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# INGRESS TECHNOLOGIES SDN. BHD.
(235492-V)
(Incorporated in Malaysia)

## Directors' Report and Audited Financial Statements
31 January 2016

235492-V

**Ingress Technologies Sdn. Bhd.**
**(Incorporated in Malaysia)**

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## Directors' report

The directors have pleasure presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2016.

## Principal activities

The principal activities of the Company are that of manufacturer and supplier of medium and high tonnage pressed parts and sub-assembly parts using welding technologies.

The principal activities of the subsidiary company is described in Note 13 to the financial statements.

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

## Results

| | Group RM | Company RM |
|---|---|---|
| Profit net of tax | 6,400,850 | 7,347,425 |
| Profit attributable to: | | |
| Owners of the Company | 6,400,850 | 7,347,425 |

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.

## Dividends

The amount of dividends paid by the Company since 31 January 2015 were as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 January 2015 as reported in the directors' report of that financial year: | |
| Single tier final dividend of 18.75% on 20,000,000 ordinary shares, declared on 15 May 2015 and paid on 29 May 2015 | 3,750,000 |

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**Dividends (cont'd.)**

The amount of dividends paid by the Company since 31 January 2015 were as follows (cont'd.):

| | RM |
|---|---|
| In respect of the financial year ended 31 January 2016: | |
| Single tier interim dividend of 18.75% on 20,000,000 ordinary shares, declared on 27 November 2015 and paid on 31 December 2015 | 3,750,000 |
| | 7,500,000 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 January 2016, of 18.75% single tier dividend on 20,000,000 ordinary shares, amounting to a dividend payable of RM3,750,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2017.

**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 Rameli bin Musa
Datuk Aminar Rashid bin Salleh
Affandi bin Mokhtar
Zainal Abidin bin Ahmad
Abdul Rahim bin Haji Hitam
Huda binti Datuk Rameli
Hamidi bin Maulod

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company is 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.

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**Directors' benefits (cont'd.)**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 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.

**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 its related corporations during the financial year were as follows:

| | <-------Number of ordinary shares of RM1 each-------> | | | |
|---|---|---|---|---|
| | **1 February 2015** | **Acquired** | **Sold** | **31 January 2016** |
| **Penultimate Holding Company - Ramdawi Sdn Bhd** | | | | |
| **Direct interest:** | | | | |
| Datuk Rameli bin Musa | 7,000,000 | - | - | 7,000,000 |
| **Ultimate Holding Company - Ingress Corporation Berhad** | | | | |
| **Direct interest:** | | | | |
| Datuk Rameli bin Musa | 8,602,800 | - | - | 8,602,800 |
| **Deemed interest:** | | | | |
| Datuk Rameli bin Musa | 75,097,200 | - | - | 75,097,200 |

Datuk Rameli bin Musa by virtue of his interest in shares in the holding company is also deemed interested in shares of the Company and its related corporations to the extent the holding company has an interest.

The other directors in office at the end of the financial year have no interest in shares in the Company or its related corporations during the financial year.

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**Other statutory information**

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

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment of receivables and satisfied themselves that there are no known bad debts and adequate allowance for impairment had been made for receivables; and

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

(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 allowance for impairment of receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to 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) As 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 in respect of the Group or of the Company which has arisen since the end of the financial year.

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**Other statutory information (cont'd.)**

(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 its obligations as and when they fall due; and

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

**Significant event**

Significant event is disclosed in Note 32 to the financial statements.

**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 21 March 2016.

Datuk Rameli bin Musa

Hamidi bin Maulod

Kuala Lumpur, Malaysia

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**Statement by directors**
**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Datuk Rameli bin Musa and Hamidi bin Maulod, being two of the Directors of Ingress Technologies Sdn. Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 73 are drawn up in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2016 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 March 2016.

Datuk Rameli bin Musa

Hamidi bin Maulod

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

I, Affandi bin Mokhtar, being the officer primarily responsible for the financial management of Ingress Technologies Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 73 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 Affandi bin Mokhtar
at Kuala Lumpur in Wilayah Persekutuan
on 21 March 2016

Affandi bin Mokhtar

Before me,

PESURUHJAYA SUMPAH
No. W666
KAMALA LOSHANEE
A/P AMBALAVANAR
MALAYSIA

Suite 1705, B1-1, Plaza Damas 3,
Jalan Sri Hartamas 1, 50480 Kuala Lumpur.

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**Independent auditors' report to the members of Ingress Technologies Sdn. Bhd. (Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Ingress Technologies Sdn. Bhd., which comprise statements of financial position as at 31 January 2016 of the Group and of the Company, and 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 9 to 73.

*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 Malaysian Financial Reporting Standards, International 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 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 judgement, 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 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 Company'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.

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**Independent auditors' report to the members of Ingress Technologies Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)**

*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 January 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirements**

In accordance with the provisions 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 have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' report on the financial statements of the subsidiary were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**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

Kuala Lumpur, Malaysia
21 March 2016

Nik Rahmat Kamarulzaman Bin Nik Ab. Rahman
No. 1759/02/18(J)
Chartered Accountant

**Ingress Technologies Sdn. Bhd.**
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**Statements of comprehensive income**
**For the financial year ended 31 January 2016**

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| Revenue | 4 | 154,742,177 | 175,803,693 | 154,104,129 | 175,338,090 |
| Cost of sales | 5 | (129,884,908) | (148,252,163) | (129,234,388) | (147,682,282) |
| Gross profit | | 24,857,269 | 27,551,530 | 24,869,741 | 27,655,808 |
| Other income | 6 | 1,909,892 | 2,573,633 | 1,897,484 | 2,561,200 |
| Administrative expenses | | (16,865,497) | (15,831,709) | (15,934,999) | (19,349,928) |
| Other expenses | | (256,064) | (261,513) | (252,150) | (257,816) |
| Finance costs | 7 | (3,294,679) | (2,298,007) | (3,294,679) | (2,298,007) |
| Profit before tax | 8 | 6,350,921 | 11,733,934 | 7,285,397 | 8,311,257 |
| Income tax expense | 10 | 49,929 | 1,666,766 | 62,028 | 1,666,766 |
| Profit for the financial year | | 6,400,850 | 13,400,700 | 7,347,425 | 9,978,023 |
| *Other comprehensive income:* | | | | | |
| Revaluation of land and buildings for the financial year, net of tax | | 4,079,017 | - | 4,079,017 | - |
| Foreign currency translation, | | 68,601 | (142,366) | - | - |
| Total comprehensive income for the financial year | | 10,548,468 | 13,258,334 | 11,426,442 | 9,978,023 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 6,400,850 | 13,400,700 | 7,347,425 | 9,978,023 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 10,548,468 | 13,258,334 | 11,426,442 | 9,978,023 |

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

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**Statements of financial position**
**As at 31 January 2016**

