Annual Report 2015

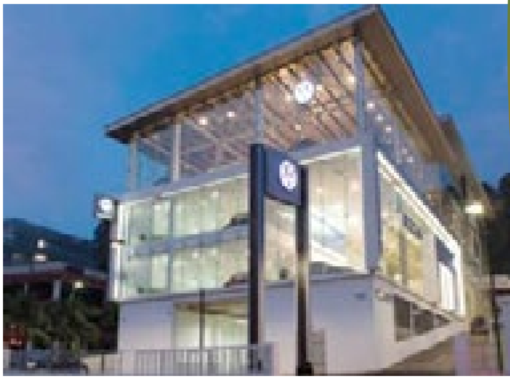
Permaju Industries Berhad (379057-V)

Permaju Industries Berhad

(Company No: 379057-V)
(Incorporated in Malaysia)

Annual Report 2015


Ford

CONTENTS

20th
Annual General Meeting

Venue:
Cempaka Room, 2nd Level,
Hyatt Regency Kinabalu,
Jalan Datuk Salleh Sulong,
88991 Kota Kinabalu, Sabah

Time:
Friday, 17 June 2016 at 10.00 a.m.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of **Permaju Industries Berhad** will be held at the Cempaka Room, 2nd Level, Hyatt Regency Kinabalu, Jalan Datuk Salleh Sulong, 88991 Kota Kinabalu, Sabah on Friday, 17 June 2016 at 10.00 a.m. for the following purposes:-

AGENDA

1 To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. — Please refer to Note A

AS ORDINARY BUSINESS

2 To approve the payment of Directors' fees of RM300,000 for the financial year ended 31 December 2015. — (Resolution 1)

3 To re-elect the following Directors who retire in accordance with Article 88 of the Company's Articles of Association:-

Dato' Chua Tiong Moon — (Resolution 2)
Lee Caw Cing — (Resolution 3)

4 To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. — (Resolution 4)

AS SPECIAL BUSINESS

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

Ordinary Resolution

5 Authority to continue in office as an Independent Non-Executive Director — (Resolution 5)

"THAT authority be and is hereby given to Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company."

6 To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

MOLLY GUNN CHIT GEOK (MAICSA 0673097)
THAYAPARAN A/L M. RASIAH (LS 004642)
Company Secretaries

Kota Kinabalu, Sabah

Date: 29 April 2016

Note A

This Agenda Item is meant for discussion only as the provision of Section 169 (1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

NOTES

1 A member entitled to attend and vote at the Annual General Meeting shall be entitled to appoint not more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy need not be a member of the Company and if not a member he/she need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.

2 Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holding 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 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4 In the case of a corporate member, the instrument appointing a proxy must be executed either under its Common Seal or under the hand of its attorney duly authorised.

5 To be valid, the instrument appointing a proxy must be duly completed and deposited at the Registered Office of the Company at Lot 95, Ground Floor Room 1, DBKK No. K-4, Lorong Plaza Permai 2, Alamesra, Sulaman Coastal Highway, 88400 Kota Kinabalu, Sabah not less than forty-eight (48) hours before the time set for holding the Annual General Meeting or any adjournment thereof.

6 Only members registered in the Record of Depositors as at 9 June 2016 shall be eligible to attend the meeting or appoint proxies and vote on their behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1 **Resolution 5 - Authority to continue in office as an Independent Non-Executive Director**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya who has served as an Independent Non-Executive Director for a cumulative term of more than nine years. Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the Board recommended that the approval of the shareholders be sought to re-appoint him as an Independent Non-Executive Director of the Company in view of his vast experience and contributions he can bring to the Board.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

There are no individuals who are standing for election as Director (excluding Directors standing for re-election) at the forthcoming Annual General Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Wira Rahadian Mahmud bin Mohammad Khalil
(Executive Chairman)

Dato' Chua Tiong Moon
(Managing Director)

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya
(Independent Non-Executive Director)

Low Teng Lum
(Independent Non-Executive Director)

Chang Yew Kwong
(Independent Non-Executive Director)

Lee Caw Cing
(Independent Non-Executive Director)

Chai Woon Yun
(Executive Director)

AUDIT COMMITTEE

Low Teng Lum
(Chairman)

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya
(Member)

Lee Caw Cing
(Member)

NOMINATION COMMITTEE

Lee Caw Cing
(Chairman)
(Appointed w.e.f. 20 November 2015)

Low Teng Lum
(Member)

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya
(Member)

REMUNERATION COMMITTEE

Lee Caw Cing
(Chairman)
(Appointed w.e.f. 20 November 2015)

Dato' Chua Tiong Moon
(Member)

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya
(Member)

COMPANY SECRETARIES

Molly Gunn Chit Geok (MAICSA 0673097)

Thayaparan A/L M. Rasiah (LS004642)

REGISTERED OFFICE

Lot 95, Ground Floor Room 1
DBKK No. K-4, Lorong Plaza Permai 2
Alamesra, Sulaman Coastal Highway
88400 Kota Kinabalu, Sabah
Tel No.: 088-447251
Fax No.: 088-448990

PRINCIPAL BUSINESS ADDRESS

Lot 95, Ground Floor
DBKK No. K-4, Lorong Plaza Permai 2
Alamesra, Sulaman Coastal Highway
88400 Kota Kinabalu, Sabah
Tel No.: 088-447251
Fax No.: 088-448990

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Wilayah Persekutuan
Tel No.: 03 -2783 9299
Fax No.: 03 -2783 9222

AUDITORS

Ernst & Young
Chartered Accountants
Suite 1-10-W1, 10th Floor
CPS Tower, Centre Point Sabah
No. 1 Jalan Centre Point
88000 Kota Kinabalu, Sabah

PRINCIPAL BANKERS

Hong Leong Bank Berhad
AmBank (M) Berhad
United Overseas Bank (Malaysia) Berhad

SOLICITORS

Messrs Satha & Co
Advocates & Solicitors
Unit A-19-3 Level 19 Tower A
Menara UOA Bangsar
No. 5 Jalan Bangsar Utama 1
59200 Kuala Lumpur

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock code: 7080
Stock name: PERMAJU

BOARD OF DIRECTORS

Y. BHG. DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

Malaysian, aged 42 was appointed to the Board on 7 January 2005 and has been the Chairman and Executive Chairman of the Company since 7 January 2005 and 24 May 2005 respectively.

He is actively involved in the reforestation business as well as the construction and manufacturing sectors and is also well versed in the timber industry.

Datuk Wira Rahadian bin Mohammad Khalil also sits on the Boards of KYM Holdings Berhad, Sanbumi Holdings Berhad, Magna Prima Berhad and Extol MSC Berhad.

Datuk Wira Rahadian bin Mohammad Khalil does not have any conflict of interest with Permaju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the company and has not been convicted for any offences within the past ten years except for traffic offences, if any.

Y. BHG. DATO' CHUA TIONG MOON

Malaysian aged 57 was appointed to the Board as an Executive Director on 23 November 2012 and as Managing Director on 7 February 2013. He is also a member of the Remuneration Committee.

Dato' Chua Tiong Moon is a businessman and has been involved in the timber industry for over 37 years with extensive experience in timber extraction, sawmilling and plywood operations. He also has vast experience in financial and operational management of companies involved in property development, manufacturing and quarry business. He also sits on the Boards of several other private limited companies.

He is also the Managing Director of Sanbumi Holdings Berhad.

Dato' Chua Tiong Moon is a substantial shareholder of Permaju Industries Berhad. He does not have any family relationship with any other directors and/or substantial shareholders of the Company and has no convictions for offences within the past ten years except for traffic offences, if any.

LOW TENG LUM

Malaysian, aged 62 was appointed to the Board on 28 November 2014 as an Independent Non-Executive Director. He was also appointed as the Chairman of the Audit Committee and Member of the Nomination Committee on the same date.

He obtained his qualifications from the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, both of the United Kingdom, in 1977. He attended the Applied Management Programme of the Swedish Institute of Management in 1990. In 1996 he obtained his Masters in Public Administration from the John Fitzgerald Kennedy School of Government, Harvard University.

Low Teng Lum is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow Member of the Association of Chartered Certified Accountants ("ACCA"), an Associate Member of the Institute of Chartered Secretaries and Administrators and the Association of Corporate Treasurers, United Kingdom.

Over the course of his career he has held various accounting and financial positions in Arthur Young & Co. (presently known as Ernst & Young), Guthrie Malaysia Berhad, Palmco Hodings Berhad, Guinness Anchor Berhad and General Corporation Berhad. During his 14 year tenure with Southern Steel Berhad Low Teng Lum was promoted from Finance Manager to General Manager (Commercial), Senior General Manager (Rod Division) and Chief Operating Officer (Steel Business Unit). He retired from Guinness Anchor Berhad in April 2011 as both, the Finance Director and member of the Board of Directors after 10 years of service. Currently, he is practicing as Managing Consultant with Owliswise Sdn Bhd in areas of financial and strategic management.

He was appointed to the Board of Boilermech Holdings Berhad on 27 October 2010 and is also the Chairman of the Audit and Nomination Committees and a member of the Remuneration Committee.

Low Teng Lum has no conflict of interest with Permaju Industries Berhad. He does not have any family relationship with any other directors and/or substantial shareholders of the Company and has no convictions for offences within the past ten years except for traffic offences, if any.

BRIG. GENERAL (RET.) DATUK MUHAMAD YASIN BIN YAHYA

Malaysian, aged 68 was appointed as an Independent Non-Executive Director of the Company on 29 June 2004. He is presently a Member of the Audit, Nomination and Remuneration Committees.

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya joined the military service in 1970 and was commissioned as a Second Lieutenant in the Royal Malay Regiment in 1971. He served as a Special Forces Officer and received training locally as well as in Australia, New Zealand and Indonesia. He is a graduate of the Malaysian Armed Forces Staff College and the Malaysian Armed Forces Defence College. During his military career he held a variety of command and staff positions and also served as a United Nations Military Observer in the Iran-Iraq border under UNIIMOG Mission.

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya does not have any conflict of interest with Permaju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the Company.

He was publicly reprimanded on 29 October 2015 by Bursa Malaysia Securities Berhad ("BMSB") and was fined RM10,000.00 for breaching Paragraphs 2.18(1)(a) and (c) and/or Paragraph 16.13(b) of the Main Market Listing Requirements of BMSB in relation to his sitting on the Board of another public listed company.

CHAI WOON YUN

Malaysian, aged 35 was appointed to the Board on 24 February 2014 as an Executive Director.

Chai Woon Yun holds Certificates IV in Fashion and Textiles Merchandising and Clothing Production from RMIT University and has an Advanced Diploma in Fashion Marketing & Management, also from RMIT University.

She began her career in the fashion clothing industry. In 2007 she joined one of the Company's subsidiaries in the automobile division as Operations Manager and was subsequently promoted to be the Managing Director of several of the Company's subsidiaries in the automobile division. She is also a director of several private limited companies.

Chai Woon Yun does not have any conflict of interest with Permaju Industries Berhad. She has no family relationship with any other directors and is the daughter of Y. Bhg Tan Sri Datuk Chai Kin Kong, a substantial shareholder of the Company. Y. Bhg Dato' Chai Kin Loong and Mr Chai Kim Chong, substantial shareholders of Permaju Industries Berhad, are the brothers of Tan Sri Datuk Chai Kin Kong. She has not been convicted for any offences within the past ten years except for traffic offences, if any.

CHANG YEW KWONG

Malaysian, aged 59, was appointed to the Board on 2 March, 2011 as an Independent Non-Executive Director.

He holds a Bachelor of Arts (Accountancy) degree from the City of London Polytechnic. He spent more than 10 years working with a leading financial institution where he rose to the rank of Senior Manager in corporate loans and has vast experience in areas of loan documentation, financing and marketing of consumer and corporate loans.

Chang Yew Kwong does not have any conflict of interest with Permaju Industries Berhad. He has no family relationship with any other directors and/or major shareholders of the Company and has not been convicted for any offences within the past ten years except for traffic offences, if any.

LEE CAW CING

Malaysian, aged 44 was appointed to the Board on 9 August 2012 as an Independent Non-Executive Director. He is also the Chairman of the Remuneration and Nomination Committees and Member of the Audit Committee.

Lee Caw Cing graduated with a Bachelor of Science in Computer System Information from Arizona State University, United States of America. He started his career as an analyst programmer with an IT firm. Subsequently, he joined a public listed company as a technical consultant to provide consultancy and project management for Disaster Recovery Programme projects. Thereafter, he joined an International ERP solution provider to manage project development including customization and he was responsible for pre-sales technical supports and products business process flow.

Presently, he is the Director of Sales & Marketing in Era Baru Sdn Bhd where he is responsible for the overall sales and marketing aspects of all developments in the Era Baru Group. He is key player in planning, deciding and implementing the Era Baru Group's sales and marketing strategies.

He has no conflict of interest with Permaju Industries Berhad. He does not have any family relationship with any other directors and/or substantial shareholders of the Company and has no convictions for offences within the past ten years except for traffic offences, if any.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Permaju Industries Berhad, it gives me great pleasure to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2015.

OVERVIEW

The Group's principal activities during the year remained unchanged from the previous year continuing to be involved in automobile distribution of the Volkswagen and Ford franchises and the provision of their related support services and property development activities.

The automobile distribution business failed to perform up to expectation despite the implementation of various initiatives. Dealer terms and conditions and staff turnover greatly affected the competitiveness of the business resulting in reduced sales volume. On a brighter note the support services in the after sales segment performed closer to expectations. However, it was not sufficient to absorb all of the deficit incurred by the distribution division resulting in an adverse impact on the profits of the Group. Going forward the Board will monitor closely the situation and a full review of the business operation is expected to be carried out to determine the best way to improve the operation of the automobile division.

Hardie Development Sdn Bhd, a subsidiary of the Group, carries out the Group's property development activities. During the year the Occupation Certificates for the 9/10 storey Apartment Block and the 24 units of commercial shop lots were issued by the relevant authorities. Most of the buyers have taken vacant possession of the shop lots and the Apartment Block has been handed over to the Landowner in March 2016. The 96 Units of residential houses have been certified practically completed with more than 50% having been sold. The issuance of the Occupation Certificate is presently being processed and is expected to be issued shortly.

The unexpected delay in the approval of the building plans for the proposed hypermarket has resulted in a delay in the commencement of this project. The Group expects to resolve all outstanding issues shortly and commence construction in the third quarter of the year.

FINANCIAL PERFORMANCE

During the financial year under review the Group recorded a revenue of RM99.02 million and a net loss after tax of RM6.40 million as compared to a revenue of RM140.28 million and a net loss after tax of RM5.21 million for the previous corresponding period. This represents a 29.41% decrease in revenue and a 22.84% increase in loss after tax.

The Group's higher net loss after tax was mainly attributable to continuing losses in automobile division and lower net profit after tax in property division.

