (exclude deposits received)	(74,878)	(74,878)	-	-	-
Amount owing to customers for contracts	(12,291)	(12,291)	-	-	-
Loans and borrowings	(173,390)	(173,390)	-	-	-
	(260,559)	(260,559)	-	-	-

Notes to the Financial Statements
(cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

2015	Carrying amount RM'000	LR/ (OL) RM'000	Held for trading RM'000	Fair value through profit or loss RM'000	Available for sale RM'000
Company					
Financial assets					
Trade and other receivables (exclude prepayments)	204,014	204,014	-	-	-
Deposits, cash and bank balances	1,609	1,609	-	-	-
	205,623	205,623	-	-	-
Financial liabilities					
Trade and other payables (exclude deposits received)	(3,303)	(3,303)	-	-	-
Loans and borrowings	(40,300)	(40,300)	-	-	-
	(43,603)	(43,603)	-	-	-

(b) Fair value of financial instruments

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and assumptions required in an active market for valuing these financial instruments using valuation techniques and the fair value cannot be reliably measured.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

		Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
	Carrying amount	Fair value				Fair value			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016									
Financial assets									
Trade receivables	4,117	-	-	-	-	-	-	4,117	4,117
Financial liabilities									
Finance lease liabilities	994	-	-	-	-	-	-	969	969
Term loans	85,394	-	-	-	-	-	-	80,300	80,300

Notes to the Financial Statements

(cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value of financial instruments (cont'd)

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company									
2016									
Financial liabilities									
Finance lease liabilities	367	-	-	-	-	-	-	358	358
Term loans	15,186	-	-	-	-	-	-	14,337	14,337
Group									
2015									
Financial assets									
Trade receivables	2,437	-	-	-	-	-	-	2,437	2,437
Financial liabilities									
Finance lease liabilities	1,118	-	-	-	-	-	-	1,089	1,089
Term loans	108,108	-	-	-	-	-	-	101,443	101,443
Company									
2015									
Financial liabilities									
Finance lease liabilities	457	-	-	-	-	-	-	446	446
Term loans	19,340	-	-	-	-	-	-	18,228	18,228

Level 3 fair value

Fair value of financial instruments carried at fair value

The fair value of trade receivables is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Fair value of financial instruments not carried at fair value

The fair value of the finance lease liabilities and term loans are determined using the discounted cash flows method based on the discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

Notes to the Financial Statements

(cont'd)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

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

(a) Credit risk

Trade and other receivables

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) The carrying amounts in the statements of financial position,

(ii) The nominal amount relating to the corporate guarantee provided by the Company is as follow:

	2016 RM'000	2015 RM'000
Secured		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	244,475	217,176
Unsecured		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	79,400	92,825
Corporate guarantee given to corporations for credit facilities granted to subsidiaries	150,910	150,910
	474,785	460,911

As at the end of the reporting date, it was not probable that the counter party to the financial guarantee contract will claim under the contract. Consequently, the fair value for the corporate guarantee is NIL.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

Notes to the Financial Statements
(cont'd)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Trade and other receivables (cont'd)

The Group uses ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 22. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. A significant portion of these trade receivables are regular customers that have been transacting with the Group. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective that the Group will not be able to collect all amounts due.

The Company provides unsecured advances to its subsidiaries. The Company monitors the results of the subsidiaries and related companies regularly.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

	Group			
	2016		2015	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	61,591	98%	64,775	93%
Singapore	1,243	2%	2,441	3%
China	-	0%	2,437	4%
	62,834	100%	69,653	100%
By industry sectors:				
Fire services division	39,402	63%	41,511	60%
Property development and construction	15,980	25%	23,967	34%
Renewable and waste-to-energy and green palm oil mill	4,611	7%	2,061	3%
HYPRO® PVC-O pipes manufacturing and distribution	2,841	5%	2,092	3%
Investment holding and others	-	0%	22	0%
	62,834	100%	69,653	100%

At the reporting date, there is no concentration of credit risk.

Other financial assets

For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Notes to the Financial Statements
(cont'd)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

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

		Contractual Cash Flows			
	Carrying amount	**On demand or within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016					
Group					
Trade and other payables	65,371	65,371	-	-	65,371
Loans and borrowings	174,399	88,157	82,179	4,342	174,678
Total undiscounted financial liabilities	239,770	153,528	82,179	4,342	240,049
Company					
Trade and other payables	10,151	10,151	-	-	10,151
Loans and borrowings	46,124	30,607	13,358	2,300	46,265
Total undiscounted financial liabilities	56,275	40,758	13,358	2,300	56,416
2015					
Group					
Trade and other payables	75,375	75,375	-	-	75,375
Loans and borrowings	173,390	64,245	87,893	21,731	173,869
Total undiscounted financial liabilities	248,765	139,620	87,893	21,731	249,244
Company					
Trade and other payables	3,303	3,303	-	-	3,303
Loans and borrowings	40,300	20,540	12,053	7,819	40,412
Total undiscounted financial liabilities	43,603	23,843	12,053	7,819	43,715

Notes to the Financial Statements
(cont'd)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings with floating interest rates. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM109,000 and RM14,000 (2015: RM114,000 and RM18,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Sterling Pound ("GBP"), United States Dollar ("USD"), European Dollar ("EURO"), Singapore Dollar ("SGD") and Renminbi ("RMB").