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 102,976,516 | 68,370,993 | 102,278,735 | 67,579,125 |
| Intangible assets | 12 | 246,885 | 183,665 | 246,885 | 183,665 |
| Investment in a subsidiary | 13 | - | - | - | - |
| Deferred tax assets | 14 | 11,156,607 | 12,115,590 | 11,156,607 | 12,115,590 |
| | | 114,380,008 | 80,670,248 | 113,682,227 | 79,878,380 |
| **Current assets** | | | | | |
| Inventories | 15 | 12,808,524 | 13,106,955 | 12,784,738 | 13,098,122 |
| Finance lease receivables | 16 | - | 1,263,188 | - | 1,263,188 |
| Trade and other receivables | 17 | 103,607,833 | 107,921,073 | 103,816,991 | 106,547,604 |
| Tax recoverable | | 735,141 | - | - | - |
| Investment securities | 18 | 1,313,949 | 28,287,050 | 1,313,949 | 28,287,050 |
| Cash and bank balances | 19 | 8,199,565 | 11,405,812 | 8,193,249 | 11,340,979 |
| | | 126,665,012 | 161,984,078 | 126,108,927 | 160,536,943 |
| **Total assets** | | 241,045,020 | 242,654,326 | 239,791,154 | 240,415,323 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Loans and borrowings | 20 | 20,518,823 | 16,272,667 | 20,518,823 | 16,272,667 |
| Trade and other payables | 21 | 23,548,629 | 33,491,079 | 23,041,864 | 32,877,151 |
| Tax payable | | - | 269,009 | - | 269,009 |
| | | 44,067,452 | 50,032,755 | 43,560,687 | 49,418,827 |

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**Statements of financial position (cont'd.)**
**As at 31 January 2016**

| | Note | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 20 | 48,910,726 | 47,603,197 | 48,910,726 | 47,603,197 |
| **Total liabilities** | | 92,978,178 | 97,635,952 | 92,471,413 | 97,022,024 |
| **Net assets** | | 148,066,842 | 145,018,374 | 147,319,741 | 143,393,299 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 22 | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| Revaluation reserve | 23 | 13,725,507 | 9,784,785 | 13,725,507 | 9,784,785 |
| Foreign exchange reserve | | (202,202) | (270,803) | - | - |
| Retained earnings | 24 | 114,543,537 | 115,504,392 | 113,594,234 | 113,608,514 |
| **Total equity** | | 148,066,842 | 145,018,374 | 147,319,741 | 143,393,299 |
| **Total equity and liabilities** | | 241,045,020 | 242,654,326 | 239,791,154 | 240,415,323 |

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

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**Statements of changes in equity**
**For the financial year ended 31 January 2016**

| | | <-----Non-distributable----> | | Distributable | |
|---|---|---|---|---|---|
| **Group** | **Share capital RM** | **Revaluation reserve RM** | **Foreign exchange reserve RM** | **Retained earnings RM** | **Total RM** |
| **At 1 February 2015** | 20,000,000 | 9,784,785 | (270,803) | 115,504,392 | 145,018,374 |
| Total comprehensive income for the financial year | - | 4,079,017 | 68,601 | 6,400,850 | 10,548,468 |
| Transfer revaluation surplus to retained earnings | - | (138,295) | - | 138,295 | - |
| Dividends on ordinary shares (Note 31) | - | - | - | (7,500,000) | (7,500,000) |
| **At 31 January 2016** | 20,000,000 | 13,725,507 | (202,202) | 114,543,537 | 148,066,842 |
| **At 1 February 2014** | 20,000,000 | 10,027,821 | (128,437) | 109,360,656 | 139,260,040 |
| Total comprehensive income for the financial year | - | - | (142,366) | 13,400,700 | 13,258,334 |
| Transfer revaluation surplus to retained earnings | - | (243,036) | - | 243,036 | - |
| Dividends on ordinary shares (Note 31) | - | - | - | (7,500,000) | (7,500,000) |
| **At 31 January 2015** | 20,000,000 | 9,784,785 | (270,803) | 115,504,392 | 145,018,374 |
| **Company** | | | | | |
| **At 1 February 2015** | 20,000,000 | 9,784,785 | - | 113,608,514 | 143,393,299 |
| Total comprehensive income for the financial year | - | 4,079,017 | - | 7,347,425 | 11,426,442 |
| Transfer revaluation surplus to retained earnings | - | (138,295) | - | 138,295 | - |
| Dividends on ordinary shares (Note 31) | - | - | - | (7,500,000) | (7,500,000) |
| **At 31 January 2016** | 20,000,000 | 13,725,507 | - | 113,594,234 | 147,319,741 |

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**Statements of changes in equity (cont'd.)**
**For the financial year ended 31 January 2016**

| | <-----Non-distributable----> | | | Distributable | |
|---|---|---|---|---|---|
| **Company (cont'd.)** | **Share capital RM** | **Revaluation reserve RM** | **Foreign exchange reserve RM** | **Retained earnings RM** | **Total RM** |
| **At 1 February 2014** | 20,000,000 | 10,027,821 | - | 110,887,455 | 140,915,276 |
| Total comprehensive income for the financial year | - | - | - | 9,978,023 | 9,978,023 |
| Transfer revaluation surplus to retained earnings | - | (243,036) | - | 243,036 | - |
| Dividends on ordinary shares (Note 31) | - | - | - | (7,500,000) | (7,500,000) |
| **At 31 January 2015** | 20,000,000 | 9,784,785 | - | 113,608,514 | 143,393,299 |

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

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**Statements of cash flow**
**For the financial year ended 31 January 2016**

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before tax | 6,350,921 | 11,733,934 | 7,285,397 | 8,311,257 |
| Adjustments for: | | | | |
| Investment and interest income | (428,444) | (33,749) | (428,444) | (33,749) |
| Interest expense | 3,430,130 | 2,298,007 | 3,429,154 | 2,310,716 |
| Depreciation of property, plant and equipment | 6,329,754 | 6,986,540 | 6,194,923 | 6,862,97 |
| Amortisation of intangible assets | 77,868 | 87,758 | 77,868 | 87,758 |
| Property, plant and equipment written off | 9 | 10 | 9 | 10 |
| Gain on disposal of property, plant and equipment | - | (52) | - | (52) |
| Allowance for impairment of | | | | |
| - Other receivables | 373,937 | 1,568,154 | - | 1,568,154 |
| - Related companies | - | - | - | 1,843,252 |
| Allowance for impairment of investment in a subsidary | - | - | - | 1,933,057 |
| Unrealised foreign exchange gain | (526,297) | (247,083) | (526,297) | (247,083) |
| Total adjustments | 9,256,957 | 10,659,585 | 8,747,213 | 14,325,037 |
| **Operating cash flows before changes in working capital** | 15,607,878 | 22,393,519 | 16,032,610 | 22,636,29 |
| Changes in working capital | | | | |
| (Increase)/decrease in inventories | 298,432 | (6,909,508) | 313,384 | (7,104,705) |
| Decrease in trade and other receivables | 5,773,795 | 8,911,990 | 5,300,249 | 8,632,405 |
| Decrease/(increase) in investment securities | 26,973,101 | (27,070,209) | 26,973,101 | (27,070,209) |
| Decrease/(increase) in trade and other payables | (10,342,465) | 9,650,814 | (10,223,196) | 9,820,434 |
| Total changes in working capital | 22,702,863 | (15,416,913) | 22,363,538 | (15,722,075) |