FUTURE PROSPECTS

The result of the review of the business operation of the automobile division being undertaken by the Group is expected to have a direct impact on its future direction. Meanwhile, the prospect of the Group's automobile distribution division performing better than the past would be very much dependent on the Group being able to obtain better dealer terms and conditions as well as adopting an aggressive marketing strategy. The Group is also endeavouring to further improve the efficiency and productivity of the after sales support services so as to augment its profitability and result in a positive contribution to the Group.

Having completed the current phase of the residential houses the Group's property development division would focus on the proposed hypermarket project and the launching of new commercial properties.

CORPORATE RESPONSIBILTY

The Group is committed to its Corporate Responsibility efforts. During the year the Group's commitment of RM10,000.00 per year for 4 years to sponsor one student undertaking a course in an institute of higher learning under the scholarship award programme called Project CHange administered by Messrs. Crowe Horwath was completed.

WORK FORCE DIVERSITY

The Group is an equal opportunity employer and does not practice discrimination of any form whether based on age, gender, race or religion throughout the organization.

DIVIDENDS

The Board of Directors has not proposed any dividend in respect of the financial year ended 31 December 2015.

APPRECIATION

On behalf of the Board of Directors I wish to thank our valued shareholders and customers for their continued support. To our business associates, financiers and governmental agencies we wish to convey our appreciation for your cooperation and assistance.

The Board would also like to take this opportunity to thank the management and staff of the Group and convey the Board's appreciation of your effort, hard work and commitment during the year.

DATUK WIRA RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
Executive Chairman

Kota Kinabalu, Sabah.

CORPORATE GOVERNANCE STATEMENT

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out the broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

The Board of Directors ("the Board") of Permaju Industries Berhad has always been supportive of the adoption of the principles as set out in the Code. The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the eight (8) principles, and the extent of compliance with the twenty six (26) recommendations of the Code throughout the financial year ended 31 December 2015.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 The Board should establish clear functions reserved for the board and those delegated to management

The Board consists of members from different backgrounds and diverse expertise in leading and directing the Group's business operation. The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to three main committees namely the Audit, Remuneration and Nomination Committees, which operate within the defined constitution or terms of reference approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

The role of the Chairman and the Managing Director as well as the terms of reference of the committees are mentioned in details in the Board Charter which is made available in the Company's website www.permaju.com.my

1.2 The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The Group has also established a Whistleblowing Policy underlining its objectives, scope of policy, Policy Statement, reporting procedures and action in the Board Charter.

1.3 The Board should formalise ethical standards through a code of conduct and ensure its compliance

The Board has formalised a Code of Conduct for its directors which is incorporated in the Board Charter. The Board would periodically review the said Code of Conduct.

1.4 The Board should ensure that the company's strategies promote sustainability

The Company will give attention to the environment, social and governance (ESG) aspects of doing business in the future to ensure long-term viability and sustainability of the Company's business.

1.5 The Board should have procedures to allow its members access to information and advice

All Directors are provided with an agenda and a set of board papers issued in sufficient time prior to the Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and properties that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretaries and are updated on new statutory regulations or requirements concerning their duties and responsibilities. They may obtain independent professional advice at the Company's expense in furtherance of their duties.

1.6 The Board should ensure it is supported by a suitably qualified and competent company secretary

The Board is supported by qualified and experienced named secretaries who facilitate overall compliance with the Main Market Listing Requirements of Bursa Securities ("MMLR") and other relevant laws and regulations.

One of the secretaries is licensed by the Companies Commission of Malaysia while the other is a fellow of the Malaysian Institute of Chartered Secretaries and Administrators.

Both secretaries play their roles by ensuring adherence to the Board policies and procedures from time to time.

The Company Secretaries carry out the following tasks:

- Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting ("AGM"), Extraordinary General Meeting ("EGM") and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
- Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia on a timely basis;
- Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions;
- Ensure that the Company complies with the Main Market Listing Requirements and the requirements of the relevant authorities;
- Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and
- Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.

1.7 The Board should formalise, periodically review and make public its board charter

The Board has formally established a Board Charter that clearly sets out the roles and responsibilities, composition and processes related to key governance activities. The Board will periodically review the Board Charter which is published on the corporate website: www.permaju.com.my

PRINCIPLE 2: STRENGTHEN COMPOSITION

2.1 The Board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent

The Nomination Committee consists of not less than three (3) members and all members are Non-Executive Directors and are independent. The present members of the Nomination Committee are Mr Lee Caw Cing (Independent Non-Executive Director) who is the Chairman, Mr Low Teng Lum (Independent Non-Executive Director) and Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

(1) to review regularly, and at least not less than once a year, the structure, size and composition of the Board and make recommendation to the Board as regards any changes that may, in their view, be beneficial to the company as well as review on its compositions;

(2) to review the required mix of skills, experience and core competencies which Non-Executive Directors bring to the Board;

(3) to implement a process, to be carried out annually, to assess the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;

(4) to be responsible for identifying and recommending to the Board candidates to fill Board vacancies;

(5) to recommend to the Board directors who are retiring by rotation to be put forward for re-election;

(6) to recommend to the Board the continuation or not in service of any director who has reached the age of 70;

(7) to do an annual assessment of independence of its Independent Directors and also ensure that the tenure of the Independent Directors do not exceed a cumulative term of nine years and to recommend to the Board to seek shareholders' approval at the forthcoming AGM for a Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to be an Independent Non-Executive Director; and

(8) to conduct annual review on the Board members, Managing Director and Chief Financial Officer on the required mix of skills, character, experience, integrity, competence and time to effectively discharge their roles.

2.2 The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors

Appointment of Directors
The Board appoints its members through a formal and transparent selection process, which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee after taking into consideration the candidates' skills, knowledge, expertise, experience, professionalism and integrity and women candidates shall be sought as part of its recruitment exercise. For the position of Independent Non-Executive Directors, the Nomination Committee will evaluate the candidates' ability to discharge such responsibilities as expected from Independent Non-Executive Directors. The Nomination Committee shall also consider candidates for directorships proposed by the Managing Director and within the bounds of practicality, by any other senior management or any director or shareholder. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

Re-election of Directors
In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1), shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

Newly appointed directors shall hold office only until the next Annual General Meeting and shall be eligible for re-election.

Boardroom Diversity
The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2012. The Board currently has one female director which the Board is of the view, is in line with the gender diversity recommended by MCCG 2012.

The Company currently does not have any gender, ethnicity and age policy or target. The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company. Nevertheless, the Board is supportive of gender diversity in the boardroom as recommended by the Code to promote the representation of women in the composition of the Board. The Board will endeavor to ensure that gender, ethnicity and age diversity will be taken into account in nominating and selecting new Directors to be appointed to the Board. The Board currently has one female director.

Annual Assessment
During the financial year, the Nomination Committee had assisted the Board on the following functions:

(1) reviewed the terms of reference;

(2) reviewed the structure, size and composition of the Board and made recommendation to the Board as regards any changes that may, in their view, be beneficial to the company;

(3) reviewed the required mix of skills, experience and core competencies which Non-Executive Directors bring to the Board;

(4) implemented a process, assessed the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;

(5) identified and recommended to the Board candidates to fill Board vacancies;

(6) recommended to the Board directors who are retiring by rotation to be put forward for re-election;

(7) reviewed and recommended to the Board to seek shareholders' approval at the forthcoming AGM for a Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to be an Independent Non-Executive Director;

(8) assessed the independence of each of the existing Independent Directors with each director abstaining from deliberation on his own assessment; and

(9) reviewed and assessed the character, experience, integrity and competency of the Chief Financial Officer.

During the financial year ended 31 December 2015, the Nomination Committee had one (1) meeting:

Nomination Committee Meeting		Feb 15		
Directors	**Position**	Attendance	Total	%
Lee Caw Cing (Appointed w.e.f. 20/11/2015)	Chairman	•	1/1	100
Low Teng Lum	Member	•	1/1	100
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	Member	•	1/1	100

Total number of meeting held: 1

2.3 The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors

Remuneration Committee
The Remuneration Committee shall consist of not less than three members. The present members of the Remuneration Committee are Mr Lee Caw Cing (Independent Non-Executive Director) who is the Chairman, Dato' Chua Tiong Moon (Managing Director) and Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya (Independent Non-Executive Director).

During the financial year ended 31 December 2015, the Remuneration Committee had one (1) meeting:

Remuneration Committee Meeting		Nov 15		
Directors	**Position**	Attendance	Total	%
Lee Caw Cing (Appointed w.e.f. 20/11/2015)	Chairman	•	1/1	100
Dato' Chua Tiong Moon	Member	•	1/1	100
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	Member	•	1/1	100

Total number of meetings held: 1

Remuneration Policy
The Remuneration Committee determines and agrees with the Board the broad policy for remuneration of the Company's Managing Director, Executive Directors and senior members of the Company as the Committee is directed to consider. The Remuneration Committee also determines and recommends to the Board any performance related pay schemes for Executive Directors.

Directors' Remuneration
The aggregate remuneration of the Directors based on the Company and Group levels for the financial year ended 31 December 2015 is set out below:-

A. Aggregate Remuneration

	Company		Group	
	Executive Directors RM	**Non-Executive Directors RM**	**Executive Directors RM**	**Non-Executive Directors RM**
Salary	600,000	-	1,110,000	-
Fees	100,000	200,000	100,000	200,000
Bonus	45,000	-	122,266	-
Other emoluments	97,650	-	177,220	-
Total	842,650	200,000	1,509,486	200,000

B. Band (RM)

	Company		Group	
Band (RM)	**Executive Directors**	**Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**
RM50,000 and below	1	4		4
RM50,001 - RM100,000				
RM100,001 - RM150,000				
RM150,001 - RM200,000				
RM200,001 - RM250,000				
RM250,001 - RM300,000	1		1	
RM300,001 - RM350,000				
RM350,001 - RM400,000			1	
RM400,001 - RM450,000				
RM450,001 - RM500,000				
RM500,001 - RM550,000	1			
RM550,001 - RM600,000				
RM600,001 - RM650,000				
RM650,001 - RM700,000				
RM700,001 - RM750,000				
RM750,001 - RM800,000				
RM800,001 - RM850,000				
RM850,001 - RM900,000			1	
Total	3	4	3	4

The Board feels that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

PRINCIPLE 3: REINFORCE INDEPENDENCE

3.1 The Board should undertake an assessment of its independent directors annually

The Board recognises the importance of independence and objectivity in the decision-making process as advocated in the MCCG 2012. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interests of the Group.

In line with Recommendation 3.1 of the MCCG 2012 whereby the Board is required to develop criteria to assess independence of directors, the Board has adopted the same criteria used in the definition of "independent directors" prescribed by the MMLR of Bursa Securities.

The Independent Directors of the Company fulfilled the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making.

Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions. Such a situation may arise from external associations, interests or personal relationships.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters.

The Board, via Nomination Committee has developed the criteria to assess independence and formalised the current independence assessment practice.

3.2 The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director

The Board is aware of the tenure of an Independent Director which should not exceed a cumulative term of nine (9) years as recommended by MCCG 2012 and that an Independent Director may continue to serve on the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the cumulative term of nine (9) years.

3.3 The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years

Subject to the assessment of the Nomination Committee and the shareholders' approval, the Board may retain an Independent Director who has served nine (9) years or more on the Board. Presently, there is one Independent Director of the Company whose tenure has exceeded a cumulative term of nine (9) years.

3.4 The positions of chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the Board

The Chairman and the Group Managing Director are held by different individuals. However, the Chairman is an executive member of the Board.

The role of the Chairman and the Group Managing Director are clearly distinct for effective balance of power and authority because the positions are held by two different individuals. The Chairman is primarily responsible for ensuring Board's effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

The Group Managing Director is responsible for the daily management of the Group's operations and implementation of the Board's policies and decisions. He is responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the attainment of the Group's goals and objectives.

The role of the Chairman and the Managing Director are mentioned in details in the Board Charter which is made available in the Company's website www.permaju.com.my

3.5 The board must comprise a majority of independent directors where the chairman of the board is not an independent director

The Board currently consists of three Executive Directors and four Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

As the chairman of the Board is not an Independent Director, the Board comprises a majority of Independent Directors to ensure balance of power and authority to the Board which is in accordance with the Recommendation 3.5 of the code.

The Board considers that the current size of the Board adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

PRINCIPLE 4: FOSTER COMMITMENT

4.1 The Board should set out expectations on time commitment for its members and protocols for accepting new directorships

All directors of the Company do not hold more than 5 directorships under paragraph 15.06 of the Main Market Listing Requirements.

The annual calendar of at least four (4) meetings is agreed at the beginning of each year, with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major investments, appointment of Directors are discussed and decided by the Board.

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with Article 103 of the Articles of Association of the Company, a signed and approved resolution by the majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors.

During the financial year ended 31 December 2015, six (6) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		Feb 15	Apr 15	May 15	Jun 15	Aug 15	Nov 15		
Directors	**Position**	Attendance						Total	%
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	Executive Chairman	X	•	•	•	•	X	4/6	67
Dato' Chua Tiong Moon	Managing Director	•	•	•	•	•	•	6/6	100
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	Independent Non-Executive Director	•	•	•	•	•	•	6/6	100
Low Teng Lum	Independent Non-Executive Director	•	•	•	•	•	•	6/6	100
Chang Yew Kwong	Independent Non-Executive Director	•	•	•	•	•	•	6/6	100
Lee Caw Cing	Independent Non-Executive Director	•	•	•	•	•	•	6/6	100
Chai Woon Yun	Executive Director	•	•	•	•	•	•	6/6	100

Total number of meetings held: 6

4.2 The board should ensure its members have access to appropriate continuing education programmes

As required under the Main Market Listing Requirements of Bursa Securities, all the Directors have attended the Directors' Mandatory Accreditation Programme. The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

During the financial year ended 31 December 2015, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

Datuk Wira Rahadian Mahmud bin Mohammad Khalil	
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015
Dato' Chua Tiong Moon	
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015
Low Teng Lum	
• Goods and Services Tax Forum	28 Jan 2015
• 2015 Market Outlook	31 Jan 2015
• Remuneration Reward Practices Seminar 2015	8 April 2015
• Dr. Pruden's Wyckoff Course	16 & 17 May 2015
• Scenarios to Strategy	20 May 2015
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015
• Global CFO 2015 and Beyond	29 – 31 Jul 2015
• Nominating Committee Programme 2: Effective Board Evaluations	5 Oct 2015
• Sustainability Symposium: Responsible Business. Responsible Investing	8 Oct 2015
• CG Breakfast Series with Directors: Future of Auditor Reporting – The Game Changer for Boardroom	2 Nov 2015
Chai Woon Yun	
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015
Chang Yew Kwong	
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015
Lee Caw Cing	
• Knowing How To Detect, Prevent & Report Financial Irregularities & Scandalous Activities	27 May 2015

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 The Audit Committee should ensure financial statements comply with applicable financial reporting standards

In presenting the annual financial statements and quarterly announcements of results to shareholders, the Directors are committed to present a balanced and fair assessment of the Group's position and prospects. The financial reports are also reviewed by the Audit Committee to ensure adequacy of information disclosed prior to submission to the Board for approval.