Approximately 0.05% (2015: 0.5%) of the Group's sales are denominated in foreign currencies whilst almost 1.76% (2015: 2.0%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in SGD, USD and RMB) amount to RM77,000 (2015: RM337,000), RM316,000 (2015 : RM23,000) and RM300,000 (2015: RM1,170,000) for the Group respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Singapore, People's Republic of China ("PRC") and British Virgin Islands ("BVI"). The Group's net investments in Singapore, PRC and BVI are not hedged as currency positions in SGD, RMB and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

A sensitivity analysis had been performed to determine the sensitivity of the Group's profit net of tax to a reasonably possible change in the foreign exchange rates against the respective functional currencies of the Group's entities. This analysis assumes that all other variables, in particular interest rates, remain constant. Based on the analysis, there is no material impact on the Group's profit net of tax on potential fluctuation of foreign currencies relevant to the Group.

Notes to the Financial Statements
(cont'd)

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 22 February 2016, FITTERS had announced the incorporation of its wholly owned subsidiary, FITTERS-Nrg Limited, with an issued capital of 100 shares of AUD1.00 each on 17 February 2016. FITTERS-Nrg Limited is a public company limited by shares. The company is registered under the Corporation Act 2001 and is taken to be registered in Queensland, Australia.

On 6 December 2016, application for voluntary deregistration of FITTERS-Nrg Limited was accepted by the Australian Securities and Investments Commission. FITTERS-Nrg Limited had been deregistered on 6 February 2017.

The subsidiary has not commenced operation since the date of incorporation.

(b) On 5 December 2016, FITTERS had submitted application to the Accounting and Corporate Regulatory Authority of Singapore to strike off Future NRG Pte Ltd, a wholly owned subsidiary, from the registrar.

The subsidiary has not commenced operation since the date of incorporation.

(c) On 27 December 2016, the Group entered into a Cooperation Framework Agreement with Shandong Yongneng Energy-conserving & Eco-friendly Services Holding Corporation for an acquisition due diligence exercise on its subsidiary, Liangshan Future NRG Biology Electric Power Co., Ltd. Consequently, the subsidiary is accounted for in accordance to FRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The subsidiary has not commenced operation since date of incorporation.

39. SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

(a) COMPANIES ACT 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Pursuant to the circular issued by the Malaysian Institute of Accountants on 2 February 2017, the Companies Commission of Malaysia had clarified that the Companies Act 2016 should be complied with for the preparation of financial statements and the directors' report and the auditors' report thereon commencing from the financial year/period ended 31 January 2017.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

Notes to the Financial Statements

(cont'd)

40. CAPITAL MANAGEMENT

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

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by capital. Net debt includes loans and borrowings, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	174,399	173,390	46,124	40,300
Less: Cash and bank balances	(49,202)	(38,349)	(775)	(1,609)
Net debt	125,197	135,041	45,349	38,691
Equity attributable to the owners of the Company	354,154	366,900	274,068	276,730
Gearing ratio	35%	37%	17%	14%

The Group is required to maintain a gearing ratio of not more than 1.5 times to 2.5 times to comply with bank loan covenants. The Group has complied with this covenant during the year.

41. SEGMENT INFORMATION

Factors used to identify reportable segments

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

(i) Fire services division

Manufacturing and trading of safety, fire fighting equipment, industrial products, installation and maintenance of the Fire Department's privatised Computerised Fire Alarm Monitoring System ("CMS"), contract for mechanical and electrical engineering works, corrective and preventive maintenance within the fire industry and speciality construction industry.

(ii) Property development and construction

Development and construction in the property industry.

(iii) Renewable and waste-to-energy and green palm oil mill

Providing renewable, alternative and waste-to-energy, and operation of palm oil mill for the purposes of treatment, cure and extraction of palm oil.

(iv) HYPRO® PVC-O pipes manufacturing and distribution

Manufacturing and distribution of HYPRO® PVC-O pipes.

(v) Investment holding

The investment segment is in the business of investment holding.