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**Statements of cash flow**
**For the financial year ended 31 January 2016 (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| **Cash generated from operations** | 38,310,741 | 6,976,606 | 38,396,148 | 6,914,219 |
| Interest paid | (3,430,130) | (2,298,007) | (3,429,155) | (2,310,716) |
| Income taxes paid | (378,352) | (561,068) | (378,352) | (561,068) |
| Net cash flows generated from operating activities | 34,502,259 | 4,117,531 | 34,588,641 | 4,042,435 |
| **Cash flows from investing activities** | | | | |
| Investment income and interest received | 428,444 | 33,749 | 428,444 | 33,749 |
| Purchase of property, plant and equipment | (36,077,413) | (12,473,811) | (36,077,413) | (12,417,821) |
| Proceed from disposal of property, plant and equipment | - | 169,999 | - | 169,999 |
| Purchase of intangible assets | (141,088) | - | (141,088) | - |
| Net cash used in investing activities | (35,790,057) | (12,270,063) | (35,790,057) | (12,214,073) |
| **Cash flows from financing activities** | | | | |
| Dividends paid | (7,500,000) | (7,500,000) | (7,500,000) | (7,500,000) |
| Increase in deposits restricted | (9,112) | (8,465) | (9,112) | (8,465) |
| Net drawdown of loans and borrowings | 5,553,685 | 12,034,723 | 5,553,685 | 12,034,723 |
| Net cash generated from/ (used in) financing activities | (1,955,427) | 4,526,258 | (1,955,427) | 4,526,258 |
| **Net decrease in cash and bank balances** | (3,243,225) | (3,626,274) | (3,156,842) | (3,645,380) |
| Effects of foreign exchange rate changes | 27,866 | - | - | - |
| **Cash and cash equivalents at 1 February** | 11,124,854 | 14,751,128 | 11,060,021 | 14,705,401 |
| **Cash and cash equivalents at 31 January (Note 19)** | 7,909,495 | 11,124,854 | 7,903,179 | 11,060,021 |

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

## 1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at Lot 11, Jalan Jasmine 4, Kawasan Perindustrian Bukit Beruntung, TST 29, 48009 Rawang, Selangor Darul Ehsan.

The immediate holding company is Ingress Industrial (Malaysia) Sdn Bhd ("IIM") which is incorporated and domiciled in Malaysia. IIM is a wholly owned subsidiary of Ingress Industrial (Thailand) Co., Ltd ("IIT"), a company incorporated and domiciled in Thailand. IIT is a wholly owned subsidiary of Ingress Corporation Berhad ("ICB" or "ultimate holding company"), a company incorporated and domiciled in Malaysia and ICB is a wholly owned subsidiary of Ramdawi Sdn Bhd ("penultimate holding company"), a company incorporated and domiciled in Malaysia.

The principal activities of the Company are that of manufacturer and supplier and sub-assembly parts using welding technologies of medium to high tonnage pressed parts. The principal activity of the subsidiary is manufacturing of automotive components of motor vehicles.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 March 2016.

## 2. Summary of significant accounting policies

### 2.1 Adoption of new and revised MFRSs

As of 1 January 2015, the Group and the Company have adopted the following new and revised MFRSs and IC Interpretation, Amendments to MFRSs and IC Interpretation that have been issued by the Malaysian Accounting Standards Board:

**Effective for annual periods beginning on or after 1 July 2014**

| | |
|---|---|
| Amendments to MFRS 13 | Fair Value Measurement (Annual Improvements 2011-2013 Cycle) |
| Amendments to MFRS 124 | Related Party Disclosures (Annual Improvements 2010-2012 Cycle) |
| Amendments to MFRS 140 | Investment Property (Annual Improvements 2011-2013 Cycle) |

## 2. Summary of significant accounting policies (cont'd.)

### 2.1 Adoption of new and revised MFRSs (cont'd.)

**Effective for annual periods beginning on or after 1 July 2014 (cont'd.)**

| | |
|---|---|
| Amendments to MFRS 3 | Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle) |
| Amendments to MFRS 116 | Property, Plant and Equipment and MFRS 138 Intangible Assets (Annual Improvements 2010-2012 Cycle) |
| Amendments to MFRS 119 | Employee Benefits (Annual Improvements to MFRSs 2012 - 2014 Cycle) |

**Effective for annual periods beginning on or after 1 January 2016**

| | |
|---|---|
| Amendments to MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle) |
| Amendments to MFRS 11 | Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations |
| MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 116 | Property, Plant and Equipment – Agriculture: Bearer Plants |
| Amendments to MFRS 138 | Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to MFRS 141 | Agriculture – Agriculture: Bearer Plants |

The adoption of the abovementioned pronouncements did not have any significant financial impact to the Group and the Company.

### 2.2 Pronouncements not yet in effect

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

**Effective for annual periods beginning on or after 1 January 2016**

| | |
|---|---|
| Amendments to MFRS 7 | Financial Instruments Disclosures: (Annual Improvements to MFRSs 2012 - 2014 Cycle) |

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Pronouncements not yet in effect (cont'd)

**Effective for annual periods beginning on or after 1 January 2016 (cont'd.)**

| | |
|---|---|
| Amendments to MFRS 10 | Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to MFRS 10 | Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception |
| Amendments to MFRS 12 | Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception |
| Amendments to MFRS 101 | Presentation of Financial Statements - Disclosure Initiative |
| Amendments to MFRS 116 | Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to MFRS 127 | Separate Financial Statements: Equity Method in Separate Financial Statements |

**Effective for annual periods beginning on or after 1 January 2018**

| | |
|---|---|
| MFRS 9 | Financial Instruments |
| MFRS 15 | Revenue from Contracts with Customers |

**Effective for annual periods beginning on or after a date to be determined by the MASB**

| | |
|---|---|
| Amendments to MFRS 10 | Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and the Company in the period of initial application.

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 New pronouncements not applicable to the Group and the Company

The MASB has issued pronouncements which are not effective, but for which are not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

**Effective for annual periods beginning on or after 1 January 2016**

| | |
|---|---|
| Amendments to MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle) |
| Amendments to MFRS 11 | Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations |
| MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 116 | Property, Plant and Equipment – Agriculture: Bearer Plants |
| Amendments to MFRS 138 | Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to MFRS 141 | Agriculture – Agriculture: Bearer Plants |

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. The financial statements of the subsidiary 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

## 2. Significant accounting policies (cont'd.)

### 2.4 Basis of consolidation (cont'd.)

(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.

A subsidiary is 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 a subsidiary that do not result in the Group losing control over the subsidiary 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 subsidiary. 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.

**Business combinations**

Acquisitions of the subsidiary 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 MFRS 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 MFRS 139, it is measured in accordance with the appropriate MFRS.

## 2. Significant accounting policies (cont'd.)

### 2.4 Basis of consolidation (cont'd.)

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.

The consolidated accounts incorporate the accounts for the Company and its subsidiary whereby the subsidiary is consolidated using the merger accounting principles. Under the merger accounting principles, the cost of investment in the Company's records are recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as a merger reserve, a non distributable reserve, or merger deficit. Merger deficits are adjusted against the income statement in the year of merger. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

### 2.5 Foreign currency

#### (a) 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.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary 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.