The Board considers that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. A statement by the Board of their responsibilities in preparing the financial statements is set out on page 31 of this Annual Report.

5.2 The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

The Board has established a close and transparent relationship with the External Auditors of the Company. Representatives of the External Auditors were invited to the Audit Committee Meetings to brief the Audit Committee on specific issues arising from the annual audit of the Group and to give appropriate advice in ensuring due compliance with the approved accounting standards. Significant issues raised were taken note by the Management for improvement.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

6.1 The Board should establish a sound framework to manage risks

The Board continues to review and evaluate the effectiveness of the Group's systems of internal control to safeguard the shareholders' investment and the Group's assets. These controls provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Company has in place an on-going process for identifying, evaluating and managing key risks that may affect the achievement of the business objectives of the Group. Towards cultivating a sustainable risk management culture, risk management principles and practices are embedded into existing key processes across different functions within the Group.

6.2 The Board should establish an internal audit function which reports directly to the Audit Committee

The Group's internal audit function is carried out by outsourced external consultants who assist the Audit Committee and Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's governance, risk management and internal control processes.

The information on the Group's internal control is presented in the Statement on Risk Management & Internal Control set out on page 29 of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 The board should ensure the company has appropriate corporate disclosure policies and procedures

The Board ensure that the disclosure of material information pertaining to the Group's performance and operations to the public is in accordance with the disclosure requirements under the MMLR of Bursa Securities and other applicable laws and regulations. Confidential information is restricted to top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries.

7.2 The board should encourage the company to leverage on information technology for effective dissemination of information

The Board has established a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information, share prices and analysts' reports can be accessed.

Shareholders and members of the public are invited to access the Company's website at www.permaju.com.my and Bursa Securities website at www.bursamalaysia.com to obtain the latest information on the Group.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 The board should take reasonable steps to encourage shareholder participation at general meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. All Directors are available to provide responses to questions from shareholders during this meeting. External Auditors are also present to provide their professional and independent clarification on issues and concerns raised by shareholders. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

8.2 The board should encourage poll voting

In line with recommendation 8.2 of the MCCG 2012, the Chairman informs shareholders of their right to demand a poll vote at the commencement of the AGM or EGM as recommended by the MCCG 2012 and the Company's Articles of Association. The Board will put the substantive resolutions to vote by poll when necessary.

8.3 The board should promote effective communication and proactive engagements with shareholders

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. The Company's annual reports, quarterly financial results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	: Senior Independent Non-Executive Director
Telephone number	: 088-447 251
Facsimile number	: 088-448 990

Compliance Statement

The Board is of the view that the Group is generally in compliance with the Principles and Recommendations of the MCCG 2012. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observance has been explained and the reasons thereof has been included in this Statement.

This Statement was approved by the Board of Directors on 26 February 2016.

ADDITIONAL COMPLIANCE INFORMATION

During the financial year:

a No proceeds were raised by the Company from any corporate proposal.

b The Company did not sponsor any Depository Receipt programme.

c The Company did not issue any options, warrants or convertible securities.

d There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2015, which had material impact on the operations or financial position of the Group except that Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya was publicly reprimanded and was fined RM10,000 on 29 October 2015 by Bursa Malaysia Securities Berhad ("BMSB") for breaching paragraphs 2.18(1)(a) and (c) and/or paragraph 16.13(b) of the Main Market Listing Requirements of BMSB in relation to his sitting on the Board of another public listed company.

e No non-audit fee was paid to a company affiliated to the external auditors by the Group.

f The Company did not release any profit estimate, forecast or projection for the financial year. There was no variance between the results for the financial year and the unaudited results previously released by the Company.

g There was no profit guarantee given by the Company.

h There were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests still subsisting at the end of the financial year or entered into since the end of the previous financial year.

i The Company did not enter into any Recurrent Related Party Transaction.

Share buy-backs

The Company did not purchase any of its own shares during the financial year ended 31 December 2015.

The total number of shares bought back and held as treasury shares as at 31 December 2015 was 8,672,500 shares.

The Company has not resold or cancelled its treasury shares during the financial year ended 31 December 2015.

AUDIT COMMITTEE REPORT

Chairman

Low Teng Lum (Independent Non-Executive Director)

Members

Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya
(Independent Non-Executive Director)
Lee Caw Cing (Independent Non-Executive Director)

TERMS OF REFERENCE

1 **CONSTITUTION**

1.1 The Board shall establish a Committee of the Board to be known as the Audit Committee.

2 **MEMBERSHIP**

2.1 The Committee shall be appointed by the Board from amongst their members which fulfils the following requirements:-

(a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;

(b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and

(c) at least one member of the Committee:
- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
  - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (iii) fulfils such other requirements as prescribed or approved by the Exchange.

2.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

2.3 No alternate director should be appointed as a member of the Committee.

2.4 In the event of any vacancy in the Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to the composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.

2.5 The term of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3 **AUTHORITY**

3.1 The Committee is authorised by the Board:-

(i) to investigate any activity within its terms of reference;

(ii) to seek any information it requires from any employee and all employees are directed to cooperate with any request made;

(iii) to have direct communication with and access to the external auditors and person(s) carrying out the internal audit function or activity;

(iv) to obtain external legal or other independent professional advice and secure attendance of outsiders with relevant experience and expertise – if it considers this necessary; and

(v) to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

3.2 The Committee does not have any executive powers. It shall report to the Board of Directors on the matters that it has considered and its recommendations and comments thereon.

4 **SCOPE AND FUNCTIONS**

4.1 The scope and functions of the Committee shall be:-

(a) in respect of the appointment of external auditors:
(i) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
(ii) to consider the nomination of a person or persons as external auditors and to determine the audit fee; and
(iii) to consider any questions of resignation or dismissal of external auditors.

(b) (i) to discuss with the external auditor before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
(ii) to discuss problems and reservations arising from the audit with the auditors without management presence, if necessary; and
(iii) to review the external auditors' management letter and management's response.

(c) to review the quarterly and year end financial statements and focus on:
(i) any changes in or implementation of major accounting policies and practices;
(ii) significant audit adjustments;
(iii) going concern assumptions; and
(iv) compliance with accounting standards and other legal requirements.

(d) to report to the Board of Directors all pertinent issues which are necessary to be reported;

(e) to perform the following duties in relation to the internal audit function:
(i) review the adequacy of the scope, function, competency, resources and authority necessary to carry out the work and that it reports directly to the Audit Committee;
(ii) review the internal audit programme, processes and results and ensure that appropriate action is taken on the recommendations;
(iii) review and appraise the performance of members of the internal audit function;
(iv) approve the appointment and termination of senior internal audit personnel;

(v) review the resignations of internal audit personnel and give them the opportunity to submit reasons for their resignations; and
(vi) review the follow-up actions by management on the weaknesses of internal accounting procedures and controls as highlighted by the internal auditors.

(f) to review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company or Group;

(g) consider major findings of internal investigations and management's response; and

(h) to perform any other work as may be directed by the Board from time to time.

5 MEETING, MINUTES AND REPORTING

5.1 Meetings shall be held not less than four (4) times a year. The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally be invited to attend the meeting. Other members of the Board may attend the meeting upon the invitation of the Committee. To form a quorum the majority of members present must be independent directors.

5.2 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

5.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.

5.4 The secretary shall keep minutes of each meeting which shall be distributed to each member of the Committee. The Chairman of the Committee shall report to the Board on each meeting.

5.5 The Committee shall regulate its own procedure, in particular:-
(a) the calling of meetings;
(b) the notice to be given of such meetings;
(c) the voting and proceedings of such meetings;
(d) the keeping of minutes; and
(e) the custody, production and inspection of such minutes.

DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2015, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows:

Audit Committee Meeting		Feb 15	Apr 15	May 15	Aug 15	Nov 15		
Committee Members	**Position**	Attendance					Total	%
Low Teng Lum	Chairman	•	•	•	•	•	5/5	100
Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya	Member	•	•	•	•	•	5/5	100
Lee Caw Cing	Member	•	•	•	•	•	5/5	100

Total number of meetings held: 5

SUMMARY OF ACTIVITIES

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee had carried out the following activities during the financial year ended 31 December 2015:-

(i) reviewed and discussed the audit plan presented by the external auditors and ensured its scope was adequate;
(ii) met with the external auditors without Executive Board Members being present twice during the financial year under review;
(iii) discussed the audit findings and recommendations made by the internal and external auditors on systems of internal control, reviewed the management letter, and follow up with corrective action taken by the Management;
(iv) reviewed and discussed the Group's unaudited quarterly results together with the relevant reports and make recommendations to the Board of Directors for approval;
(v) reviewed the annual financial statements of the Company and its subsidiaries together with the external auditors' reports and discussed various audit and accounting issues;
(vi) reviewed the effectiveness of the Group's risk management and internal control system;
(vii) reviewed the Group's compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements, Financial Reporting Standards issued by the Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;
(viii) reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report; and
(ix) considered and recommended the reappointment and remuneration of the external auditors.

INTERNAL AUDIT FUNCTION

The Group has been outsourcing the Internal Audit function to Messrs MAC & Associates PLT for the whole year of 2015. The principal responsibility of the Internal Audit Department is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance to the Committee on the adequacy of the internal controls and that they have been operating satisfactorily and effectively.

In attaining these objectives, the scope of activities of the Internal Audit function include the following:

(a) review and appraise the soundness, adequacy and application of the system of internal controls and recommend improvements thereon;

(b) ascertain the extent of compliance with established policies, procedures and statutory requirements;

(c) appraise the reliability, integrity and usefulness of financial and management information developed;

(d) review the controls for safeguarding assets and as appropriate, verify the existence of assets;

(e) identify ways and opportunities to improve the effectiveness and efficiency of the operations and processes of the Group; and

(f) review the working capital requirement and sustainability of current business operations.

The total costs incurred for the Internal Audit function during the financial year ended 31 December 2015 amounted to RM28,780.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL ("SORMIC")

Paragraph 15.26 (b) of the Main Market Listing Requirements of the BMSB requires the Board of a listed issuer to include in its Company's Annual Report a "statement about the state of risk management and internal control of the listed issuer as a group".

The Malaysian Code on Corporate Governance 2012 under Principal 6 states that the Board should establish a sound risk management framework and internal controls system.

The Board of Directors acknowledges that it has overall responsibility in maintaining a sound system of risk management and internal control, including continually reviewing its adequacy, effectiveness and reporting integrity. The Board also recognises that in establishing such system of risk management and internal control, the systems designed can only manage but not eliminate the risk of failure to achieve business objectives of the Group and that it can only provide reasonable assurance against material misstatement or loss.

The Board has received assurance from the Managing Director and the Chief Financial Officer 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 framework of the Group.

Risk management and internal controls are regarded as an integral part of the Group's overall management processes which includes the following elements:

1 The Board establishes an organisational structure with formally defined lines of responsibility and delegation of authority;

2 The Board reviews and approves the annual business plan and budget of all major business units. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuring action plans;

3 The Audit Committee and the Board review the quarterly performance of the Group's business against the annual budget and to determine the necessary changes are in line with the competitive business environment and regulatory requirements;

4 The Audit Committee and the Board review findings of the internal and external audit on accounting and internal control issues, and hold discussions with management on actions to be taken in resolving them; and

5 The Managing Director, Chief Financial Officer and other senior management staff actively participate in the following:

- The ongoing process of identifying and evaluating the relevant strategic and operational risks potentially impacting the business and formulating the relevant actions to ensure such risks are mitigated or avoided
- Establishing, implementing and constant reviewing of the internal control and management information system to ensure their adequacy, effectiveness and integrity

6 Such processes have been in place for the financial year under review and up to the date of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL ("SORMIC")

The internal audit function of the Group was outsourced to Messrs. MAC & Associates PLT. Internal audits were conducted on the internal control system of service administration, inventory management, preparation of budget and sales performance against budget and project management of the Group's automobile and property business operations respectively in 2015.

The external auditors have reviewed this SORMIC pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the SORMIC included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2015 and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the SORMIC: Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors for the content of their report.

During the financial year, there were no material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The above SORMIC was reviewed and approved by the Board on 26 February 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Directors are required to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and the Company in accordance with the Financial Reporting Standards and the requirement of the Companies Act 1965. In preparing the financial statements, the Directors have:-

- adopted and used accounting policies consistently in dealing with items which are considered material in relation thereto;
- made accounting estimates where applicable that are prudent, just and reasonable; and
- ensured that the Company and the Group have taken reasonable steps to prevent and detect fraud and other irregularities.

FINANCIAL REPORTS

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of management services and investment holding.

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

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

RESULTS

	Group RM	Company RM
Loss net of tax	(6,399,720)	(15,787,193)
Loss attributable to:		
Equity holders of the Company	(6,869,030)	(15,787,193)
Non-controlling interests	469,310	-
	(6,399,720)	(15,787,193)

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

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 other than that as disclosed in Note 8 to the financial statements.

DIVIDEND

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

The directors do not recommend any dividend in respect of the financial year ended 31 December 2015.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil
Dato' Chua Tiong Moon
Datuk Muhamad Yasin Bin Yahya
Low Teng Lum
Chang Yew Kwong
Lee Caw Cing
Chai Woon Yun

In accordance with the Company's Articles of Association, Dato' Chua Tiong Moon and Lee Caw Cing retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 10 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 he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1.1.2015	**Acquired**	**Sold**	**31.12.2015**
Name of director				
Direct Interest:				
Ordinary shares of the Company				
Dato' Chua Tiong Moon	15,529,571	-	-	15,529,571

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

TREASURY SHARES

There were no shares repurchased by the Company during the financial year.

As at 31 December 2015, the Company held as treasury shares a total of 8,672,500 of its 195,934,471 issued ordinary shares. Such treasury shares are held at a carrying amount of RM3,279,648 and further relevant details are disclosed in Note 28(b) to the financial statements.

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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their value 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.

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

 (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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 liability 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 liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations 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.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 April 2016.

Dato' Chua Tiong Moon

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Chua Tiong Moon and Datuk Wira Rahadian Mahmud Bin Mohammad Khalil, being two of the directors of Permaju Industries Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 40 to 113 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The information set out in Note 40 to the financial statements have 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 April 2016.