Notes to the Financial Statements
(cont'd)

41. SEGMENT INFORMATION (cont'd)

Factors used to identify reportable segments (cont'd)

The fire services division is involved in the manufacturing, trading and specialised installation of fire fighting materials and equipment as well as the supply of fire safety protection services and products. It also manages and operates the Fire Department's privatised computerised fire alarm monitoring system. The division also provides mechanical and electrical services related to fire protection, gas supply, electrical power, air conditioning, ventilation and water supply. These operating segments are aggregated into the reportable fire services segment due to the similarity of the nature of business. The performance of these operations is evaluated internally as a single business unit.

Property development and construction segment are aggregated into one reportable segment due to the regulatory environments in which the businesses operate. The performance of these operations is evaluated internally as a single business unit.

The renewable and waste-to-energy operating segment and the green palm oil mill operating segment are aggregated into one reportable segment due to similar construction technology and business objectives. The two operating segments are evaluated internally as a single business unit.

HYPRO® PVC-O pipes manufacturing and distribution is organised and identified as separate reportable segment due to the industry in which it operates.

Segment profit

Segment performance is used to measure performance as Group's Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment asset is measured based on all assets (excluding investment in associate) of a segment, as included in the internal reports that are reviewed by the Group's Managing Director.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Group's Managing Director, hence no disclosures are made on segment liabilities.

Notes to the Financial Statements
(cont'd)

41. SEGMENT INFORMATION (cont'd)

	Fire services division RM'000	Property development and construction RM'000	Renewable and waste-to-energy and green palm oil mill RM'000	HYPRO® PVC-O pipes manufacturing and distribution RM'000	Investment holding and others RM'000	Elimination RM'000		Total RM'000
2016								
Revenue								
External sales	154,210	44,653	152,978	14,235	-	-		366,076
Inter-segment sales	17,311	18,494	9	-	-	(35,814)	(a)	-
	171,521	63,147	152,987	14,235	-	(35,814)		366,076
Results								
Segment results	8,682	7,729	(6,434)	(3,750)	1,277	(924)	(b)	6,580
Finance costs								(6,210)
Share of results of associate								(445)
Income tax expense								(5,284)
Loss for discontinued operation								(1,100)
Loss for the financial year								(6,459)
Assets								
Segment assets	174,497	245,417	225,015	74,640	399,289	(545,637)	(c)	573,221
Assets of a disposal group classified as held for sale								34,458
Unallocated assets								3,565
Total assets								611,244
Other information								
Capital expenditure	285	4	19,651	617	513	(51)		21,019
Depreciation and amortisation	569	157	2,833	3,348	1,202	-		8,109
Gain on disposal of property, plant and equipment	(96)	-	(2)	-	-	-		(98)
Impairment for trade receivables	261	-	-	-	-	-		261
Inventories written down	180	-	-	-	-	-		180
Impairment loss on investment in associate	-	-	6,885	-	-	-		6,885
Property, plant and equipment written off	-	-	-	4	-	-		4
Reversal of impairment for trade receivables	(62)	-	-	-	-	-		(62)
Trade receivables written off	26	-	-	-	-	-		26

Notes to the Financial Statements
(cont'd)

41. SEGMENT INFORMATION (cont'd)

	Fire services division RM'000	Property development and construction RM'000	Renewable and waste-to-energy and green palm oil mill RM'000	HYPRO® PVC-O pipes manufacturing and distribution RM'000	Investment holding and others RM'000	Elimination RM'000		Total RM'000
2015								
Revenue								
External sales	132,350	87,635	157,540	4,961	-	-		382,486
Inter-segment sales	27,600	49,075	8	-	-	(76,683)	(a)	-
	159,950	136,710	157,548	4,961	-	(76,683)		382,486
Results								
Segment results	15,425	18,098	(6,391)	(5,398)	2,938	(3,689)	(b)	20,983
Finance costs								(6,809)
Share of results of associates								685
Income tax expense								(7,988)
Profit for the financial year								6,871
Assets								
Segment assets	170,181	262,126	244,995	65,886	387,251	(492,083)	(c)	638,356
Unallocated assets								2,661
Total assets								641,017
Other information								
Capital expenditure	965	132	18,421	19,017	1,843	(464)		39,914
Depreciation and amortisation	645	161	2,883	2,316	762	-		6,767
Gain on disposal of property, plant and equipment	(32)	(9)	1	-	-	-		(40)
Impairment for trade receivables	282	-	-	-	-	-		282
Inventories written back	(223)	-	-	-	-	-		(223)
Inventories written down	115	-	-	-	-	-		115
Inventories witten off	32	-	-	-	-	-		32
Investment securities written off	-	-	-	-	607	-		607
Loss on disposal of investment securities	-	-	2	-	-	-		2
Property, plant and equipment written off	58	-	-	-	-	-		58
Reversal of impairment for trade receivables	(211)	-	-	-	-	-		(211)
Trade receivables written off	40	-	594	-	298	-		932

Notes to the Financial Statements
(cont'd)

41. SEGMENT INFORMATION (cont'd)

Notes

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

(a) Inter-segment revenues are eliminated on consolidation.