**2. Significant accounting policies (cont'd.)**

**2.5 Foreign currency (cont'd.)**

**(b) Foreign currency transactions (cont'd.)**

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

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

**(c) Foreign operations**

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

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

**2.6 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 Company and the cost of the item can be measured reliably.

## 2. Significant accounting policies (cont'd.)

### 2.6 Property, plant and equipment (cont'd.)

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. The surplus is transfered as the asset is used and the amount of surplus transfered would be the depreciation on the valuation surplus. Transfer from revaluation surplus to retained earning are not made through profit and loss.

Freehold land has an unlimited useful life and therefore is not depreciated. Costs of tooling utilized for specific product model are depreciated using the units of production method. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Buildings | 2% |
| Plant, machinery and tools | 10% - 40% |
| Motor vehicles, furniture and fittings and renovations. | 10% - 20% |

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

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

## 2. Significant accounting policies (cont'd.)

### 2.6 Property, plant and equipment (cont'd.)

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.

### 2.7 Intangible assets

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

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

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

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

*Software*
The software was acquired separately and is amortised on a straight line basis over its finite useful life of 5 years.

### 2.8 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.

## 2. Significant accounting policies (cont'd.)

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

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

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

### 2.9 Subsidiary

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 subsidiary 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. Significant accounting policies (cont'd.)

### 2.10 Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, and loans and receivables.

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

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

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

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

The Group and the Company designate its investment securities as financial assets of fair value through profit or loss.

#### (ii) Loans and receivables

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

## 2. Significant accounting policies (cont'd.)

### 2.10 Financial assets (cont'd.)

#### (ii) Loans and receivables (cont'd.)

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

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

The Group and the Company designated trade and other receivable and cash and bank balances as loans and receivables.

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

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

### 2.11 Impairment of financial assets

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

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

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

## 2. Significant accounting policies (cont'd.)

### 2.11 Impairment of financial assets (cont'd.)

#### (i) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

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

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

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

### 2.12 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 and the Company's cash management.

For the purpose of statements of cash flows, cash and cash equivalents include cash on hands and deposits with licensed bank with an original maturnity of 3 month or less, less cash restricted from use due to debt covenant requirements.

### 2.13 Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate proportion of production overheads. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## 2. Significant accounting policies (cont'd.)

### 2.13 Inventories (cont'd.)

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

### 2.14 Financial liabilities

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

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

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

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

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

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

#### (ii) Other financial liabilities

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

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

## 2. Significant accounting policies (cont'd.)

### 2.14 Financial liabilities (cont'd.)

#### (ii) Other financial liabilities (cont'd.)

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

For other financial liabilities, gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

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

### 2.15 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 statement of comprehensive income 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. Significant accounting policies (cont'd.)

### 2.16 Employee benefits

#### (i) Short term benefits

Wages, salaries, bonuses and social security contribution are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plans

The Group and the Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund ("EPF") 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.

### 2.17 Leases

#### (i) As lessee

Finance leases, which transfer to the Group and the Company 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 statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

**2. Significant accounting policies (cont'd.)**

**2.17 Leases (cont'd.)**

**(i) 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 and the Company 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 statement of comprehensive income 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.

**(ii) As lessor**

The present value of lease payments receivable under a finance lease is recognised as lease receivables. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return on the balance outstanding.

**2.18 Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

**(i) Sale of goods**

Revenue from sale of goods is recognised net of sales taxes and discounts 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.

**(ii) Interest income**

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

## 2. Significant accounting policies (cont'd.)

### 2.19 Income taxes

#### (i) Current tax

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

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

#### (ii) Deferred tax

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

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

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

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

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

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

## 2. Significant accounting policies (cont'd.)

### 2.19 Income taxes (cont'd.)

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial 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 statement of comprehensive income is recognised outside statement of comprehensive income. 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.

### 2.20 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. Significant accounting policies (cont'd.)

### 2.21 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is classified as current when it is:

(a) expected to be realised or intended to be sold or consumed in a normal operating cycle;

(b) held primarily for the purpose of trading;

(c) expected to be realised within twelve months after the reporting period; or

(d) 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 classified as current when:

(a) it is expected to be settled in a normal operating cycle;

(b) it is held primarily for the purpose of trading;

(c) it is due to be settled within twelve months after the reporting period; or

(d) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets are classified as non-current assets.

### 2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

## 2. Significant accounting policies (cont'd.)

### 2.23 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, 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 initially recognised less cumulative amortisation.

### 2.24 Construction contracts

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

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

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

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

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

## 2. Significant accounting policies (cont'd.)

### 2.25 Fair value measurement

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

The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

**(i) Financial instruments**

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market within the bid-ask spread at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

**(ii) Non-financial assets**

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**3. Significant accounting judgments and estimates**

The preparation of the Group's and the Company'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.

**(a) 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:

**(i) Income taxes and deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's and the Company's tax payable and deferred tax are as disclosed in Notes 10 and 14.

**3. Significant accounting judgments and estimates (cont'd.)**

**(a) Key sources of estimation uncertainty (cont'd.)**

**(ii) Impairment of property, plant and equipment**

The Group carried out the impairment test when indication exists and based on a variety of estimation including the value-in-use of the property, plant and equipment. Estimating the value-in-use requires the Group to make an estimate of expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the property, plant and equipment of the Group and the Company as at 31 January 2016 are disclosed in Note 11.

**(iii) Useful life of property, plant and equipment**

The Group estimates the useful life of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful life of property, plant and equipment is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property, plant and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

**(vii) 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 will default or significant delay in payments.

## 4. Revenue

Revenue of the Group and of the Company consists of sales of goods net of discounts.

## 5. Cost of sales

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Direct variable costs | 111,376,198 | 127,272,656 | 111,101,584 | 127,067,900 |
| Fixed overhead costs | 12,377,443 | 14,170,903 | 12,112,165 | 13,921,467 |
| Depreciation and amortisation costs | 6,131,267 | 6,808,604 | 6,020,639 | 6,692,915 |
| | 129,884,908 | 148,252,163 | 129,234,388 | 147,682,282 |

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## 6. Other income

Included in other income are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Interest income on: | | | | |
| - Fixed deposits | 9,112 | 8,465 | 9,112 | 8,465 |
| - Intercompany advances from a related company | - | 25,284 | - | 25,284 |
| - Finance lease receivables | 85,068 | 155,847 | 85,068 | 155,847 |
| Fair value gain on held for trading investment securities | 426,899 | 70,209 | 426,899 | 70,209 |
| Investment income - Hibah | 1,545 | 13,791 | 1,545 | 1,358 |
| Foreign exchange gain: | | | | |
| - Unrealised | 526,297 | 247,083 | 526,297 | 247,083 |
| - Realised | 3,451 | - | 3,451 | - |
| Gain on disposal of property, plant and equipment | - | 52 | - | 52 |
| Income from compensation | - | 1,987,548 | - | 1,987,548 |
| Compensation for breakdown of machine | 780,675 | - | 780,675 | - |
| Miscellaneous income | 76,845 | 65,354 | 64,437 | 65,354 |
| | 1,909,892 | 2,573,633 | 1,897,484 | 2,561,200 |