Dato' Chua Tiong Moon

Datuk Wira Rahadian Mahmud Bin Mohammad Khalil

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Chuk Chin Leong, being the officer primarily responsible for the financial management of Permaju Industries Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 114 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Chuk Chin Leong
at Kota Kinabalu in the State of Sabah
on 12 April 2016

Chuk Chin Leong

Before me,

No. A-S 023
Mail B. Ayuh
Mahkamah Sesyen Kota Kinabalu, Sabah

INDEPENDENT AUDITORS' REPORT
to the members of Permaju Industries Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Permaju Industries Berhad, which comprise the statements of financial position as at 31 December 2015 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 113.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 114 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 content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Ket Vui, Dusun
2944/01/17(J)
Chartered Accountant

Kota Kinabalu, Sabah
Malaysia
12 April 2016

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	4	**99,023,806**	140,279,224	**106,500,000**	-
Cost of sales		**(82,898,187)**	(121,265,043)	**-**	-
Gross profit		**16,125,619**	19,014,181	**106,500,000**	-
Other items of income					
Interest income	5	**224,223**	336,979	**23,620**	3,343
Other income	6	**1,928,709**	1,554,362	**2,461**	1,082,752
Other items of expense					
Selling and marketing expenses		**(5,019,051)**	(5,293,865)	**-**	-
Administrative expenses		**(13,565,495)**	(15,217,169)	**(1,845,889)**	(1,879,265)
Other expenses		**(2,588,015)**	(2,138,150)	**(120,463,061)**	(14,620,381)
Finance costs	7	**(1,526,842)**	(2,098,463)	**(13,728)**	(14,128)
Loss before tax	8	**(4,420,852)**	(3,842,125)	**(15,796,597)**	(15,427,679)
Income tax expense	11	**(1,978,868)**	(1,369,389)	**9,404**	809
Loss for the year, net of tax, representing total comprehensive loss for the year		**(6,399,720)**	(5,211,514)	**(15,787,193)**	(15,426,870)
Attributable to:					
Equity holders of the Company		**(6,869,030)**	(7,051,275)	**(15,787,193)**	(15,426,870)
Non-controlling interests		**469,310**	1,839,761	**-**	-
		(6,399,720)	(5,211,514)	**(15,787,193)**	(15,426,870)
Loss per share attributable to equity holders of the Company (sen per share):					
Basic	13	**(3.67)**	(3.77)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Assets					
Non-current assets					
Property, plant and equipment	14	**34,072,618**	37,232,872	**391,470**	540,727
Land held for property development	19	**63,433,022**	61,850,838	**-**	-
Investment properties	15	**573,753**	583,016	**-**	-
Biological assets	16	**5,552,960**	5,220,782	**-**	-
Intangible asset	17	**-**	-	**-**	-
Investments in subsidiaries	18	**-**	-	**36,597,497**	143,228,592
Other receivables	21	**-**	-	**66,342,624**	80,544,463
		103,632,353	104,887,508	**103,331,591**	224,313,782
Current assets					
Property development costs	19	**67,264,910**	76,206,264	**-**	-
Inventories	20	**7,954,374**	16,496,318	**-**	-
Trade and other receivables	21	**18,798,742**	26,159,022	**1,263,455**	2,755,681
Other current assets	22	**8,794,277**	5,548,349	**-**	-
Tax recoverable		**88,791**	381,971	**-**	31,292
Cash and bank balances	23	**8,100,175**	11,002,376	**7,705**	5,519
		111,001,269	135,794,300	**1,271,160**	2,792,492
Assets of disposal group classified as held for sale	12	**7,520,562**	7,520,562	**1,764,049**	1,764,049
		118,521,831	143,314,862	**3,035,209**	4,556,541
Total assets		**222,154,184**	248,202,370	**106,366,800**	228,870,323

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Equity and liabilities					
Current liabilities					
Loans and borrowings	24	**23,240,368**	26,958,191	**41,721**	98,054
Trade and other payables	25	**44,578,596**	41,073,933	**2,353,275**	108,967,767
Other current liabilities	26	**-**	4,858,715	**-**	-
Tax payable		**1,497,378**	115,611	**5,547**	-
		69,316,342	73,006,450	**2,400,543**	109,065,821
Liabilities directly associated with disposal group classified as held for sale	12	**2,142,953**	2,142,953	**-**	-
		71,459,295	75,149,403	**2,400,543**	109,065,821
Net current assets/(liabilities)		**47,062,536**	68,165,459	**634,666**	(104,509,280)
Non-current liabilities					
Loans and borrowings	24	**11,649,200**	27,038,188	**171,818**	213,466
Trade and other payables	25	**700,824**	1,366,862	**-**	-
Deferred tax liabilities	27	**1,555,271**	1,458,603	**-**	9,404
		13,905,295	29,863,653	**171,818**	222,870
Total liabilities		**85,364,590**	105,013,056	**2,572,361**	109,288,691
Net assets		**136,789,594**	143,189,314	**103,794,439**	119,581,632
Equity attributable to equity holders of the Company					
Share capital	28	**195,934,471**	195,934,471	**195,934,471**	195,934,471
Share premium	28	**3,805,990**	3,805,990	**3,805,990**	3,805,990
Treasury shares	28	**(3,279,648)**	(3,279,648)	**(3,279,648)**	(3,279,648)
Accumulated losses		**(88,005,132)**	(81,136,102)	**(121,236,166)**	(105,448,973)
Merger (deficit)/relief reserve	29	**(8,141,012)**	(8,141,012)	**8,075,692**	8,075,692
Capital redemption reserve	30	**20,494,100**	20,494,100	**20,494,100**	20,494,100
		120,808,769	127,677,799	**103,794,439**	119,581,632
Non-controlling interests		**15,980,825**	15,511,515	**-**	-
Total equity		**136,789,594**	143,189,314	**103,794,439**	119,581,632
Total equity and liabilities		**222,154,184**	248,202,370	**106,366,800**	228,870,323

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Total equity RM	Attributable to equity holders of the Company, total RM	Share capital RM	Share premium RM	Treasury shares RM	Merger deficit RM	Capital redemption reserve RM	Accumulated losses RM	Non-controlling interests RM
		Attributable to equity holders of the Company							
			Non-distributable						
2015 Group									
Opening balance at 1 January 2015	143,189,314	127,677,799	195,934,471	3,805,990	(3,279,648)	(8,141,012)	20,494,100	(81,136,102)	15,511,515
Loss for the year, representing total comprehensive (loss)/income	(6,399,720)	(6,869,030)	-	-	-	-	-	(6,869,030)	469,310
Closing balance at 31 December 2015	**136,789,594**	**120,808,769**	**195,934,471**	**3,805,990**	**(3,279,648)**	**(8,141,012)**	**20,494,100**	**(88,005,132)**	**15,980,825**
2014 Group									
Opening balance at 1 January 2014	148,400,828	134,729,074	195,934,471	3,805,990	(3,279,648)	(8,141,012)	20,494,100	(74,084,827)	13,671,754
Loss for the year, representing total comprehensive (loss)/income	(5,211,514)	(7,051,275)	-	-	-	-	-	(7,051,275)	1,839,761
Closing balance at 31 December 2014	143,189,314	127,677,799	195,934,471	3,805,990	(3,279,648)	(8,141,012)	20,494,100	(81,136,102)	15,511,515

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2015

		Non-distributable					
	Total equity RM	Share capital RM	Share premium RM	Treasury shares RM	Merger relief reserve RM	Capital redemption reserve RM	Accumulated losses RM
2015 Company							
Opening balance at 1 January 2015	119,581,632	195,934,471	3,805,990	(3,279,648)	8,075,692	20,494,100	(105,448,973)
Loss for the year, representing total comprehensive loss	(15,787,193)	-	-	-	-	-	(15,787,193)
Closing balance at 31 December 2015	**103,794,439**	**195,934,471**	**3,805,990**	**(3,279,648)**	**8,075,692**	**20,494,100**	**(121,236,166)**
2014 Company							
Opening balance at 1 January 2014	135,008,502	195,934,471	3,805,990	(3,279,648)	8,075,692	20,494,100	(90,022,103)
Loss for the year, representing total comprehensive loss	(15,426,870)	-	-	-	-	-	(15,426,870)
Closing balance at 31 December 2014	119,581,632	195,934,471	3,805,990	(3,279,648)	8,075,692	20,494,100	(105,448,973)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Operating activities					
Loss before tax		**(4,420,852)**	(3,842,125)	**(15,796,597)**	(15,427,679)
Adjustments for:					
Interest income	5	**(224,223)**	(336,979)	**(23,620)**	(3,343)
Finance costs	7	**1,526,842**	2,098,463	**13,728**	14,128
Depreciation of property, plant and equipment	14	**3,013,728**	3,572,086	**151,257**	252,879
Dividend income from a subsidiary	4	**-**	-	**(106,500,000)**	-
Net gain on disposal of property, plant and equipment	6	**(408,567)**	-	**-**	-
Property, plant and equipment written off	8	**-**	50,769	**-**	-
Impairment loss on property, plant and equipment	8	**994,269**	2,087,381	**-**	-
Amortisation of investment properties	15	**9,263**	9,263	**-**	-
Impairment loss on amounts due from subsidiaries	8	**-**	-	**13,831,966**	14,126,942
Impairment loss on investments in subsidiaries	8	**-**	-	**106,631,095**	493,439
Provision for slow-moving and obsolete inventories	8	**586,084**	-	**-**	-
Loss/(gain) on disposal of investment in a subsidiary	6,8	**-**	975,607	**-**	(1,082,752)
Impairment loss on trade and other receivables	21	**1,007,662**	-	**-**	-
Total adjustments		**6,505,058**	8,456,590	**14,104,426**	13,801,293
Operating cash flows before changes in working capital		**2,084,206**	4,614,465	**(1,692,171)**	(1,626,386)
Changes in working capital					
Decrease/(increase) in property development costs		**8,941,354**	(8,516,615)	**-**	-
Decrease in inventories		**7,955,860**	10,692,852	**-**	-
Decrease/(increase) in trade and other receivables		**6,352,618**	(10,923,987)	**1,862,099**	(39,806)
Increase in other current assets		**(3,245,928)**	(5,194,405)	**-**	-
Increase/(decrease) in trade and other payables		**2,838,625**	8,959,817	**(114,492)**	242,785
(Decrease)/increase in other current liabilities		**(4,858,715)**	1,051,998	**-**	-
Total changes in working capital		**17,983,814**	(3,930,340)	**1,747,607**	202,979

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from/(used in) operations		**20,068,020**	684,125	**55,436**	(1,423,407)
Interest received		**224,223**	134,438	**23,620**	3,343
Interest paid		**(1,526,842)**	(2,098,463)	**(13,728)**	(14,128)
Tax (paid)/refunded		**(207,253)**	(1,381,024)	**36,839**	-
Net cash flows from/(used in) operating activities		**18,558,148**	(2,660,924)	**102,167**	(1,434,192)
Investing activities					
Purchase of property, plant and equipment	14	**(2,170,466)**	(4,571,302)	**(2,000)**	(52,492)
Proceeds from disposal of property, plant and equipment		**1,448,969**	-	**-**	-
Additional costs incurred on land held for property development	19	**(1,582,184)**	(4,585,434)	**-**	-
Disposal of investment in a subsidiary		**-**	2,645,112	**-**	1,200,001
Tree planting expenditure		**(49,857)**	(35,392)	**-**	-
Net cash flows (used in)/from investing activities		**(2,353,538)**	(6,547,016)	**(2,000)**	1,147,509
Financing activities					
Proceeds from loans and borrowings		**-**	12,250,320	**-**	-
Repayment of loans and borrowings		**(15,024,581)**	(3,510,430)	**-**	-
Repayment of obligations under finance leases		**(140,858)**	(365,460)	**(97,981)**	(152,839)
Deposits pledged		**2,189,240**	(927,663)	**-**	-
Net cash flows (used in)/from financing activities		**(12,976,199)**	7,446,767	**(97,981)**	(152,839)
Net increase/(decrease) in cash and cash equivalents		**3,228,411**	(1,761,173)	**2,186**	(439,522)
Cash and cash equivalents at 1 January		**(16,091,040)**	(14,329,867)	**5,519**	445,041
Cash and cash equivalents at 31 December	23	**(12,862,629)**	(16,091,040)	**7,705**	5,519

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1 CORPORATE INFORMATION

Permaju Industries Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is situated at Lot 95, Ground Floor Room 1, DBKK No. K-4, Lorong Plaza Permai 2, Alamesra, Sulaman Coastal Highway, 88400 Kota Kinabalu, Sabah.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries are stated in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015.

Description	Effective for annual periods beginning on or after
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to FRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011 – 2013 Cycle	1 July 2014

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101: Disclosure Initiatives	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 14: Regulatory Deferral Accounts	1 January 2016
FRS 9: Financial Instruments	1 January 2018

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

FRS 9: Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not com pulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (Cont'd)

Annual Improvements to FRSs 2012–2014 Cycle

These Annual Improvements include a number of amendments to various FRSs. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including their parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS Framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group and the Conpany have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2015 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (Cont'd)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2.6 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.

(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.

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.

2.7 Property, plant and equipment

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 cost of the item can be measured reliably.

Subsequent to recognition, 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 repairs and maintenance costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (Cont'd)

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

Leasehold land: over the remaining period of the lease
Buildings: 5 to 50 years
Motor vehicles: 3 to 10 years
Furniture, fixtures, renovation and equipment: 4 to 10 years
Signage: 1 to 6 years
Electrical wiring and lighting installation: 1 to 6 years
Computer hardware and software: 1 to 10 years

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.

2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy for investment properties is in accordance with that for depreciable property, plant and equipment as described in Note 2.7.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Biological assets

Tree planting expenditure

The tree planting expenditure is in respect of the planting of trees on three parcels of agriculture land located in Mukim Setul, District of Seremban, Negeri Sembilan Darul Khusus. All direct and related expenses incurred is recorded at cost and capitalised as biological assets. The expenditure will be amortised upon commencement of log extraction on the basis of the volume of logs extracted during the financial year as a proportion of the estimated volume available.

2.10 Fair value measurement

Fair value related disclosures for financial instruments and investment properties are summarised in the following notes:

Disclosures for valuation methods: Note 15
Quantitative disclosures of fair value measurement hierarchy: Note 34
Investment properties: Note 15
Financial instruments: Note 34

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) in the principal market for the asset or liability, or
ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Fair value measurement (Cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.11 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 flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss.

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 re coverable 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. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.14 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments – initial recognition and subsequent measurement (Cont'd)

a) Financial assets (Cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 21.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2015 and 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments – initial recognition and subsequent measurement (Cont'd)

a) Financial assets (Cont'd)

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss as finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments – initial recognition and subsequent measurement (Cont'd)

a) Financial assets (Cont'd)

Derecognition (Cont'd)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss in creases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments – initial recognition and subsequent measurement (Cont'd)

b) Impairment of financial assets (Cont'd)

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss

c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments – initial recognition and subsequent measurement (Cont'd)

c) Financial liabilities (Cont'd)

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 24.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

As at reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments – initial recognition and subsequent measurement (Cont'd)

c) Financial liabilities (Cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

d) Offsetting of financial instruments

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

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments 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.