(b) Profit from inter-segment sales are eliminated on consolidation.

(c) Reconciliation of assets

	2016 RM'000	2015 RM'000
Non-reportable segments	(125,843)	(125,389)
Investment in an associate	-	685
Inter-segment assets	(419,794)	(367,379)
	(545,637)	(492,083)

Information about major customers

Major customers' information is revenue from transactions with a single external customer amount to ten percent or more of the Group's revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

Major customer include revenue from one major customer amounting to RM60,062,000 arising from sales of palm oil in Malaysia.

Geographical information

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by geographical segments:

	Segments assets		Capital expenditure	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	562,709	594,423	21,014	39,781
Singapore	14,077	8,011	5	45
China	34,458	38,583	-	88
	611,244	641,017	21,019	39,914

Notes to the Financial Statements
(cont'd)

42. COMPARATIVE FIGURES

The following comparative amounts have been reclassified in order to conform to the presentation in the current financial year.

	As previouly reported	Reclassification	As restated
	RM'000	RM'000	RM'000
At 31 December 2015			
Company			
Statements of financial position			
Property, plant and equipment	39,423	(24,100)	15,323
Investment properties	-	24,100	24,100

The above reclassification does not have any impact on the retained earnings for ordinary shares of the Company.

Supplementary Information on Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 and 31 December 2015 into realised and unrealised profits presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	83,831	86,910	24,691	22,957
- unrealised	622	2,606	1,090	687
	84,453	89,516	25,781	23,644
Total share of retained earnings from associates				
- realised	-	685	-	-
- unrealised	-	-	-	-
	84,453	90,201	25,781	23,644
Less: Consolidation adjustments	(546)	771	-	-
Total retained earnings as per statements of financial position	83,907	90,972	25,781	23,644

The determination of realised and unrealised profits is based on Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Independent Auditors' Report to the Members of FITTERS Diversified Berhad

(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of FITTERS Diversified Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We 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.

Property, plant and equipment (Note 4.2(e) and Note 14 to the financial statements)

Included in the property, plant and equipment of the Group are property, plant and equipment of RM53,725,203 which have indications of impairment. There is a risk the future performance of the assets may not lead to their carrying values being recoverable in full. Significant judgements arise over the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margins.

Our audit response:

Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:

- assessing the appropriateness of the recoverable amount methodology adopted by the Group in accordance to FRS136 *Impairment of Assets*;
- comparing the cash flow projections to available business plan;
- comparing the actual results with previous budget to assess the performance of the business and reliability of the forecasting process;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key assumptions to assess the reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

Independent Auditors' Report to the Members of FITTERS Diversified Berhad

(Incorporated in Malaysia)

(cont'd)

KEY AUDIT MATTERS (cont'd)

Goodwill (Note 4.2(a) and Note 16 to the financial statements)

The Group's carrying amount of goodwill amounted to RM4,360,000. There is a risk the future performance of the assets may not lead to their carrying values being recoverable in full. Significant judgements arise over the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margins.

Our audit response:

Our audit procedures focus on evaluating the cash flow projections and the Group's projection procedures which included, among others:

- assessing the recoverable amount methodology adopted by the Group;
- comparing the cash flow projections to available business plans;
- 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 inputs such as discount rates, forecast growth rates, inflation rates and gross profit margins;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount.

Disposal group held for sale (Note 4.1(a) and Note 28 to the financial statements)

During the financial year, the Group classified its subsidiary in China as assets held for sale. The risk is that assets held for sale may not be appropriately classified under FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Further, the fair value less costs to sale of assets held for sale requires significant judgement and estimation on the recovery of held for sale assets.

Our audit response:

In this area, our procedures included, among others,

- assessing whether the assets meet the criteria of FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* for presentation as assets held for sale by evaluating whether the available evidence sufficiently corroborate the Group's commitment to sell the assets and the probability of sale to be completed within one year from the date of classification; and
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to the determination of the fair value less costs to sell by reviewing key inputs such as the value of the property, plant and equipment in the Subsidiary.

Independent Auditors' Report to the Members of FITTERS Diversified Berhad

(Incorporated in Malaysia)

(cont'd)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report to the Members of FITTERS Diversified Berhad

(Incorporated in Malaysia)

(cont'd)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

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: (cont'd)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.