## 7. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Finance costs on: | | | | |
| - Loan from immediate holding company in relation to Syndicated Commodity Murabahah Term Financing Islamic Facility | 1,393,718 | 1,270,651 | 1,393,718 | 1,270,651 |
| - Bai Bithaman Ajil Machinery Facility | 1,679,009 | 998,351 | 1,679,009 | 998,351 |
| - Hire purchase and Al-Ijarah lease payables | - | 7,909 | - | 7,909 |
| - Revolving credit | 209,968 | 21,096 | 209,968 | 21,096 |
| - Bankers acceptance | 11,984 | - | 11,984 | - |
| | 3,294,679 | 2,298,007 | 3,294,679 | 2,298,007 |

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## 8. Profit before taxation

The following amounts have been included at arriving at profit before taxation:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Employee benefits expense (Note 9) | 21,036,599 | 22,949,609 | 20,823,204 | 22,759,408 |
| Directors' fees | 62,000 | 60,000 | 62,000 | 60,000 |
| Auditors' remuneration: | | | | |
| - Statutory audit | 108,632 | 105,632 | 46,000 | 43,000 |
| - Other services | 146,999 | - | 60,000 | - |
| Management fees paid to holding company (Note 25) | 4,661,839 | 4,693,999 | 4,661,839 | 4,693,999 |
| Depreciation of property, plant and equipment (Note 11) Charged to: | | | | |
| - Cost of sales | 6,131,267 | 6,808,604 | 6,020,641 | 6,692,915 |
| - Operating expenses | 198,487 | 172,769 | 174,284 | 170,059 |
| Amortisation of intangible assets (Note 12) | 77,868 | 87,758 | 77,868 | 87,758 |
| Property, plant and equipment written off (Note 11) | 9 | 10 | 9 | 10 |
| Rental expense to third parties | 471,718 | 438,493 | 471,718 | 403,465 |
| Rental expense to a related company (Note 25) | 96,092 | 90,764 | - | - |
| Allowance for impairment: | | | | |
| - Other receivables | - | 505,570 | - | 505,570 |
| - Related companies | - | - | - | 1,843,252 |
| Allowance for impairment of investment in a subsidiary (Note 13) | - | - | 1,933,057 | 1,933,057 |
| Realised loss on foreign exchange | 105,045 | - | 105,045 | - |

## 9. Employee benefits expense

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Wages and salaries | 15,291,194 | 14,849,803 | 15,096,024 | 14,683,431 |
| Bonus | 1,484,111 | 2,344,132 | 1,483,162 | 2,328,395 |
| Contributions to defined contribution plan | 1,796,798 | 1,922,674 | 1,796,798 | 1,922,674 |
| Social security contributions | 194,949 | 210,356 | 193,629 | 202,263 |
| Other benefits | 2,269,547 | 3,622,644 | 2,253,591 | 3,622,645 |
| | 21,036,599 | 22,949,609 | 20,823,204 | 22,759,408 |

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,852,556 (2015: RM858,470).

## 10. Income tax expense

**Major components of income tax expense**

The major components of income tax expense for the years ended 31 January 2016 and 2015 are as follows:

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Current income tax | | | | |
| - Malaysian income tax | 340,823 | 821,169 | 328,724 | 821,169 |
| - (Over) / under provision in prior financial year | (611,626) | 7,998 | (611,626) | 7,998 |
| | (270,803) | 829,167 | (282,902) | 829,167 |
| Deferred income tax (Note 14): | | | | |
| - Origination and reversal of temporary differences | 1,155,092 | (1,566,053) | 1,155,092 | (1,566,053) |
| - Over provision in prior financial year | (934,218) | (929,880) | (934,218) | (929,880) |
| | 220,874 | (2,495,933) | 220,874 | (2,495,933) |
| Income tax expense recognised in profit or loss | (49,929) | (1,666,766) | (62,028) | (1,666,766) |

## 10. Income tax expense (cont'd.)

### Reconciliation between tax expense and accounting profit

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. The effects arising from the reduction in tax rate is not material to the Group and to the Company. Taxation for other jurisdictions is calculated at the prevailing rate of the respective jurisdictions.

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate against the income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Profit before tax | 6,350,921 | 11,733,934 | 7,285,397 | 8,311,257 |
| Tax at Malaysian statutory tax rate of 24% (2015: 25%) | 1,524,221 | 2,933,483 | 1,748,495 | 2,077,814 |
| Expenses not deductible for tax purposes | 3,901,885 | 49,573 | 3,665,512 | 905,242 |
| Deferred tax assets recognised on reinvestment and investment tax allowance | (3,930,191) | (3,727,940) | (3,930,191) | (3,727,940) |
| Under provision of income tax in previous financial year | (611,626) | 7,998 | (611,626) | 7,998 |
| Over provision of deferred tax in previous financial year | (934,218) | (929,880) | (934,218) | (929,880) |
| Income tax expenses recognised in profit or loss | (49,929) | (1,666,766) | (62,028) | (1,666,766) |

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

## 10. Income tax expense (cont'd.)

### Reconciliation between tax expense and accounting profit (cont'd.)

Tax savings during the financial year arising from:

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Utilisation of reinvestment allowances brought forward | 3,195,942 | 2,292,125 | 3,195,942 | 2,292,125 |
| Utilisation of current year capital allowances | 9,920,089 | 16,935,686 | 9,920,089 | 16,935,686 |
| | 13,116,031 | 19,227,811 | 13,116,031 | 19,227,811 |

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## 11. Property, plant and equipment

| Group | Land and buildings* RM | Plant, machinery and tools RM | Motor vehicles RM | Furniture and fittings RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|
| **At 31 January 2016** | | | | | | |
| **At Cost/Valuation** | | | | | | |
| At 1 February 2015 | 44,449,916 | 144,598,311 | 620,093 | 32,103,570 | 307,484 | 222,079,374 |
| Additions | 447,600 | 186,401 | 212,545 | 65,384 | 35,165,485 | 36,077,415 |
| Write-off | - | (12,395) | - | (36,733) | - | (49,128) |
| Reclassification | - | 4,519,483 | - | - | (4,519,483) | - |
| Revaluation surplus | 4,817,128 | - | - | - | - | 4,817,128 |
| Exchange differences | - | 43,040 | - | 5,055 | - | 48,095 |
| At 31 January 2016 | 49,714,644 | 149,334,840 | 832,638 | 32,137,276 | 30,953,486 | 262,972,884 |
| Representing: | | | | | | |
| At cost | - | 149,334,840 | 832,638 | 32,137,276 | 30,953,486 | 213,258,240 |
| At valuation | 49,714,644 | - | - | - | - | 49,714,644 |
| **At 31 January 2016** | 49,714,644 | 149,334,840 | 832,638 | 32,137,276 | 30,953,486 | 262,972,884 |
| **Accumulated depreciation** | | | | | | |
| At 1 February 2015 | 4,368,755 | 120,476,543 | 517,830 | 28,345,253 | - | 153,708,381 |
| Charge for the financial year | 905,193 | 5,226,074 | 30,019 | 168,468 | - | 6,329,754 |
| Write-off | - | (12,394) | - | (36,725) | - | (49,119) |
| Reclassification | - | 55,663 | - | (55,663) | - | - |
| Exchange differences | - | 6,277 | - | 1,075 | - | 7,352 |
| At 31 January 2016 | 5,273,948 | 125,752,163 | 547,849 | 28,422,408 | - | 159,996,368 |