2.16 Land held for property development and property development costs

a) 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.

b) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Land held for property development and property development costs (Cont'd)

b) Property development costs (Cont'd)

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.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within other current assets and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within other current liabilities.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in and first-out basis. Costs comprised purchase costs and costs incurred in bringing the inventories to their present location and conditions.

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

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.20 Employee benefits

a) Defined contribution plans

The companies in the Group 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.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

c) Termination benefit

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

2.21 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases (Cont'd)

a) As lessee (Cont'd)

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.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(g).

2.22 Disposal group classified as held for sale

A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.23 Revenue

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

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. 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.

b) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue (Cont'd)

c) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.16(b).

d) Interest income

Interest income is recognised using the effective interest method.

e) Management fees

Management fees are recognised when services are rendered.

f) Dividend income

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

g) Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

2.24 Income taxes

a) 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.

b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income taxes (Cont'd)

b) Deferred tax (Cont'd)

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, 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.

c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and 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.

2.27 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.

2.28 Contingent liability

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 events 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 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Judgement made in applying accounting policies (Cont'd)

Disposal group held for sale

As at 31 December 2015, the Group considers Fook Ngiap Sawmill Sdn. Berhad to meet the criteria to be classified as held for sale for the following reasons:

- the subsidiary is available for immediate sale in its present condition,
- the Group is committed to sell and the plan to sell will not be withdrawn, and
- the subsidiary is actively marketed for sale at a reasonable price and is expected to be sold within the next 12 months.

3.2 Key sources of estimation uncertainty

The key assumptions 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 loans and receivables

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. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 21.

b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

During the current financial year, the Group has recognised impairment losses in respect of certain subsidiaries' property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the cash-generating units ("CGU") to which the property, plant and equipment are allocated. Estimating the value in use requires the Group 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. The carrying amounts of property, plant and equipment of the Group as at 31 December 2015 were RM34,072,618 (2014: RM37,232,872). Further details of the impairment losses recognised for the property, plant and equipment are disclosed in Note 14.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (Cont'd)

c) Property development

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.

The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 19. A 10% difference in the estimated total property development revenue or costs would result in approximately 6% (2014: 2%) variance in the Group's revenue and 4% (2014: 2%) variance in the Group's cost of sales.

4 REVENUE

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Sale of motor vehicles	**44,619,391**	91,536,998	**-**	-
Sale of spare parts, repairs and maintenance service income	**23,782,624**	16,635,665	**-**	-
Sale of properties	**30,621,791**	32,106,561	**-**	-
Dividend income from a subsidiary	**-**	-	**106,500,000**	-
	99,023,806	140,279,224	**106,500,000**	-

5 INTEREST INCOME

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Interest income from:				
Fixed deposits	**195,152**	127,664	**-**	-
Current accounts	**3,961**	3,339	**-**	-
Discounting of retention sum payable	**-**	202,541	**-**	-
Housing development account	**1,490**	92	**-**	-
Trust fund	**3,621**	3,343	**3,621**	3,343
Others	**19,999**	-	**19,999**	-
	224,223	336,979	**23,620**	3,343

6 OTHER INCOME

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Gain on disposal of a subsidiary	**-**	-	**-**	1,082,752
Gain on disposal of property, plant and equipment	**408,567**	-	**-**	-
Handling fee income	**697,618**	954,522	**-**	-
Rental income from:				
- Investment property	**106,140**	101,340	**-**	-
- Rented premises	**597,600**	498,400	**-**	-
Sundry income	**118,784**	100	**2,461**	-
	1,928,709	1,554,362	**2,461**	1,082,752

7 FINANCE COSTS

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Interest expense on:				
- Bank overdrafts	**1,179,986**	1,683,703	**-**	-
- Obligations under finance leases	**14,218**	21,839	**13,728**	14,128
- Bank loans	**1,621,677**	2,579,512	**-**	-
- Unwinding discount on retention sum payable	**118,663**	-	**-**	-
- Others	**213,975**	392,921	**-**	-
	3,148,519	4,677,975	**13,728**	14,128
Less: Interest expense capitalised in development property (Note 19)	**(1,621,677)**	(2,579,512)	**-**	-
Total finance costs	**1,526,842**	2,098,463	**13,728**	14,128

8 LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Auditors' remuneration:				
- Statutory audits	**161,500**	150,500	**50,000**	45,000
- Other services	**8,000**	7,000	**8,000**	7,000
Employee benefits expense (Note 9)	**6,903,190**	7,649,495	**976,808**	1,004,675
Non-executive directors' remuneration (Note 10)	**200,000**	200,000	**200,000**	200,000
Depreciation of property, plant and equipment (Note 14)	**3,013,728**	3,572,086	**151,257**	252,879
Property, plant and equipment written off	**-**	50,769	**-**	-
Amortisation of investment properties (Note 15)	**9,263**	9,263	**-**	-
Direct operating expenses arising from rental generating investment property	**14,130**	14,350	**-**	-
Impairment loss on investments in subsidiaries (Note 18)	**-**	-	**106,631,095**	493,439
Impairment loss on amounts due from subsidiaries (Note 21)	**-**	-	**13,831,966**	14,126,942
Loss on disposal of a subsidiary	**-**	975,607	**-**	-
Impairment loss on property, plant and equipment (Note 14)	**994,269**	2,087,381	**-**	-
Impairment loss on trade and other receivables (Note 21)	**1,007,662**	-	**-**	-
Provision for slow-moving and obsolete inventories (Note 20)	**586,084**	-	**-**	-
Operating lease				
- Minimum lease payments for premises	**2,196,950**	1,651,500	**31,350**	30,000

9 EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries, allowances, bonus, commission, overtime and wages	**6,057,654**	6,764,772	**863,500**	894,833
Contributions to defined contribution plan	**783,065**	822,623	**112,275**	109,120
Social security contributions	**62,471**	62,100	**1,033**	722
	6,903,190	7,649,495	**976,808**	1,004,675

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,509,486 (2014: RM1,437,241) and RM842,650 (2014: RM873,583) respectively and further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the financial year are as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Executive:				
Salaries and other emoluments	**1,409,486**	1,341,408	**742,650**	777,750
Fees	**100,000**	95,833	**100,000**	95,833
Total executive directors' remuneration (Note 9)	**1,509,486**	1,437,241	**842,650**	873,583
Non-executive:				
Fees	**200,000**	200,000	**200,000**	200,000
Total non-executive directors' remuneration (Note 8)	**200,000**	200,000	**200,000**	200,000
Total directors' remuneration	**1,709,486**	1,637,241	**1,042,650**	1,073,583

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

	Number of directors	
	2015	**2014**
Executive directors:		
RM250,001 to RM300,000	1	1
RM350,001 to RM400,000	1	1
RM800,001 to RM850,000	-	1
RM850,001 to RM900,000	1	-
Non-executive directors:		
RM1 to RM50,000	4	5

11 INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	**1,830,657**	1,563,432	**-**	-
- Under/(over) provision in respect of previous years	**51,543**	(25,123)	**-**	-
	1,882,200	1,538,309		
Deferred income tax (Note 27):				
- Origination and reversal of temporary differences	**(40,515)**	44,846	**-**	763
- Effect of reduction in tax rate	**(8,292)**	-	**-**	-
- Under/(over) provision in respect of previous years	**145,475**	(213,766)	**(9,404)**	(1,572)
	96,668	(168,920)	**(9,404)**	(809)
Income tax expense/(benefit) recognised in profit or loss	**1,978,868**	1,369,389	**(9,404)**	(809)

11 INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2015 and 2014 are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Accounting loss before tax	**(4,420,852)**	(3,842,125)	**(15,796,597)**	(15,427,679)
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	**(1,105,213)**	(960,531)	**(3,949,149)**	(3,856,920)
Adjustments:				
Non-deductible expenses	**1,736,709**	2,476,879	**30,574,149**	3,857,683
Income not subject to taxation	**-**	-	**(26,625,000)**	-
Effect of reduction in tax rate	**(8,292)**	-	**-**	-
Deferred tax assets not recognised	**1,158,646**	1,142,491	**-**	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**-**	(1,050,561)	**-**	-
Under/(over) provision of income tax in respect of previous years	**51,543**	(25,123)	**-**	-
Under/(over) provision of deferred tax in respect of previous years	**145,475**	(213,766)	**(9,404)**	(1,572)
Income tax expense/(benefit) recognised in profit or loss	**1,978,868**	1,369,389	**(9,404)**	(809)

Current income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected this change.

12 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Group is in the process of disposing one of its subsidiary companies namely, Fook Ngiap Sawmill Sdn. Berhad (2014: Fook Ngiap Sawmill Sdn. Berhad).

As at 31 December 2015, the assets and liabilities related to this subsidiary have been presented in the statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

Statements of financial position disclosures

The major classes of assets and liabilities of this subsidiary classified as held for sale as at 31 December are as follows:

	2015 RM	2014 RM
Group		
Assets:		
Property, plant and equipment	**7,426,667**	7,426,667
Trade and other receivables	**49,700**	49,700
Prepayments	**1,000**	1,000
Cash and bank balances	**43,195**	43,195
Assets of disposal group classified as held for sale	**7,520,562**	7,520,562
Liabilities		
Trade and other payables	**(2,130,953)**	(2,130,953)
Tax payable	**(12,000)**	(12,000)
Liabilities directly associated with disposal group classified as held for sale	**(2,142,953)**	(2,142,953)
Net assets directly associated with disposal group classified as held for sale	**5,377,609**	5,377,609

The non-current asset classified as held for sale on the Company's statement of financial position as at 31 December 2015 and 31 December 2014 is as follows:

	2015 RM	2014 RM
Company		
Assets:		
Investment in subsidiaries		
- Unquoted shares, at cost	**28,000,000**	28,000,000
Impairment losses	**(26,235,951)**	(26,235,951)
	1,764,049	1,764,049

13 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The Company has no dilutive potential ordinary shares.

The following reflect the loss and share data used in the computation of basic loss per share for the years ended 31 December:

	Group	
	2015 RM	**2014 RM**
Loss net of tax attributable to the equity holders of the Company used in the computation of basic loss per share	**(6,869,030)**	(7,051,275)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic loss per share computation*	**187,261,971**	187,261,971
Basic loss per share (sen)	**(3.67)**	(3.77)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year, if any.

14 PROPERTY, PLANT AND EQUIPMENT

	Long-term leasehold land RM	Buildings RM	Motor vehicles RM	Furniture, fixtures, renovation and equipment RM	Signage RM	Electrical wiring and lighting installation RM	Computer hardware and software RM	Total RM
Group								
Cost:								
At 1 January 2014	29,363,486	463,125	2,585,805	16,620,503	279,671	1,184,196	427,584	50,924,370
Additions	-	-	3,637,181	879,227	62,863	157,721	84,310	4,821,302
Written off	-	-	-	(57,683)	(18,602)	(10,659)	-	(86,944)
At 31 December 2014 and 1 January 2015	29,363,486	463,125	6,222,986	17,442,047	323,932	1,331,258	511,894	55,658,728
Additions	-	-	1,466,448	384,743	21,128	77,470	220,677	2,170,466
Disposals	-	-	(2,006,870)	-	-	-	-	(2,006,870)
At 31 December 2015	**29,363,486**	**463,125**	**5,682,564**	**17,826,790**	**345,060**	**1,408,728**	**732,571**	**55,822,324**

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long-term leasehold land RM	Buildings RM	Motor vehicles RM	Furniture, fixtures, renovation and equipment RM	Signage RM	Electrical wiring and lighting installation RM	Computer hardware and software RM	Total RM
Group (Cont'd)								
Accumulated depreciation and accumulated impairment losses:								
At 1 January 2014	1,257,606	122,496	1,166,877	8,985,231	169,107	680,267	138,660	12,520,244
Depreciation charge for the year	282,566	9,263	966,813	2,283,573	53,689	208,857	49,645	3,854,406
Recognised in profit or loss (Note 8)	246	9,263	966,813	2,283,573	53,689	208,857	49,645	3,572,086
Capitalised in biological assets (Note 16)	282,320	-	-	-	-	-	-	282,320
Impairment loss recognised in profit or loss (Note 8)	-	-	279,143	1,632,529	19,514	156,195	-	2,087,381
Written off	-	-	-	(24,448)	(7,283)	(4,444)	-	(36,175)
At 31 December 2014 and 1 January 2015	1,540,172	131,759	2,412,833	12,876,885	235,027	1,040,875	188,305	18,425,856
Depreciation charge for the year	282,566	9,263	1,262,895	1,498,306	40,084	132,503	70,432	3,296,049
Recognised in profit or loss (Note 8)	245	9,263	1,262,895	1,498,306	40,084	132,503	70,432	3,013,728
Capitalised in biological assets (Note 16)	282,321	-	-	-	-	-	-	282,321
Impairment loss recognised in profit or loss (Note 8)	-	-	76,194	687,811	66,694	163,570	-	994,269
Disposals	-	-	(966,468)	-	-	-	-	(966,468)
At 31 December 2015	1,822,738	141,022	2,785,454	15,063,002	341,805	1,336,948	258,737	21,749,706
Net carrying amount:								
At 31 December 2014	27,823,314	331,366	3,810,153	4,565,162	88,905	290,383	323,589	37,232,872
At 31 December 2015	**27,540,748**	**322,103**	**2,897,110**	**2,763,788**	**3,255**	**71,780**	**473,834**	**34,072,618**

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Company			
Cost:			
At 1 January 2014	23,303	1,080,676	1,103,979
Additions	385	302,107	302,492
At 31 December 2014 and 1 January 2015	23,688	1,382,783	1,406,471
Additions	-	2,000	2,000
At 31 December 2015	23,688	1,384,783	1,408,471
Accumulated depreciation:			
At 1 January 2014	19,574	593,291	612,865
Depreciation charge for the year (Note 8)	1,499	251,380	252,879
At 31 December 2014 and at 1 January 2015	21,073	844,671	865,744
Depreciation charge for the year (Note 8)	667	150,590	151,257
At 31 December 2015	21,740	995,261	1,017,001
Net carrying amount:			
At 31 December 2014	2,615	538,112	540,727
At 31 December 2015	1,948	389,522	391,470

Assets held under finance leases

During the financial year ended 31 December 2014, the Group and the Company acquired motor vehicles with an aggregate cost of RM250,000 by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group and the Company amounted to RM4,571,302 and RM52,492 respectively.

The carrying amount of motor vehicles of the Group and the Company held under finance leases at the reporting date were RM939,688 (2014: RM1,189,329) and RM377,555 (2014: RM520,111) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 24).

Assets pledged as security

In addition to assets held under finance leases, the Group's long-term leasehold land with carrying amounts totalling of RM24,279,564 (2014: RM24,561,885) is mortgaged to secure the Group's borrowings (Note 24).