(b) Other than those subsidiaries without the accounts and the auditors' reports as disclosed in Note 18 to the financial statements, we have considered the accounts and the auditors' reports of the remaining subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) Other than those subsidiaries without the accounts as disclosed in Note 18 to the financial statements, we are satisfied that the accounts of the remaining subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) Other than those subsidiaries without the auditors' reports as disclosed in Note 18 to the financial statements, the auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

Independent Auditors' Report to the Members of FITTERS Diversified Berhad

(Incorporated in Malaysia)

(cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 138 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Fu Joe
No. 02966/11/2018 J
Chartered Accountant

Kuala Lumpur

Date: 31 March 2017

List of Material Properties Held by the Group
as at 31 December 2016

	Description	Address	Net Book Value RM'000	Tenure	Date of last valuation/ acquisition	Existing Use	Age Of Building (Year)
1	5-storey office block 1,779.20 m^2	No. 1 Jalan Tembaga SD 5/2 Bandar Sri Damansara 52200 Kuala Lumpur	14,327	Freehold	03-06-2013	Office	23
2	Land 20.23 hectares	HS(D) 15865, Lot 18059 Mukim Rawang District of Gombak Selangor Darul Ehsan	32,670	Leasehold expire on 26-10-2102	27-11-2012	Development	-
3	18-storey office tower 290,798 sq ft	No. 2 Jalan Tun Razak 50400 Kuala Lumpur	28,280	Freehold	28-08-2015	Commercial	34
4	1-storey factory & 2-storey office 34,358 m^2	Lot 5/129 and 6/129 Kawasan Perindustrian Gebeng Phase II, Kuantan Pahang Darul Makmur	24,155	Leasehold expire on 30-06-2113	01-07-2014	Industrial	3
5	Land 8.094 hectares (20 acres)	HS(D) 34685, Lot 5585 Mukim of Ulu Telom District of Cameron Highlands Pahang Darul Makmur	12,000	Freehold	18-04-2014	Agriculture	-
6	Factory complex 125,130 m^2	No. 3998, Batu 5 Jalan Baling 09300 Kuala Ketil Kedah Darul Aman	7,127	Freehold	01-11-2013	Industrial	11
7	1-storey factory & 2-storey office 4,155.878 m^2	Lot PT 6127 Jalan Tech Valley 3A/1 Sendayan Tech Valley Bandar Sri Sendayan 71950 Negeri Sembilan Darul Khusus	11,260	Freehold	21-09-2010	Industrial	1
8	3-storey shop house 143.07 m^2	66 Lintang Angsana Bandar Baru Ayer Itam 11500 Pulau Pinang	1,209	Leasehold expire in 2093	25-04-2013	Office	22
9	2-storey shop office 130.0 m^2	13 Jalan Dato' Haji Megat Khas Taman Bandaraya Utama 31400 Ipoh Perak Darul Ridzuan	336	Leasehold expire in 2093	02-05-2013	Office	22
10	2-storey shop house 143.07 m^2	12 Jalan Sagu 5 Taman Daya 81100 Johor Bahru Johor Darul Takzim	327	Freehold	21-05-2013	Office	23

Analysis of Shareholdings
as at 31 March 2017

Issued Share Capital	:	RM240,248,579.50 comprising 480,497,159 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Right	:	One (1) vote per share on a poll

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2017

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	490	8.66	26,388	0.01
100 to 1,000	363	6.42	153,526	0.03
1,001 to 10,000	1,836	32.45	11,184,723	2.41
10,001 to 100,000	2,575	45.51	77,965,496	16.82
100,001 to less than 5% of issued shares	390	6.89	245,955,210	53.07
5% and above of issued shares	4	0.07	128,215,516	27.66
Total	**5,658**	**100.00**	**463,500,859#**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

	Direct Interest		Indirect Interest	
Directors	**No. of Shares Held**	**%#**	**No. of Shares Held**	**%#**
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	723,332	0.16	-	-
Dato' Wong Swee Yee	133,850,940	28.88	2,243,416(1)	0.48
Datuk Dr Soh Chai Hock @ Soh Hai San	-	-	-	-
Datin Goh Hooi Yin	2,143,416	0.46	133,950,940(2)	28.90
Mr Chan Seng Fatt	-	-	-	-
Dato' Ir. Low Keng Kok	25,895,332	5.59	-	-
Encik Zahedi Bin Hj Mohd Zain	10,872	Neg.*	400,199(3)	0.09
Mr Chong Kwea Seng	-	-	-	-

Notes:-

(1) *Deemed interested in his spouse, Datin Goh Hooi Yin's and his son, Martyn Wong Jing Xiong's direct shareholdings in FITTERS Diversified Berhad ("FITTERS").*

(2) *Deemed interested in her spouse, Dato' Wong Swee Yee's and her son, Martyn Wong Jing Xiong's direct shareholdings in FITTERS.*

(3) *Deemed interested by virtue of his substantial shareholdings in Sijas Holdings Sdn Bhd and Saleha & Anak-Anak Holdings Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.*