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## 11. Property, plant and equipment (cont'd.)

| Group | Land and buildings* RM | Plant, machinery and tools RM | Motor vehicles RM | Furniture and fittings RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|
| **Net carrying amount (cont'd.)** | | | | | | |
| At cost | - | 23,582,677 | 284,789 | 3,714,868 | 30,953,486 | 58,535,820 |
| At valuation | 44,440,696 | - | - | - | - | 44,440,696 |
| **At 31 January 2016** | 44,440,696 | 23,582,677 | 284,789 | 3,714,868 | 30,953,486 | 102,976,516 |
| **At 31 January 2015** | | | | | | |
| **At Cost/Valuation** | | | | | | |
| At 1 February 2014 | 44,444,236 | 122,785,459 | 914,318 | 29,185,212 | 22,142,767 | 219,471,992 |
| Restatement | - | - | - | - | (9,383,721) | (9,383,721) |
| Restated balance at 1 February 2014 | 44,444,236 | 122,785,459 | 914,318 | 29,185,212 | 12,759,046 | 210,088,271 |
| At 1 February 2014 | 44,444,236 | 122,785,459 | 914,318 | 29,185,212 | 12,759,046 | 210,088,271 |
| Additions | 10,680 | 801,969 | 97,960 | 670,249 | 10,851,538 | 12,432,396 |
| Write-off | (5,000) | - | - | (92,151) | - | (97,151) |
| Disposal | - | - | (392,185) | - | - | (392,185) |
| Reclassification | - | 20,967,843 | - | 2,335,257 | (23,303,100) | - |
| Revaluation | | | | | | - |
| Exchange differences | - | 43,040 | - | 5,003 | - | 48,043 |
| At 31 January 2015 | 44,449,916 | 144,598,311 | 620,093 | 32,103,570 | 307,484 | 222,079,374 |

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## 11. Property, plant and equipment (cont'd.)

### At 31 January 2015 (Cont'd.)

### At Cost/Valuation (cont'd.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Representing: | | | | | | |
| At cost | - | 144,598,311 | 620,093 | 32,103,570 | 307,484 | 177,629,458 |
| At valuation | 44,449,916 | - | - | - | - | 44,449,916 |
| **At 31 January 2015** | 44,449,916 | 144,598,311 | 620,093 | 32,103,570 | 307,484 | 222,079,374 |
| **Accumulated depreciation** | | | | | | |
| At 1 February 2014 | 3,477,108 | 115,784,266 | 711,501 | 27,061,717 | - | 147,034,592 |
| Charge for the financial year | 896,646 | 4,682,356 | 28,567 | 1,373,804 | - | 6,981,373 |
| Write-off | (4,999) | - | - | (92,142) | - | (97,141) |
| Disposal | - | - | (222,238) | - | - | (222,238) |
| Exchange differences | - | 9,921 | - | 1,874 | - | 11,795 |
| At 31 January 2015 | 4,368,755 | 120,476,543 | 517,830 | 28,345,253 | - | 153,708,381 |
| **Net carrying amount** | | | | | | |
| At cost | - | 24,121,768 | 102,263 | 3,758,317 | 307,484 | 28,289,832 |
| At valuation | 40,081,161 | - | - | - | - | 40,081,161 |
| **At 31 January 2015** | 40,081,161 | 24,121,768 | 102,263 | 3,758,317 | 307,484 | 68,370,993 |

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## 11. Property, plant and equipment

| Company<br><br>**At 31 January 2016** | Land and buildings* RM | Plant, machinery and tools RM | Motor vehicles RM | Furniture and fittings RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|
| **At Cost/Valuation** | | | | | | |
| At 1 February 2015 | 44,449,916 | 143,648,142 | 620,093 | 31,991,980 | 307,484 | 221,017,615 |
| Additions | 447,600 | 186,401 | 212,545 | 65,386 | 35,165,485 | 36,077,417 |
| Write-off | - | (12,395) | - | (36,733) | - | (49,128) |
| Reclassification | - | 4,519,483 | - | - | (4,519,483) | - |
| Revaluation surplus | 4,817,128 | - | - | - | - | 4,817,128 |
| At 31 January 2016 | 49,714,644 | 148,341,631 | 832,638 | 32,020,633 | 30,953,486 | 261,863,032 |
| Representing: | | | | | | |
| At cost | - | 148,341,631 | 832,638 | 32,020,633 | 30,953,486 | 212,148,388 |
| At valuation | 49,714,644 | - | - | - | - | 49,714,644 |
| **At 31 January 2016** | 49,714,644 | 148,341,631 | 832,638 | 32,020,633 | 30,953,486 | 261,863,032 |
| **Accumulated depreciation** | | | | | | |
| At 1 February 2015 | 4,368,755 | 120,249,720 | 517,830 | 28,302,185 | - | 153,438,490 |
| Charge for the financial year | 905,194 | 5,115,447 | 30,019 | 144,265 | - | 6,194,925 |
| Write-off | - | (12,394) | - | (36,724) | - | (49,118) |
| Reclassification | - | - | - | - | - | - |
| At 31 January 2016 | 5,273,949 | 125,352,773 | 547,849 | 28,409,726 | - | 159,584,297 |

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## 11. Property, plant and equipment (cont'd.)

| Company | Land and buildings* RM | Plant, machinery and tools RM | Motor vehicles RM | Furniture and fittings RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|
| **At 31 January 2016** | | | | | | |
| **Net carrying amount** | | | | | | |
| At cost | - | 22,988,858 | 284,789 | 3,610,907 | 30,953,486 | 57,838,040 |
| At valuation | 44,440,695 | - | - | - | - | 44,440,695 |
| **At 31 January 2016** | 44,440,695 | 22,988,858 | 284,789 | 3,610,907 | 30,953,486 | 102,278,735 |
| **At 31 January 2015** | | | | | | |
| **At Cost/Valuation** | | | | | | |
| At 1 February 2014 | 44,444,236 | 121,878,330 | 914,318 | 29,093,200 | 22,142,767 | 218,472,851 |
| Restatement | - | - | - | - | (9,383,721) | (9,383,721) |
| Restated balance at 1 February 2014 | 44,444,236 | 121,878,330 | 914,318 | 29,093,200 | 12,759,046 | 209,089,130 |
| At 1 February 2014 | 44,444,236 | 121,878,330 | 914,318 | 29,093,200 | 12,759,046 | 209,089,130 |
| Additions | 10,680 | 801,969 | 97,960 | 655,674 | 10,851,538 | 12,417,821 |
| Write-off | (5,000) | - | - | (92,151) | - | (97,151) |
| Disposal | - | - | (392,185) | - | - | (392,185) |
| Reclassification | - | 20,967,843 | - | 2,335,257 | (23,303,100) | - |
| At 31 January 2015 | 44,449,916 | 143,648,142 | 620,093 | 31,991,980 | 307,484 | 221,017,615 |