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of assets

During the financial year, certain subsidiaries of the Group carried out a review of the recoverable amounts of their assets because these subsidiaries had been persistently making losses. An impairment loss of RM994,269 (2014: RM2,087,381), representing the write-down of the assets to the recoverable amounts was recognised in "other expenses" line item of the statement of comprehensive income for the financial year ended 31 December 2015. The recoverable amounts of the assets were based on its value in use and the pre-tax discount rate used was 8.5% (2014: 8.5%).

15 INVESTMENT PROPERTIES

	Group	
	2015 RM	**2014 RM**
Cost:		
At 1 January and 31 December	**714,777**	714,777
Accumulated depreciation:		
At 1 January	**131,761**	122,498
Charge for the year (Note 8)	**9,263**	9,263
At 31 December	**141,024**	131,761
Net carrying amount:		
At 31 December	**573,753**	583,016
Analysed as:		
Buildings	**573,753**	583,016
Fair value	**650,000**	650,000

The fair value of investment properties was estimated by the directors at the reporting date based on recent prices of similar properties. No valuation by independent professional valuer was carried out.

Fair value hierarchy disclosures for investment properties are in Note 34.

16 BIOLOGICAL ASSETS

	Group	
	2015 RM	2014 RM
Cost:		
At 1 January	**5,220,782**	4,903,070
Additions	**332,178**	317,712
At 31 December	**5,552,960**	5,220,782

This represents the tree planting expenditure incurred on the three parcels of agricultural land located in Negeri Sembilan Darul Khusus. The expenditure incurred during the year includes amortisation of leasehold land of RM282,321 (2014: RM282,320).

17 INTANGIBLE ASSET

	Goodwill on business acquisition RM
Group	
Cost:	
At 1 January 2014, 31 December 2014 and 31 December 2015	436,810
Accumulated amortisation and impairment:	
At 1 January 2014, 31 December 2014 and 31 December 2015	436,810
Net carrying amount:	
At 31 December 2014	-
At 31 December 2015	-

18 INVESTMENTS IN SUBSIDIARIES

	Company 2015 RM	2014 RM
Unquoted shares, at costs		
At 1 January and 31 December	**228,812,283**	228,812,283
Accumulated impairment losses	**(192,214,786)**	(85,583,691)
	36,597,497	143,228,592
Impairment losses of investments in subsidiaries:		
At 1 January	**85,583,691**	85,090,252
Charge for the year (Note 8)	**106,631,095**	493,439
At 31 December	**192,214,786**	85,583,691

During the financial year, the directors performed an impairment test for the investment in certain loss making subsidiary companies. An impairment loss of RM106,631,095 (2014: RM493,439) was recognised to write down the investments in subsidiary companies to their recoverable amount. The recoverable amount of investment in Hardie Development Sdn. Bhd. was based on its value in use. While the recoverable amount of the rest of the investment in subsidiaries have been determined based on their fair value less costs of disposal.

The above impairment loss was recognised in "other expenses" line item of the statement of comprehensive income for the financial year ended 31 December 2015.

18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

		Proportion (%) of ownership interest			
		Held by the Group		Held by non-controlling interests	
Name	**Principal activities**	**2015**	**2014**	**2015**	**2014**
Capital Intertrade Sdn. Bhd.	Sale and distribution of motor vehicles and provision of repairs and maintenance services	**100**	100	**-**	-
Cergaz Autohaus Sdn. Bhd.	Sale and distribution of motor vehicles and provision of repairs and maintenance services	**100**	100	**-**	-
Cergazam Sdn. Bhd.	Provision of management and other services	**100**	100	**-**	-
Cergazam Autoworld Sdn. Bhd.	Dormant	**100**	100	**-**	-
Fook Ngiap Sawmill Sdn. Bhd.	Dormant	**100***	100*	**-**	-
Genbayu Gemilang Sdn. Bhd.	Tree plantation	**100**	100	**-**	-
Hardie Development Sdn. Bhd.	Property development	**70**	70	**30**	30
Hasil Irama Sdn. Bhd.	Dormant	**100**	100	**-**	-
Iconworld Resources Sdn. Bhd.	Dormant	**100**	100	**-**	-
Rintisan Bumi (M) Sdn.Bhd.	Ceased operation	**100**	100	**-**	-
TP Auto Sdn. Bhd.	Dormant	**100**	100	**-**	-
Team Japs Sdn. Bhd.	Ceased operation	**100**	100	**-**	-

All subsidiaries are audited by Ernst & Young, Malaysia.

* This is classified as disposal group held for sale.

18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Summarised financial information about a subsidiary with material non-controlling interest

Summarised financial information includes amounts attributable to the subsidiary recorded in the consolidated financial statements of the Group after consolidation adjustments but before intercompany eliminations.

Summarised statement of financial position

	Hardie Development Sdn. Bhd.	
	2015 RM	**2014 RM**
Non-current assets	**64,051,477**	62,593,726
Current assets	**84,497,925**	94,934,282
Total assets	**148,549,402**	157,528,008
Current liabilities	**83,763,786**	77,593,759
Non-current liabilities	**11,516,201**	28,229,199
Total liabilities	**95,279,987**	105,822,958
Net assets	**53,269,415**	51,705,050
Equity attributable to equity holders of the Company	**37,288,590**	36,193,535
Non-controlling interests	**15,980,825**	15,511,515
	53,269,415	51,705,050

Summarised statement of comprehensive income

Revenue	**30,621,791**	32,106,561
Profit for the year, net of tax, representing total comprehensive income for the year, attributable to:		
- equity holders of the Company	**1,095,055**	4,292,777
- non-controlling interests	**469,310**	1,839,761
	1,564,365	6,132,538

Summarised statement of cash flows

Net cash flows from/(used in) operating activities	**16,733,847**	(5,033,155)
Net cash flows used in investing activities	**(1,591,852)**	(4,587,241)
Net cash flows (used in)/from financing activities	**(15,060,818)**	8,605,195
Net increase/(decrease) in cash and cash equivalents	**81,177**	(1,015,201)
Cash and cash equivalents at beginning of year	**(1,874,501)**	(859,300)
Cash and cash equivalents at end of year	**(1,793,324)**	(1,874,501)

19 LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

a) Land held for property development

	Long-term leasehold land RM	Development costs RM	Total RM
Group			
Cost			
At 1 January 2014	45,229,760	12,035,644	57,265,404
Additions	-	4,585,434	4,585,434
At 31 December 2014 and 1 January 2015	45,229,760	16,621,078	61,850,838
Additions	-	1,582,184	1,582,184
At 31 December 2015	45,229,760	18,203,262	63,433,022

b) Property development costs

	Long-term leasehold land RM	Development costs RM	Total RM
Group			
At 31 December 2015			
Cumulative property development costs			
At 1 January 2015	32,688,557	85,106,937	117,795,494
Costs incurred during the year	-	16,007,279	16,007,279
At 31 December 2015	32,688,557	101,114,216	133,802,773
Cumulative costs recognised in profit or loss			
At 1 January 2015	2,265,143	39,324,087	41,589,230
Recognised during the year	6,425,464	18,523,169	24,948,633
At 31 December 2015	8,690,607	57,847,256	66,537,863
Property development costs at 31 December 2015	23,997,950	43,266,960	67,264,910
At 31 December 2014			
Cumulative property development costs			
At 1 January 2014	32,688,557	54,398,407	87,086,964
Costs incurred during the year	-	30,708,530	30,708,530
At 31 December 2014	32,688,557	85,106,937	117,795,494
Cumulative costs recognised in profit or loss			
At 1 January 2014	510,888	18,886,427	19,397,315
Recognised during the year	1,754,255	20,437,660	22,191,915
At 31 December 2014	2,265,143	39,324,087	41,589,230
Property development costs at 31 December 2014	30,423,414	45,782,850	76,206,264

19 LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

b) Property development costs (Cont'd)

Included in property development costs incurred during the financial year are:

	Group	
	2015 RM	**2014 RM**
Interest expense (Note 7)	**1,621,677**	2,579,512

The long-term leasehold land under development with carrying value of RM69,227,710 (2014: RM75,653,174) has been pledged as security for borrowings of the Group (Note 24).

20 INVENTORIES

	Group	
	2015 RM	**2014 RM**
Cost		
Motor vehicles	**3,201,309**	10,989,765
Spare parts	**4,918,149**	4,360,701
	8,119,458	15,350,466
Net realisable value		
Motor vehicles	**421,000**	1,145,852
	8,540,458	16,496,318
Less: Provision for slow-moving and obsolete inventories (Note 8)	**(586,084)**	-
	7,954,374	16,496,318

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM48,631,201 (2014: RM94,344,085).

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current				
Trade receivables				
Third parties	**19,669,633**	22,176,669	**-**	-
Amount due from a director	**-**	1,863,000	**-**	-
Amount due from a close family member of a major shareholder	**802,100**	-	**-**	-
Amounts due from companies related to a director	**68,316**	46,593	**-**	-
	20,540,049	24,086,262	**-**	-
Less: Allowance for impairment	**(4,589,654)**	(3,581,992)	**-**	-
Trade receivables, net	**15,950,395**	20,504,270	**-**	-
Other receivables				
Interest receivables	**-**	4,979,195	**-**	-
Log supply advances	**4,400,211**	4,400,211	**-**	-
Staff loans	**3,425**	3,125	**-**	-
Deposits	**1,042,488**	815,488	**-**	-
GST recoverable	**280,688**	-	**-**	-
Sundry receivables	**1,521,746**	4,836,139	**1,263,455**	2,755,681
	7,248,558	15,034,158	**1,263,455**	2,755,681
Less: Allowance for impairment	**(4,400,211)**	(9,379,406)	**-**	-
Other receivables, net	**2,848,347**	5,654,752	**1,263,455**	2,755,681
	18,798,742	26,159,022	**1,263,455**	2,755,681
Non-current				
Other receivables				
Amounts due from subsidiaries	**-**	-	**94,301,532**	94,671,405
Less: Allowance for impairment	**-**	-	**(27,958,908)**	(14,126,942)
	-	-	**66,342,624**	80,544,463
Total trade and other receivables	**18,798,742**	26,159,022	**67,606,079**	83,300,144
Add: Cash and bank balances (Note 23)	**8,100,175**	11,002,376	**7,705**	5,519
Total loans and receivables	**26,898,917**	37,161,398	**67,613,784**	83,305,663

21 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2014: 30 to 120 day).

Ageing analysis of trade receivables

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

	Group	
	2015 RM	**2014 RM**
Neither past due nor impaired	**6,343,817**	13,095,683
1 to 30 days past due not impaired	**2,482,418**	1,135,467
31 to 60 days past due not impaired	**470,647**	1,308,596
61 to 90 days past due not impaired	**336,100**	173,350
91 to 120 days past due not impaired	**1,239,382**	1,923,128
More than 121 days past due not impaired	**5,078,031**	2,868,046
	9,606,578	7,408,587
Impaired	**4,589,654**	3,581,992
	20,540,049	24,086,262

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9,606,578 (2014: RM7,408,587) that are past due at the reporting date but not impaired.

At the reporting date, the receivables that are past due but not impaired are unsecured in nature.

21 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2015	**2014**
	RM	**RM**
Individually impaired:		
Trade receivables – nominal amounts	**4,589,654**	3,581,992
Less: Allowance for impairment	**(4,589,654)**	(3,581,992)
	-	-
Movement in allowance accounts:		
At 1 January	**3,581,992**	3,581,992
Charge for the year (Note 8)	**1,007,662**	-
At 31 December	**4,589,654**	3,581,992

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) Related party balances

The amounts due from subsidiaries, a close family member of a major shareholder of the Company, companies in which a close family member of a director of the Company has interest are unsecured non-interest bearing and are repayable upon demand.

(c) Deposits

Included in deposits are amounts totalling RM59,000 (2014: RM59,000) paid to a company in which a director of the Company has interest and RM33,600 (2014: RM33,600) paid to a director of the Company.

At 31 December 2014, included in deposits was an amount of RM60,000 pledged to a bank for a guarantee given to a major supplier.

21 TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Individually impaired:				
Other receivables – nominal amounts	**4,400,211**	9,379,406	**94,301,532**	94,570,248
Less: Allowance for impairment	**(4,400,211)**	(9,379,406)	**(27,958,908)**	(14,126,942)
	-	-	**66,342,624**	80,443,306

Movement in allowance accounts:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	**9,379,406**	9,379,406	**14,126,942**	-
Charge for the year (Note 8)	**-**	-	**13,831,966**	14,126,942
Written off	**(4,979,195)**	-	**-**	-
At 31 December	**4,400,211**	9,379,406	**27,958,908**	14,126,942

22 OTHER CURRENT ASSETS

	Group	
	2015 RM	2014 RM
Prepayments	**6,855,318**	4,285,540
Accrued billings in respect of property development costs	**1,938,959**	1,262,809
	8,794,277	5,548,349

Prepayments include RM6,528,997 (2014: RM4,006,566) paid in advance to and placed with a banker as reserve to ensure future contractual repayment obligation of borrowings are met.

23 CASH AND BANK BALANCES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash at banks and on hand	**1,120,345**	1,833,306	**7,705**	5,519
Deposits with licensed banks	**6,979,830**	9,169,070	**-**	-
Cash and bank balances	**8,100,175**	11,002,376	**7,705**	5,519

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate as at 31 December 2015 for the Group was 3.0% (2014: 3.0%). The fixed deposits are renewable automatically on a yearly basis.

Included in cash at banks of the Group is an amount of RM46,251 (2014: RM526) held pursuant to Section 8A of the Housing Development (Control and Licensing) Enactment, 1978.

Deposits with licensed banks of the Group amounting to RM6,979,830 (2014: RM9,169,070) are pledged as securities for the Group's borrowings (Note 24).

Cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances				
- Continuing operations	**8,100,175**	11,002,376	**7,705**	5,519
- Disposal group held for sale (Note 12)	**43,195**	43,195	**-**	-
	8,143,370	11,045,571	**7,705**	5,519
Bank overdrafts (Note 24)	**(14,026,169)**	(17,967,541)	**-**	-
Deposits pledged	**(6,979,830)**	(9,169,070)	**-**	-
Cash and cash equivalents	**(12,862,629)**	(16,091,040)	**7,705**	5,519

24 LOANS AND BORROWINGS

	Maturity	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Current					
Secured:					
Obligations under finance leases (Note 32)	2016	**41,721**	140,931	**41,721**	98,054
Bank overdrafts (Note 23)	On demand	**14,026,169**	17,967,541	**-**	-
Bank loans at BLR + 1.5% p.a.					
- Bridging loans	2016	**5,191,445**	1,080,812	**-**	-
- Fixed loans	2016	**3,981,033**	7,768,907	**-**	-
		23,240,368	26,958,191	**41,721**	98,054
Non-current					
Secured:					
Obligations under finance leases (Note 32)	2017 -2021	**171,818**	213,466	**171,818**	213,466
Bank loans at BLR + 1.5% p.a.					
- Bridging loans	2017 -2018	**9,294,976**	14,026,041	**-**	-
- Fixed loans	2017	**2,182,406**	12,798,681	**-**	-
		11,649,200	27,038,188	**171,818**	213,466
Total loans and borrowings		**34,889,568**	53,996,379	**213,539**	311,520

The remaining maturities of the loans and borrowings as at 31 December 2015 are as follows:

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
On demand or within one year	**23,240,368**	26,958,191	**41,721**	98,054
More than 1 year and less than 2 years	**8,852,417**	13,243,826	**34,732**	41,648
More than 2 years and less than 5 years	**2,796,783**	13,732,669	**137,086**	110,125
More than 5 years	**-**	61,693	**-**	61,693
	34,889,568	53,996,379	**213,539**	311,520

24 LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14). The average discount rates implicit in the leases of the Group and of the Company are 5.33% p.a. (2014: 5.28% p.a.) and 5.33% p.a. (2014: 5.33% p.a.) respectively.