\# *Excluding a total of 16,996,300 shares bought back by the Company and retained as treasury shares.*

* *Negligible.*

Analysis of Shareholdings
as at 31 March 2017
(cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 31 MARCH 2017

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares Held**	**%#**	**No. of Shares Held**	**%#**
Dato' Wong Swee Yee	133,850,940	28.88	2,243,416 [(1)]	0.48
Datin Goh Hooi Yin	2,143,416	0.46	133,950,940 [(2)]	28.90
Dato' Ir. Low Keng Kok	25,895,332	5.59	-	-

Notes:-
(1) Deemed interested in his spouse, Datin Goh Hooi Yin's and his son, Martyn Wong Jing Xiong's direct shareholdings in FITTERS.
(2) Deemed interested in her spouse, Dato' Wong Swee Yee's and her son, Martyn Wong Jing Xiong's direct shareholdings in FITTERS.
 # Excluding a total of 16,996,300 shares bought back by the Company and retained as treasury shares.

THE THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% #
1.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	46,936,910	10.13
2.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	29,349,098	6.33
3.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Wong Swee Yee (KLM)	26,034,176	5.62
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Keng Kok	25,895,332	5.59
5.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Wong Swee Yee (PBCL-0G0107)	14,400,000	3.11
6.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	12,773,200	2.76
7.	Kong Hon Kong	10,000,000	2.16
8.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Kok Wah	10,000,000	2.16
9.	Leong Kok Wah	9,934,620	2.14
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Wong Swee Yee (PB)	9,600,000	2.07
11.	Tee Tiam Lee	8,572,000	1.85
12.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	7,530,756	1.62
13.	CitiGroup Nominees (Asing) Sdn Bhd CEP for PHEIM Sicav-Sif	7,430,000	1.60
14.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Seow Fong	7,187,240	1.55

Analysis of Shareholdings

as at 31 March 2017

(cont'd)

THE THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares	% #
15.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	6,780,000	1.46
16.	Pembinaan Musali Sdn Bhd	4,300,000	0.93
17.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock (STA 1)	3,722,600	0.80
18.	Yon Yu Hon @ Hon Yew Hon	2,585,868	0.56
19.	Lai Lan @ Loow Lai Lan	2,478,551	0.53
20.	RHB Capital Nominees (Tempatan) Sdn Bhd Phua Sin Mo	2,380,000	0.51
21.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Keng Chor	2,310,000	0.50
22.	Goh Wee Hoon	2,175,846	0.47
23.	Goh Hooi Yin	2,143,416	0.46
24.	MayBank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Tze Yu @ Ho Chue Yu	2,001,360	0.43
25.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai (Margin)	2,000,098	0.43
26.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Kam Chee (002)	2,000,000	0.43
27.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum (MM0749)	1,998,300	0.43
28.	Sim Keng Chor	1,960,000	0.42
29.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Sii Ming @ Kong Chak Ming	1,680,000	0.36
30.	RHB Capital Nominees (Tempatan) Sdn Bhd Sim Keng Chor	1,580,000	0.34

Excluding a total of 16,996,300 shares bought back by the Company and retained as treasury shares.

Analysis of Warrant Holdings
as at 31 March 2017

Free Issue of Warrants 2014/2019	:	137,216,949
No. of Warrants Unexercised	:	136,980,749
Exercise Period	:	From the date of issuance of 13 October 2014 to the maturity date on 12 October 2019
Exercise Price	:	RM1.00 which shall be satisfied fully in cash
Exercise Right	:	Each warrant entitles the holder during the Exercise Period to subscribe for one (1) new ordinary share at the Exercise Price

DISTRIBUTION OF WARRANT HOLDINGS AS AT 31 MARCH 2017

Size of Holdings	No. of Holders	%	No. of Warrants Held	%
Less than 100	746	19.75	21,460	0.02
100 to 1,000	380	10.06	191,990	0.14
1,001 to 10,000	1,813	47.99	7,066,185	5.16
10,001 to 100,000	697	18.45	23,502,293	17.16
100,001 to less than 5% of total warrants	138	3.65	61,320,090	44.76
5% and above of total warrants	4	0.10	44,878,731	32.76
Total	**3,778**	**100.00**	**136,980,749**	**100.00**

DIRECTORS' WARRANT HOLDINGS AS AT 31 MARCH 2017

	Direct		Indirect	
Directors	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	206,666	0.15	-	-
Dato' Wong Swee Yee	43,620,268	31.84	612,404 (1)	0.45
Datuk Dr Soh Chai Hock @ Soh Hai San	-	-	-	-
Datin Goh Hooi Yin	612,404	0.45	43,620,268 (2)	31.84
Mr Chan Seng Fatt	-	-	-	-
Dato' Ir. Low Keng Kok	7,398,666	5.40	-	-
Encik Zahedi Bin Hj Mohd Zain	3,106	Neg.*	114,342 (3)	0.08
Mr Chong Kwea Seng	-	-	-	-

Notes:-

(1) Deemed interested in his spouse, Datin Goh Hooi Yin's direct warrant holdings in FITTERS Diversified Berhad ("FITTERS").