**Ingress Technologies Sdn. Bhd.**
**(Incorporated in Malaysia)**

**11. Property, plant and equipment (cont'd.)**

| | Land and buildings* RM | Plant, machinery and tools RM | Motor vehicles RM | Furniture and fittings RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|
| **Company (cont'd.)** | | | | | | |
| **At 31 January 2015 (cont'd.)** | | | | | | |
| **At Cost/Valuation (cont'd.)** | | | | | | |
| Representing: | | | | | | |
| At cost | - | 143,648,142 | 620,093 | 31,991,980 | 307,484 | 176,567,699 |
| At valuation | 44,449,916 | - | - | - | - | 44,449,916 |
| **At 31 January 2015** | 44,449,916 | 143,648,142 | 620,093 | 31,991,980 | 307,484 | 221,017,615 |
| **Accumulated depreciation** | | | | | | |
| At 1 February 2014 | 3,477,108 | 115,665,107 | 711,501 | 27,041,179 | - | 146,894,895 |
| Charge for the financial year | 896,646 | 4,584,613 | 28,567 | 1,353,148 | - | 6,862,974 |
| Write-off | (4,999) | - | - | (92,142) | - | (97,141) |
| Disposal | - | - | (222,238) | - | - | (222,238) |
| At 31 January 2015 | 4,368,755 | 120,249,720 | 517,830 | 28,302,185 | - | 153,438,490 |
| **Net carrying amount** | | | | | | |
| At cost | - | 23,398,422 | 102,263 | 3,689,795 | 307,484 | 27,497,964 |
| At valuation | 40,081,161 | - | - | - | - | 40,081,161 |
| **At 31 January 2015** | 40,081,161 | 23,398,422 | 102,263 | 3,689,795 | 307,484 | 67,579,125 |

Ingress Technologies Sdn. Bhd.
(Incorporated in Malaysia)

## 11. Property, plant and equipment (cont'd.)

*** Land and building:**

| | Group/Company | | | |
|---|---|---|---|---|
| | Freehold land RM | Buildings RM | Renovation RM | Total RM |
| **At 31 January 2016** | | | | |
| **At Valuation** | | | | |
| At 1 February 2015 | 11,300,000 | 30,220,000 | 2,929,916 | 44,449,916 |
| Additions | - | - | 447,600 | 447,600 |
| Revaluation surplus | 2,200,000 | 2,617,128 | - | 4,817,128 |
| At 31 January 2016 | 13,500,000 | 32,837,128 | 3,377,516 | 49,714,644 |
| **Accumulated depreciation** | | | | |
| At 1 February 2015 | - | 1,732,211 | 2,636,544 | 4,368,755 |
| Charge for the year | - | 760,777 | 144,416 | 905,193 |
| At 31 January 2016 | - | 2,492,988 | 2,780,960 | 5,273,948 |
| **At valuation** | 13,500,000 | 30,344,140 | 596,556 | 44,440,696 |
| **At 31 January 2015** | | | | |
| **At Valuation** | | | | |
| At 1 February 2014/ | 11,300,000 | 30,220,000 | 2,924,236 | 44,444,236 |
| Additions | - | - | 10,680 | 10,680 |
| Write off | - | - | (5,000) | (5,000) |
| At 31 January 2015 | 11,300,000 | 30,220,000 | 2,929,916 | 44,449,916 |
| **Accumulated depreciation** | | | | |
| At 1 February 2014 | - | 989,835 | 2,487,273 | 3,477,108 |
| Charge for the year | - | 742,376 | 154,270 | 896,646 |
| Write off | - | - | (4,999) | (4,999) |
| At 31 January 2015 | - | 1,732,211 | 2,636,544 | 4,368,755 |
| **At valuation** | 11,300,000 | 28,487,789 | 293,372 | 40,081,161 |

## 11. Property, plant and equipment (cont'd.)

(a) Freehold land and building were revalued on 20 October 2015 based on revaluation performed by accredited independent valuer. The valuation is based on reference to open market value on an existing use basis.

At 31 January 2016, had the revalued freehold land and factories of the Company been carried at historical cost, the carrying amount of these properties would have been included in the financial statement of the Group and Company is RM28,514,693 (2015: RM29,075,452).

(b) In addition to assets held under finance lease, the Company's freehold land and building with a carrying amount of RM28,239,641 (2015: RM28,780,080) are mortgaged to secure the holding company's bank loans.

The Company's plant, machinery and tools with a carrying amount of RM16,344,806 (2015: RM19,603,835) are also pledged against the Company's Bai Bithaman Ajil Machinery Facility.

## 12. Intangible assets

| | Group/Company | |
|---|---|---|
| **Computer software** | **2016** | **2015** |
| | **RM** | **RM** |
| **At Cost** | | |
| At 1 February | 2,727,095 | 2,727,095 |
| Additions | 141,088 | - |
| At 31 January | 2,868,183 | 2,727,095 |
| **Accumulated amortisation** | | |
| At 1 February | 2,543,430 | 2,455,672 |
| Amortisation | 77,868 | 87,758 |
| At 31 January | 2,621,298 | 2,543,430 |
| **Net carrying amount** | | |
| At 31 January | 246,885 | 183,665 |

## 13. Investment in a subsidiary

| | Company 2016 RM | Company 2015 RM |
|---|---|---|
| Unquoted shares, at cost | 1,933,057 | 1,933,057 |
| Less: Impairment losses | (1,933,057) | (1,933,057) |
| | - | - |

Details of the subsidiary is as follows:

| Name of subsidiary | Country of incorporation | Equity interest held 2016 (%) | Equity interest held 2015 (%) | Principal activities |
|---|---|---|---|---|
| PT Ingress Technologies Indonesia ("PTITI") | Indonesia | 100 | 100 | Manufacturing of automotive components for motor vehicles |

## 14. Deferred tax

| | Group/Company 2016 RM | Group/Company 2015 RM |
|---|---|---|
| At 1 February | (12,115,590) | (9,619,657) |
| Recognised in profit or loss (Note 10) | 220,874 | (2,495,933) |
| Recognised in equity | 738,109 | - |
| At 31 January | (11,156,607) | (12,115,590) |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | (16,314,132) | (14,073,482) |
| Deferred tax liabilities | 5,157,525 | 1,957,892 |
| | (11,156,607) | (12,115,590) |

**14. Deferred tax (cont'd.)**

**Deferred tax liabilities of the Group and of the Company:**

| | Others RM | Revaluation reserve RM | Total RM |
|---|---|---|---|
| At 1 February 2015 | 364,275 | 1,593,617 | 1,957,892 |
| Recognised in profit or loss | 2,461,524 | 738,109 | 3,199,633 |
| At 31 January 2016 | 2,825,799 | 2,331,726 | 5,157,525 |
| At 1 February 2014 | 467,747 | 1,593,617 | 2,061,364 |
| Recognised in profit or loss | (103,472) | - | (103,472) |
| At 31 January 2015 | 364,275 | 1,593,617 | 1,957,892 |