Bank overdrafts

Bank overdrafts are denominated in RM, bear interest at BLR + 1.5% p.a., BLR + 1.75% p.a. and BLR + 2% p.a..

Bank loans at BLR + 1.5% p.a.

Bridging loans - These loans are repayable by 24 monthly instalments of principal and interest commencing 24 months after the date of the first drawdown.

Fixed loans - These loans are repayable by 36 monthly instalments of principal and interest commencing 24 months after the date of the first drawdown.

The bank overdrafts and loans are secured by the following:

a) third party, first, second, third, fourth, fifth, sixth and seventh legal charges over the leasehold land under development (Note 19),

b) third party legal charge over three plots of agricultural land (Note 14),

c) assignment of rental proceeds from properties of third parties,

d) fixed deposits (Note 23) together with interest,

e) joint and several guarantee by a director of the Company and a close family member of a director of the Company,

f) a corporate guarantee by the Company,

g) debenture over fixed and floating assets of certain subsidiaries,

h) specific debenture incorporating first fixed and floating charges over all the present and future assets in relation to a property development project (Note 19), and

i) an assignment of the housing development account (Note 23) in relation to property development project (Note 19).

25 TRADE AND OTHER PAYABLES

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Current				
Trade payables				
Third parties	**18,743,250**	29,149,737	**-**	-
Retention sum payable	**2,796,282**	1,983,899	**-**	-
	21,539,532	31,133,636	**-**	-
Other payables				
Amounts due to directors	**13,741,814**	2,937,638	**300,000**	295,833
Amounts due to subsidiaries	**-**	-	**667,043**	107,264,988
Deposits	**320,332**	513,201	**-**	-
Accruals	**5,550,335**	3,123,590	**69,247**	104,897
GST payable	**43,920**	-	**-**	-
Sundry payables	**3,382,663**	3,365,868	**1,316,985**	1,302,049
	23,039,064	9,940,297	**2,353,275**	108,967,767
	44,578,596	41,073,933	**2,353,275**	108,967,767
Non-current				
Trade payables				
Retention sum payable	**700,824**	1,366,862	**-**	-
Total trade and other payables	**45,279,420**	42,440,795	**2,353,275**	108,967,767
Add: Loans and borrowings (Note 24)	**34,889,568**	53,996,379	**213,539**	311,520
Total financial liabilities carried at amortised cost	**80,168,988**	96,437,174	**2,566,814**	109,279,287

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on terms of 14 to 90 day (2014: 14 to 90 day).

(b) Sundry payables

These amounts are non-interest bearing. Sundry payables are normally settled on terms of 1 to 6 month (2014: 1 to 6 month).

(c) Amounts due to subsidiaries and directors

These amounts are unsecured, non-interest bearing and are repayable on demand.

d) Deposits

Included in deposits is an amount of RM3,000 (2014: RM6,000) received from a director of the Company for the purchase of properties being developed by the Group.

26 OTHER CURRENT LIABILITIES

	Group 2015 RM	Group 2014 RM
Progress billings in respect of property development costs	-	2,978,715
Other liability	-	1,880,000
	-	4,858,715

Other liability was arising from settlement through the mode of exchange of properties for the land for property development (Note 19).

27 DEFERRED TAX LIABILITIES

Deferred tax as at 31 December relates to the following:

	As at 1 January 2014 RM	Recognised in profit or loss RM	As at 31 December 2014/ 1 January 2015 RM	Recognised in profit or loss RM	As at 31 December 2015 RM
Group					
Deferred tax liability					
Property, plant and equipment	1,627,523	(53,125)	1,574,398	246,748	1,821,146
Deferred tax assets					
Tax losses and capital allowances	-	(115,795)	(115,795)	(150,080)	(265,875)
	1,627,523	(168,920)	1,458,603	96,668	1,555,271
Company					
Deferred tax liability					
Property, plant and equipment	10,213	(809)	9,404	(9,404)	-

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of their recoverability:

	Group 2015 RM	Group 2014 RM
Unutilised tax losses	**15,038,203**	12,717,612
Unabsorbed capital allowances	**1,522,416**	802,170
Other deductible temporary differences	**1,593,746**	-
	18,154,365	13,519,782

The availability of unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

28 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Group and Company					
	Number of ordinary shares of RM1 each		Amount			
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM
At 1 January 2014 and 31 December 2014	195,934,471	(8,672,500)	195,934,471	3,805,990	199,740,461	(3,279,648)
At 1 January 2015 and 31 December 2015	**195,934,471**	**(8,672,500)**	**195,934,471**	**3,805,990**	**199,740,461**	**(3,279,648)**

	Number of ordinary shares of RM1 each		Amount	
	2015	2014	2015 RM	2014 RM
Authorised share capital				
At 1 January and 31 December	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000

a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

b) Treasury shares

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

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

29 MERGER (DEFICIT)/RELIEF RESERVE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Merger deficit				
At 1 January and 31 December	**(8,141,012)**	(8,141,012)	**-**	-
Merger relief reserve				
At 1 January and 31 December	**-**	-	**8,075,692**	8,075,692

The merger relief reserve of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. For this acquisition the Company availed itself to the merger relief under Section 60(4) of the Companies Act, 1965.

30 CAPITAL REDEMPTION RESERVE

This represents capital redemption reserve on the cancellation of 20,494,100 treasury shares in 2009.

31 RELATED PARTY TRANSACTIONS

a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year.

	Group	
	2015 RM	**2014 RM**
Group		
Rental expenses paid to:		
- a director of the Company	**138,600**	138,600
- companies related to a director	**247,350**	249,000
Sale of goods and services to:		
- a close family member of a director	**-**	1,111,138
- a close family member of a major shareholder	**1,076,010**	-
- a director of the Company	**364,107**	2,395,893
- companies related to a director	**36,967**	13,939
Travelling and accommodation expenses paid to a company related to a director	**130,541**	122,553
Company		
Dividend income received from a subsidiary	**106,500,000**	-
Rental expenses paid to a company related to a director	**31,350**	30,000
Repairs and maintenance expenses paid to a subsidiary	**1,539**	17,162
Travelling and accommodation expenses paid to a company related to a director	**79,051**	61,725

<u>Companies related to a director</u>

These are companies in which either a director of the Company has interest or a director of the Company is also a director.

b) Compensation of key management personnel

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Short-term employee benefits	**1,332,886**	1,406,036	**745,000**	770,833
Contributions to defined contribution plan	**176,600**	183,346	**97,650**	102,750
	1,509,486	1,589,382	**842,650**	873,583

32 COMMITMENTS

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2015 **RM**	**2014** **RM**
Capital expenditure		
Approved and contracted for:		
Plant and equipment	**-**	2,980

b) Operating lease commitments - as lessee

The Group has entered into commercial operating leases for certain premises. These leases have an average tenure of between two and twenty five years with renewal option, except for a lease with no renewal option. These leases have no contingent rent provision included in the contracts.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2015 **RM**	**2014** **RM**
Not later than 1 year	**808,500**	882,000
Later than 1 year but not later than 5 years	**-**	882,000
	808,500	1,764,000

c) Operating lease commitments - as lessor

The Group has entered into commercial operating leases for certain premises. These leases have an average tenure of between two and three years.

Future minimum rental receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2015 **RM**	**2014** **RM**
Not later than 1 year	**489,000**	144,000
Later than 1 year but not later than 5 years	**805,000**	72,000
	1,294,000	216,000

32 COMMITMENTS (CONT'D)

d) Finance lease commitments

The Group and the Company have finance leases for certain items of plant and equipment (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Minimum lease payments:				
Not later than 1 year	**51,763**	155,143	**51,763**	111,760
Later than 1 year but not later than 2 years	**128,160**	51,713	**128,160**	51,713
Later than 2 years but not later than 5 years	**64,012**	128,160	**64,012**	128,160
More than 5 years	**-**	64,012	**-**	64,012
Total minimum lease payments	**243,935**	399,028	**243,935**	355,645
Less: Amounts representing finance charges	**(30,396)**	(44,631)	**(30,396)**	(44,125)
Present value of minimum lease payments	**213,539**	354,397	**213,539**	311,520
Present value of minimum lease payments:				
Not later than 1 year	**41,721**	140,931	**41,721**	98,054
Later than 1 year but not later than 2 years	**34,732**	41,648	**34,732**	41,648
Later than 2 years but not later than 5 years	**137,086**	110,125	**137,086**	110,125
Later than 5 years	**-**	61,693	**-**	61,693
Present value of minimum lease payments	**213,539**	354,397	**213,539**	311,520
Less: Amount due within 12 months (Note 24)	**(41,721)**	(140,931)	**(41,721)**	(98,054)
Amount due after 12 months (Note 24)	**171,818**	213,466	**171,818**	213,466

33 CONTINGENT LIABILITY

Legal claim

An architect filed a civil suit against both the Company and a subsidiary company for wrongful termination of his services and claims, outstanding fees with interest and loss of income amounting to RM11.4 million.

The High Court Judge directed that the claim by the architect against the subsidiary company be referred to arbitration. Upon the appointment of the Arbitrator, the High Court struck off the claim against the subsidiary company.

For the claim by the architect against the Company for its tortious act to induce a breach of contract by the subsidiary company against him, the date of hearing of both claims before an arbitrator is fixed from 6 to 10 June 2016.

No provision has been made for the damages for loss of income together with interest and cost as the Company's solicitors are of the view that the chance of success of a successful defence by the Group is strong.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value hierarchy

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used 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; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

B. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the reporting date but for which fair value is disclosed:

	Fair value measurements at the reporting period using				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying Amount**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
At 31 December 2015					
Assets (non-current):					
Investment properties (Note 15)	-	-	650,000	650,000	573,753
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 32(d))	**-**	**159,767**	**-**	**159,767**	**171,818**
At 31 December 2014					
Assets (non-current):					
Investment properties (Note 15)	-	-	650,000	650,000	583,016
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 32(d))	-	196,710	-	196,710	213,466
Company					
At 31 December 2015					
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 32(d))	**-**	**159,767**	**-**	**159,767**	**171,818**
At 31 December 2014					
Liabilities (non-current):					
Loans and borrowings					
- Obligations under finance leases (Note 32(d))	-	196,710	-	196,710	213,466

There have been no transfers between Level 1 and Level 2 during the financial year ended 31 December 2015 and 2014.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Group Carrying amount RM	Group Fair value RM	Company Carrying amount RM	Company Fair value RM
31 December 2015					
Financial liabilities:					
Loans and borrowings (non-current)					
- Obligations under finance leases	32 (d)	**171,818**	**159,767**	**171,818**	**159,767**
31 December 2014					
Financial liabilities:					
Loans and borrowings (non-current)					
- Obligations under finance leases	32 (d)	213,466	196,710	213,466	196,710

D. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	21
Cash and bank balances	23
Trade and other payables (current)	25
Trade and other payables (non-current)	25
Loans and borrowings (current)	24
Loans and borrowings (non-current)	
- Bank loans at BLR + 1.5% p.a.	24

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

<u>Finance lease obligations and bank loans</u>

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

D. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (Cont'd)

Financial guarantees

Fair value is determined based on probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;

- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;

- The estimated loss exposure if the party guaranteed were to default.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors reviews and agrees policies for managing each 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 years, 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.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

a) Credit risk

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. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) Credit risk (Cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the profile of its trade receivables on an ongoing basis.

At the reporting date, approximately:

- 31% (2014: 53%) of the Group's trade receivables were due from 3 (2014: 7) major customers, of which 2 (2014: 2) of the major customers are also the main suppliers of the Group,

- 4% (2014: 8%) of the Group's trade receivables were due from related parties,

- 99% (2014: 97%) of the Company's other receivables were due from subsidiaries of the Company.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks and other financial institutions are placed with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mis matches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities. At the reporting date, approximately 67% (2014: 50%) of the Group's loans and borrowings (Note 24) will mature in less than one year based on the carrying amount reflected in the financial statements.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Group			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 December 2015				
Financial liabilities:				
Loans and borrowings	**24,420,368**	**12,197,172**	**-**	**36,617,540**
Trade and other payables	**44,578,596**	**784,702**	**-**	**45,363,298**
Total undiscounted financial liabilities	**68,998,964**	**12,981,874**	**-**	**81,980,838**
31 December 2014				
Financial liabilities:				
Loans and borrowings	26,972,399	29,951,873	64,012	56,988,284
Trade and other payables	41,073,933	1,569,403	-	42,643,336
Total undiscounted financial liabilities	68,046,332	31,521,276	64,012	99,631,620

	Company			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
31 December 2015				
Financial liabilities:				
Loans and borrowings	**51,763**	**192,172**	**-**	**243,935**
Trade and other payables	**2,353,275**	**-**	**-**	**2,353,275**
Financial guarantees*	**51,770,863**	**-**	**-**	**51,770,863**
Total undiscounted financial liabilities	**54,175,901**	**192,172**	**-**	**54,368,073**
31 December 2014				
Financial liabilities:				
Loans and borrowings	111,760	179,873	64,012	355,645
Trade and other payables	108,967,767	-	-	108,967,767
Financial guarantees*	82,000,000	-	-	82,000,000
Total undiscounted financial liabilities	191,079,527	179,873	64,012	191,323,412

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because 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.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the reporting date approximately, 0.61% (2014: 0.66%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 1% lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM200,679 (2014: RM239,915) lower/higher and the Company's profit net of tax would have been RM2,547 (2014: RM2,621) higher/lower respectively, arising mainly as a result of the net effect of lower/higher interest expense on loans and borrowings and lower/higher interest income from deposits. The assumed movement percentage for interest rate sensitivity analysis is based on the currently observable market environment.

36 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio under 50%. The Group includes within net debt, loans and borrowings, trade and other payables less cash and bank balances. Capital includes equity attributable to the owners of the Company.