(2) Deemed interested in her spouse, Dato' Wong Swee Yee's direct warrant holdings in FITTERS.

(3) Deemed interested by virtue of his substantial shareholdings in Sijas Holdings Sdn Bhd and Saleha & Anak-Anak Holdings Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

** Negligible.*

Analysis of Warrant Holdings
as at 31 March 2017
(cont'd)

THE THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants	%
1.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	15,242,599	11.13
2.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	14,799,130	10.80
3.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Wong Swee Yee (KLM)	7,438,336	5.43
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Keng Kok	7,398,666	5.40
5.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Swee Yee	6,140,203	4.48
6.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	5,536,400	4.04
7.	Tee Tiam Lee	5,520,000	4.03
8.	Mak Ngia Ngia @ Mak Yoke Lum	2,640,400	1.93
9.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Chin Seong	1,880,000	1.37
10.	Leong Kok Wah	1,794,320	1.31
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Seow Fong	1,609,240	1.17
12.	Ang Kheng Thong	1,197,391	0.87
13.	Pembinaan Musali Sdn Bhd	1,160,000	0.85
14.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum (MM0749)	939,000	0.69
15.	Lim Cheng Ten	910,000	0.66
16.	Wong Kim Yin	869,600	0.63
17.	Yon Yu Hon @ Hon Yew Hon	738,819	0.54
18.	Lai Lan @ Loow Lai Lan	708,157	0.52
19.	Lim Cheng Ten	690,900	0.50
20.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Keng Chor	660,000	0.48

Analysis of Warrant Holdings

as at 31 March 2017

(cont'd)

THE THIRTY (30) LARGEST WARRANT HOLDERS (cont'd)

No.	Name	No. of Warrants	%
21.	Goh Hooi Yin	612,404	0.45
22.	Liew Kim Tong	600,000	0.44
23.	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Yue Chie Hong	550,000	0.40
24.	Wong Choo Swee @ Ng Kong Swee	540,000	0.39
25.	Maybank Nominees (Tempatan) Sdn Bhd Vijaye Rajan A/L Tanabal	517,300	0.38
26.	Chu Eng Hock	500,000	0.37
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Sze Yan (E-TJJ)	500,000	0.37
28.	Teh Ah Siong	500,000	0.37
29.	Lim Kai Sin	490,000	0.36
30.	Tan Teoh Aik	490,000	0.36

Notice of 31st Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting of FITTERS Diversified Berhad (Company No. 149735-M) will be held at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 26 May 2017 at 10.00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS	**Ordinary Resolution**
1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon.	**Note A**
2. To re-elect the following Directors who retire pursuant to the Constitution of the Company:	
(a) Datin Goh Hooi Yin	**1**
(b) Encik Zahedi Bin Haji Mohd Zain	**2**
(c) Mr Chong Kwea Seng	**3**
3. To approve the payment of Directors' fees of RM456,000 for the financial year ended 31 December 2016.	**4**
4. To approve the payment of Directors' fees payable by the Company and its subsidiaries of an aggregate amount of RM891,000 from 1 January 2017 until the next Annual General Meeting of the Company.	**5**
5. To re-appoint Messrs. Baker Tilly Monteiro Heng as the Company's Auditors and to authorise the Board of Directors to fix their remuneration.	**6**

SPECIAL BUSINESS

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

6.1 **Authority to Allot and Issue Shares Pursuant to Section 76 of the Companies Act, 2016** — **7**

"**THAT** pursuant to Section 76 of the Companies Act, 2016, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such price, upon such terms and conditions, for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued share/total number of voting shares of the Company (excluding treasury shares) at the time of issue and **THAT** the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and **THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6.2 **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")** — **8**

"**THAT** pursuant to paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities, approval be and is hereby given to the Company and its subsidiaries ("FITTERS Group") to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature and with classes of the related parties as stated in Section 2.4 of the Circular to Shareholders dated 28 April 2017 which are necessary for the FITTERS Group's day to day operations subject to the following:

Notice of 31st Annual General Meeting
(cont'd)

Ordinary Resolution

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and on such terms that are not to the detriment of the minority shareholders of the Company;

(b) disclosure is made in the annual report of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the Shareholders' Mandate during the financial year;

THAT such approval shall take effect from the passing of the ordinary resolution and will continue to be in force (unless revoked or varied by the Company in general meeting) until:

(a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at that meeting whereby the authority is renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND THAT the Directors and the Secretaries of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the Proposed Mandate."