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Loans and borrowings	24	**34,889,568**	53,996,379	**213,539**	311,520
Trade and other payables	25	**45,279,420**	42,440,795	**2,353,275**	108,967,767
Less: Cash and bank balances	23	**(8,100,175)**	(11,002,376)	**(7,705)**	(5,519)
Net debt		**72,068,813**	85,434,798	**2,559,109**	109,273,768
Equity attributable to the owners of the Company		**120,808,769**	127,677,799	**103,794,439**	119,581,632
Total capital		**120,808,769**	127,677,799	**103,794,439**	119,581,632
Capital and net debt		**192,877,582**	213,112,597	**106,353,548**	228,855,400
Gearing ratio		**37%**	40%	**2%**	48%

37 COMPARATIVES

The following comparative amounts as at 31 December 2014 have been reclassified to conform with the current year's presentation:

	As previously stated RM	Reclassifications RM	As reclassified RM
Group			
Administrative expenses	17,355,319	(2,138,150)	15,217,169
Other expenses	-	2,138,150	2,138,150
Company			
Administrative expenses	12,242,354	(10,363,089)	1,879,265
Other expenses	-	14,620,381	14,620,381
Finance costs	4,271,420	(4,257,292)	14,128
Trade and other receivables			
-Current	83,300,144	(80,544,463)	2,755,681
-Non-current	-	80,544,463	80,544,463

The above re-classification have no financial impact on the opening balance as at 1 January 2014. Accordingly, comparative figures related to statement of financial positions as at beginning of 31 December 2014 are not presented.

38 SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

i. Timber – sale of timber logs and related timber products and holding of timber concession and tree plantation.

ii. Automotive – sale and distribution of motor vehicles and provision of related services.

iii. Property – development and construction of property.

iv. Other – involved in Group-level corporate services and investment holding activity.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

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

Transactions between operating segments are at terms agreed between the parties during the year.

38 SEGMENT INFORMATION (CONT'D)

	Timber RM	Automotive RM	Property RM	Others RM	Disposal group held for sale RM	Adjustments and eliminations RM	Notes	Consolidated financial statements RM
31 December 2015								
Revenue:								
External customers	-	68,402,015	30,621,791	-	-	-		99,023,806
Results:								
Interest income	93	198,569	1,941	23,620	-	-		224,223
Depreciation and amortisation	58,085	2,679,548	134,101	151,257	-	-		3,022,991
Other non-cash expenses	-	2,588,015	-	-	-	-	A	2,588,015
Segment (loss)/profit	(102,841)	(5,436,314)	2,965,317	(1,847,014)	-	-		(4,420,852)
Assets:								
Additions to non-current assets	335,607	2,155,369	1,591,852	2,000	-	-	B	4,084,828
Segment assets	34,846,888	30,129,493	148,549,402	95,906,743	7,632,807	(94,911,149)	C	222,154,184
Segment liabilities	30,033,163	48,883,533	95,279,987	2,579,864	2,142,953	(93,554,910)	D	85,364,590

38 SEGMENT INFORMATION (CONT'D)

	Timber RM	Automotive RM	Property RM	Others RM	Disposal group held for sale RM	Adjustments and eliminations RM	Notes	Consolidated financial statements RM
31 December 2014								
Revenue:								
External customers	-	108,172,663	32,106,561	-	-	-		140,279,224
Results:								
Interest income	731	130,273	202,632	3,343	-	-		336,979
Depreciation and amortisation	60,438	3,134,282	133,750	252,879	-	-		3,581,349
Other non-cash expenses	-	2,138,150	-	-	-	-	A	2,138,150
Segment (loss)/profit	(92,095)	(8,297,894)	7,422,413	(2,874,549)	-	-		(3,842,125)
Assets:								
Additions to non-current assets	317,712	4,517,002	4,587,241	302,492	-	-	B	9,724,447
Segment assets	141,401,141	45,557,179	157,528,008	97,973,375	7,632,807	(201,890,140)	C	248,202,370
Segment liabilities	29,957,970	58,314,189	105,822,958	109,308,885	2,142,953	(200,533,899)	D	105,013,056

38 SEGMENT INFORMATION (CONT'D)

Notes **Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

A Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2015 RM	2014 RM
Plant and equipment written off	8	**-**	50,769
Impairment loss on trade and other receivables	8	**1,007,662**	-
Impairment loss on property, plant and equipment	8	**994,269**	2,087,381
Provision for slow-moving and obsolete inventories	8	**586,084**	-
		2,588,015	2,138,150

B Additions to non-current assets consist of:

	2015 RM	2014 RM
Property, plant and equipment	**2,170,466**	4,821,301
Land held for property development	**1,582,184**	4,585,434
Biological assets	**332,178**	317,712
	4,084,828	9,724,447

C The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2015 RM	2014 RM
Inter-segment assets, representing inter-company balances	**(94,911,149)**	(201,890,140)

D The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2015 RM	2014 RM
Deferred tax liabilities	**1,356,239**	1,356,241
Inter-segment liabilities, representing inter-company balances	**(94,911,149)**	(201,890,140)
	(93,554,910)	(200,533,899)

38 SEGMENT INFORMATION (CONT'D)

Information about major customers

Revenue from two (2014: two) major customers amount to RM5,660,916 (8% of revenue of Automotive segment) and RM5,592,272 (8% of revenue of Automotive segment) respectively (2014: RM3,805,675 (4% of revenue of Automotive segment) and RM3,091,754 (3% of revenue of Automotive segment) respectively), arising from services by Automotive segment.

39 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 12 April 2016.

40 SUPPLEMENTARY INFORMATION – BREAKDOWN OF ACCUMULATED LOSSES INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2015 and 31 December 2014 into realised and unrealised profits is 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 RM	Company RM
31 December 2015		
Total accumulated losses of the Company and its subsidiaries		
- Realised	**(86,449,861)**	**(121,236,166)**
- Unrealised	**(1,555,271)**	**-**
Accumulated losses as per financial statements	**(88,005,132)**	**(121,236,166)**
31 December 2014		
Total accumulated losses of the Company and its subsidiaries		
- Realised	(79,677,499)	(105,439,569)
- Unrealised	(1,458,603)	(9,404)
Accumulated losses as per financial statements	(81,136,102)	(105,448,973)

ANALYSIS OF SHAREHOLDINGS

As at 1 April 2016

SHARE CAPITAL AS AT 1 APRIL 2016

Authorised Share Capital	:	RM1,000,000,000.00
Issued and Paid-up Capital	:	RM187,261,971.00 *
Class of Shares	:	Ordinary shares of RM1.00 each
Number of Holders	:	2,999 *
Voting Right	:	One vote per ordinary share

* The issued and paid up capital is as per Record of Depositors as at 1 April 2016 exclusive of 8,672,500 Permaju Industries Berhad treasury shares bought back.

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS AS AT 1 APRIL 2016

Size of holdings	No. of Shares	% of Total Issued Capital	No. of Holders	% of Total Shareholders
1 – 99	580	0.00	12	0.40
100 – 1,000	740,200	0.40	773	25.78
1,001 – 10,000	6,370,548	3.40	1,118	37.28
10,001 – 100,000	35,275,100	18.84	936	31.21
100,001 – 9,363,097*	121,064,943	64.65	158	5.27
9,363,098 and above**	23,810,600	12.71	2	0.06
	187,261,971	100.00	2,999	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2016
(Based on Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct No. of shares	Direct % *	Indirect No. of shares	Indirect % *
Dato' Chai Kin Loong	13,810,600	7.37	#27,130,596	14.49
Tan Sri Datuk Chai Kin Kong	20,052,900	10.71	#20,888,296	11.15
Chai Kim Chong	7,077,696	3.78	#33,863,500	18.08
Dato' Chua Tiong Moon	15,529,571	8.29	-	-

* Exclusive of treasury shares bought back.

\# Deemed interest by virtue of Dato' Chai Kin Loong, Tan Sri Datuk Chai Kin Kong and Chai Kim Chong are brothers.

ANALYSIS OF SHAREHOLDINGS
As at 1 April 2016

DIRECTORS' SHAREHOLDINGS AS AT 1 APRIL 2016
(Based on Register of Directors' Shareholdings)

Name of Directors	Direct No. of shares	Direct % *	Indirect No. of shares	Indirect % *
Dato' Chua Tiong Moon	15,529,571	8.29	-	-
Datuk Wira Rahadian Mahmud bin Mohammad Khalil	-	-	-	-
Datuk Muhamad Yasin bin Yahya	-	-	-	-
Low Teng Lum	-	-	-	-
Chai Woon Yun	-	-	-	-
Chang Yew Kwong	-	-	-	-
Lee Caw Cing	-	-	-	-

* Exclusive of treasury shares bought back.

LIST OF TOP 30 SECURITIES ACCOUNT HOLDERS AS AT 1 APRIL 2016
(Without aggregating securities from different securities accounts belonging to the same registered holder)

No	Name	No. of Shares Held	% of Total Issued Capital
1	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Dato' Chai Kin Loong	13,810,600	7.37
2	Amsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Sri Datuk Chai Kin Kong	10,000,000	5.34
3	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Dato' Chua Tiong Moon	8,128,571	4.34
4	RHB Nominees (Asing) Sdn Bhd Exempt AN for RHB Securities Singapore Pte Ltd	8,100,000	4.33
5	Chai Kim Chong	7,077,696	3.78
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Sri Datuk Chai Kin Kong	5,900,000	3.15
7	Gina Gan	5,688,700	3.04
8	Amsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Bright Memory Sdn Bhd	5,055,700	2.70
9	Amsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Dato' Chua Tiong Moon	5,000,000	2.67
10	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Sri Datuk Chai Kin Kong	4,152,900	2.22
11	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Mary Tan @ Tan Hui Ngoh	3,893,300	2.08

ANALYSIS OF SHAREHOLDINGS
As at 1 April 2016

No	Name	No. of Shares Held	% of Total Issued Capital
12	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Goldmatrix Resources Sdn Bhd	2,880,100	1.54
13	Lim Chau Liang	2,831,300	1.51
14	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Julung Prestasi Sdn Bhd	2,564,000	1.37
15	Ting Sing Hong	2,450,000	1.31
16	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Dato' Chua Tiong Moon	2,400,000	1.28
17	Lew Yong Meng	2,038,000	1.09
18	Amsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Kok Aun	1,752,300	0.94
19	TA Nominees (Tempatan) Sdn Bhd Pledged securities account for Tan Ann Gee	1,699,900	0.91
20	Oh Ching Meng	1,600,000	0.85
21	Oh Ching Meng	1,300,000	0.69
22	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Evergreen City Holdings Sdn Bhd	1,255,800	0.67
23	Chai Woon Min	1,250,000	0.67
24	Lau Keng Mong	1,125,200	0.60
25	Tung Yan Yok	1,115,000	0.60
26	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Wong Hieng Chhiung	1,100,000	0.59
27	Lee Chai Yieng	1,000,000	0.53
28	Tan Hock Huat	1,000,000	0.53
29	Tee Yong	1,000,000	0.53
30	Tung Yan Yok	975,900	0.52
	Total	**108,144,967**	**57.75**

LIST OF PROPERTIES
(31.12.2015)

Location	Description and Existing use	Tenure (Years)	Expiring Date	Land Area (Acre)	Age of Building (Years)	Net Book Value (RM)
1) CL105137068 Pasir Putih District of Tawau, Sabah	Sawmill/Plywood Mill	99	31.12.2097	16.71	20-32	1,806,660
2) CL105422099 Pasir Putih District of Tawau, Sabah	Log Storage Yard	99	31.12.2079	2.43	n/a	205,125
3) Lot 1 of CL105103179 CL105101326 CL105102878 Pasir Putih District of Tawau, Sabah	Timber Storage Warehouse/Film Overlay Plywood Mill	999*	14.08.2927 19.02.2924 22.04.2924	8.45	19	1,566,233
4) TL107515935 Fajar Complex District of Tawau, Sabah	6 Stories Inter-mediate Com-mercial Building	999	31.12.2895	1950 sq ft	15	860,029
5) HSD 160571 to 160573, Lot PT Nos. 26665 to 26667 respectively, Mukim of Setul, Seremban, Negeri Sembi-lan	Timber Planta-tion	99	10.06.2103	299.98 acres	n/a	24,279,564

* After subdivision of the parent titles, the issuance of land titles to individual subdivided lots would have a tenure of 99 years lease.

Notes:

Date of last revaluation for items 1 to 3 : 06 October 1999
Date of last revaluation of item 4 : 14 June 2002
Date of acquisition of item 5 : 18 January 2010

PROXY FORM

#CDS account no. of authorised nominee

Permaju Industries Berhad
(Company No: 379057-V)
(Incorporated in Malaysia)

I/We ____
(name of shareholder as per NRIC, in capital letters)

NRIC No. ____________________ (new) ______________ (old)/ID No./Company No. ______________

of ____
(full address)

being a member(s) of the abovenamed Company, hereby appoint ______________________
(name of proxy as per NRIC, in capital letters)

NRIC No. ____________________ (new) ______________ (old) or failing him/her ______________________
(name of proxy as per NRIC, in capital letters)

NRIC No. ____________________ (new) ______________ (old) or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at the Cempaka Room, 2nd Level, Hyatt Regency Kinabalu, Jalan Datuk Salleh Sulong, 88991 Kota Kinabalu, Sabah on Friday, 17 June 2016 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

		Resolutions	For	Against
Resolution 1	-	Approval of Directors' fees of RM300,000		
		Re-election of Directors:		
Resolution 2	-	Dato' Chua Tiong Moon		
Resolution 3	-	Lee Caw Cing		
Resolution 4	-	Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to determine their remuneration		
Resolution 5	-	Continuing in office for Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya		

(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this __________ day of ____________________ 2016

Number of shares held

For appointment of two proxies, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%

____
Signature/Common Seal of Appointer

Contact No. Of Shareholder/ Proxy: ______________

NOTES:

1 A member entitled to attend and vote at the Annual General Meeting shall be entitled to appoint not more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy need not be a member of the Company and if not a member he/she need not be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.

2 Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3 The form of proxy or power of attorney if executed by a corporation must be executed under Common Seal.

4 The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at Lot 95, Ground Floor Room 1, DBKK No. K-4, Lorong Plaza Permai 2, Alamesra, Sulaman Coastal Highway, 88400 Kota Kinabalu, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.

5 If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.

6 Those proxy forms which are indicated with "√" in the spaces provided to show how the votes are to be cast will also be accepted.

7 Only members registered in the Record of Depositors as at 9 June 2016 shall be eligible to attend the meeting or appoint proxies and vote on their behalf.

\# Applicable to shares held through a nominee account.

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AFFIX
STAMP

The Company Secretaries

Permaju Industries Berhad
(379057-V)

Lot 95, Ground Floor Room 1
DBKK No. K-4, Lorong Plaza Permai 2
Alamesra, Sulaman Coastal Highway
88400 Kota Kinabalu
Sabah

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