6.3 **Proposed Renewal of Share Buy-Back Mandate** **9**

"**THAT** subject to compliance with Section 127 of the Companies Act, 2016, the Constitution of the Company, the Listing Requirements of Bursa Securities and all other prevailing laws, rules, regulations, orders, guidelines and requirements issued and/or amended from time to time by any relevant authority, the Company be and is hereby authorised to renew the approval granted by the shareholders of the Company at Thirtieth Annual General Meeting of the Company held on 15 June 2016, authorising the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company for the time being ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits of the Company be allocated by the Company for the Proposed Share Buy-Back.

The retained profits of the Company stood at RM25,781,000 for the financial year ended 31 December 2016.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to cancel such shares or retain such shares as the Treasury Shares or a combination of both. The Directors of the Company are further authorised to resell the Treasury Shares on Bursa Securities or distribute the Treasury Shares as dividends to the shareholders of the Company or subsequently cancel the Treasury Shares or any combination of the three.

Notice of 31st Annual General Meeting
(cont'd)

Ordinary Resolution

AND FURTHER THAT the Directors of the Company be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:

(a) the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next Annual General Meeting is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors of the Company deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

7. To transact any other ordinary business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board
TAI YIT CHAN (MAICSA 7009143)
TAN SEIW LING (MAICSA 7002302)
Company Secretaries

Kuala Lumpur
28 April 2017

NOTES:

1. *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
3. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
4. *If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or of his attorney duly authorised in writing.*
5. *The instrument appointing a proxy must be deposited at the Company's Registered Office at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or at any adjournment thereof and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.*
6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or on his behalf.*

Notice of 31st Annual General Meeting
(cont'd)

Explanatory Notes:

Note A

*This item on the Agenda is meant for discussion only as the provision of Section 340 of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.*

Ordinary Resolution 7
Authority to Allot and Issue Shares by Directors pursuant to Section 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten per centum (10%) of the total number of issued share/ total number of voting shares of the Company (excluding treasury shares) at the time of such allotment and issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The rationale for this resolution is to eliminate the need to convene general meeting(s) from time to time to seek shareholders' approval as and when the Company issues new shares for future business opportunities, for the purpose of funding investment project(s), working capital and/or acquisitions and thereby reducing administrative time and cost associated with the convening of such meeting(s).

Ordinary Resolution 8
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")

The proposed Ordinary Resolution 8, if passed, will allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Paragraph 10.09 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

Please refer to the Circular to Shareholders dated 28 April 2017 for further information.

Ordinary Resolution 9
Proposed Renewal of Share Buy-Back Mandate

The proposed Ordinary Resolution 9, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.

Please refer to the Share Buy-Back Statement dated 28 April 2017 for further information.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

FITTERS
Diversified Berhad (149735-M)

Proxy Form

Number of shares held :	

I/We .... NRIC No : ....
(Full name in Capital Letters)

of ....
(Address)

being a member/members of FITTERS Diversified Berhad hereby appoint ....

.... NRIC No : ....
(Full Name)

of ....
(Address)

or failing him, ... NRIC No : ....
(Full Name)

of ....
(Address)

as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Thirty-First Annual General Meeting of FITTERS DIVERSIFIED BERHAD to be held at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur on Friday, 26 May 2017 at 10.00 a.m. and at any adjournment thereof.

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows:
(The next paragraph should be completed only when two proxies are appointed).

First Proxy (1) .... %

Second Proxy (2) .... %

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		

	FOR	AGAINST
RESOLUTION 6		
RESOLUTION 7		
RESOLUTION 8		
RESOLUTION 9		

(Please indicate with (X) how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion).

Dated this .... day of 2017
(*Delete if not applicable)

....
(Signature/Common Seal of Shareholder)

Notes :

1. *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
3. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
4. *If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or of his attorney duly authorised in writing.*
5. *The instrument appointing a proxy must be deposited at the Company's Registered Office at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or at any adjournment thereof and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.*
6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or on his behalf.*

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 April 2017.

Fold this flap for sealing

Then fold here

Affix
Stamp

THE COMPANY SECRETARY
FITTERS Diversified Berhad (149735-M)
No. 1, Jalan Tembaga SD 5/2
Bandar Sri Damansara
52200 Kuala Lumpur
Malaysia

1st fold here

www.fittersgroup.com

FITTERS Diversified Berhad (149735-M)
Wisma FITTERS,
No. 1, Jalan Tembaga SD 5/2,
Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia
Tel : +(603) 6276 7155 (General)
Fax : +(603) 6275 8692
Email : fdb@fittersgroup.com