**Deferred tax assets of the Group and of the Company:**

| | Accelerated depreciation RM | Unabsorbed reinvestment allowance RM | Total RM |
|---|---|---|---|
| At 1 February 2015 | 1,482,102 | (15,555,584) | (14,073,482) |
| Recognised in profit or loss | (2,240,650) | - | (2,240,650) |
| At 31 January 2016 | (758,548) | (15,555,584) | (16,314,132) |
| At 1 February 2014 | 1,626,162 | (13,307,183) | (11,681,021) |
| Recognised in profit or loss | (144,060) | (2,248,401) | (2,392,461) |
| At 31 January 2015 | 1,482,102 | (15,555,584) | (14,073,482) |

## 15. Inventories

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| **Cost** | | | | |
| Raw materials and consumables | 7,246,573 | 6,319,351 | 7,232,048 | 6,310,518 |
| Purchased parts | 1,492,645 | 2,087,691 | 1,492,645 | 2,087,691 |
| Work-in-progress | 1,313,442 | 1,728,746 | 1,310,408 | 1,728,746 |
| Finished goods | 2,750,802 | 2,966,135 | 2,744,575 | 2,966,135 |
| Others | 5,062 | 5,032 | 5,062 | 5,032 |
| | 12,808,524 | 13,106,955 | 12,784,738 | 13,098,122 |

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and the Company were RM100,680,492 (2015: RM95,180,389) and RM100,533,203 (2015: RM94,242,240) respectively.

## 16. Finance lease receivables

| | Group/Company 2016 RM | Group/Company 2015 RM |
|---|---|---|
| **Future minimum lease receivable** | | |
| Not later than 1 year | - | 1,363,065 |
| Less: Unearned interest income | - | (99,877) |
| Present value of finance lease receivable | - | 1,263,188 |
| **Analysis of present value of finance lease receivable:** | | |
| Not later than 1 year | - | 1,263,188 |

Finance lease receivable relates to amount due from Perodua Manufacturing Sdn. Bhd. in relation to the leased asset. The effective interest on the finance lease receivable is 7.00% (2015: 6.75%) per annum.

## 17. Trade and other receivables

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 11,909,691 | 18,019,993 | 11,900,049 | 18,017,540 |
| Amount due from related companies | 918,655 | 1,060,583 | 712,699 | 503,098 |
| | 12,828,346 | 19,080,576 | 12,612,748 | 18,520,638 |
| **Other receivables** | | | | |
| Due from intermediate holding company | 81,600,500 | 81,118,224 | 81,600,500 | 81,118,224 |
| Due from ultimate holding company | 6,530 | 6,530 | 6,530 | 6,530 |
| Due from a subsidiary | - | - | 1,925,165 | 1,843,252 |
| Due from related companies | 4,487,937 | 3,859,703 | 4,487,937 | 3,859,703 |
| Staff advance | 237,998 | 130,216 | 237,998 | 130,216 |
| Deposits | 226,761 | 226,761 | 226,761 | 226,761 |
| Downpayments | 1,012,254 | 1,476,852 | 264,380 | 1,476,852 |
| Prepayments | 446,197 | 528,184 | 446,197 | 523,373 |
| Sundry receivables | 4,703,401 | 3,062,181 | 5,420,181 | 2,253,461 |
| | 92,721,578 | 90,408,651 | 94,615,649 | 91,438,372 |
| Less: Allowance for impairment | (1,942,091) | (1,568,154) | (3,411,406) | (3,411,406) |
| | 90,779,487 | 88,840,497 | 91,204,243 | 88,026,966 |
| Total trade and other receivables | 103,607,833 | 107,921,073 | 103,816,991 | 106,547,604 |
| Add: Cash and bank balances (Note 19) | 8,199,565 | 11,405,812 | 8,193,249 | 11,340,979 |
| Less: Prepayments | (446,197) | (528,184) | (446,197) | (523,373) |
| Total loans and receivables | 111,361,201 | 118,798,701 | 111,564,043 | 117,365,210 |

**17. Trade and other receivables (cont'd.)**

**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2015: 30 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Company has significant concentration of credit risk as two of its customers account for 90% (2015: 92%) of the balance outstanding as at 31 January 2016.

Ageing analysis of trade receivables

The ageing analysis of the Group and the Company's trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Neither past due nor impaired | 7,387,380 | 16,577,271 | 11,714,961 | 16,260,420 |
| 1 to 30 days past due not impaired | 4,316,488 | 345,077 | 730,720 | 271,202 |
| 31 to 60 days past due not impaired | 1,092,845 | 1,601,541 | 167,067 | 1,496,429 |
| 61 to 90 days past due not impaired | 24,879 | 339,760 | - | 275,660 |
| More than 91 days past due not impaired | 6,754 | 216,927 | - | 216,927 |
| | 5,440,966 | 2,503,305 | 897,787 | 2,260,218 |
| | 12,828,346 | 19,080,576 | 12,612,748 | 18,520,638 |

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 Company.

Receivables that are past due but not impaired

The Group and the Company has trade receivables amounting to RM5,440,966 (2015: RM2,503,305) and RM897,787 (2015: RM2,260,218) respectively that are past due at the reporting date but not impaired.

## 17. Trade and other receivables (cont'd.)

### (b) Related party balances and staff loans

The amounts due from holding and related companies are non-interest bearing, unsecured and to be settled in cash with no fixed terms of repayment except for an amount of RM Nil (2015: RM771,618) due from a related company is unsecured, bears an interest of Nil % (2015: 9.1%) per annum and is repayable on demand.

The amounts due from intermediate holding company is as a result of novation of debts from penultimate holding company which is in line with the restructuring in the ICB

Further details on significant related party transactions are disclosed in Note 25.

Staff loans are unsecured and non-interest bearing.

**Other receivables that are impaired**

At the reporting date, the Group and the Company has provided an impairment allowance of RM3,411,406 (2015: RM3,411,406) and RM1,568,154 (2015: RM1,942,091) respectively in respect of amount due from a third party and a subsidiary.

*Movement in allowance accounts*

| | Group | | Company | |
|---|---|---|---|---|
| | 2016<br>RM | 2015<br>RM | 2016<br>RM | 2015<br>RM |
| At 1 February | (1,568,154) | (1,568,154) | (3,411,406) | - |
| Impairment losses | (373,937) | - | - | (3,411,406) |
| At 31 January | (1,942,091) | (1,568,154) | (3,411,406) | (3,411,406) |

## 18. Investment securities

| | Group/Company | |
|---|---|---|
| | 2016<br>RM | 2015<br>RM |
| *Held for trading investments* | | |
| - Equity instrument (quoted in Malaysia) | 1,313,949 | 28,287,050 |
| Market value of quoted investment | 1,313,949 | 28,287,050 |

## 19. Cash and bank balances

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Cash on hand and at banks | 7,909,495 | 11,124,854 | 7,903,179 | 11,060,021 |
| Deposits with a licensed bank | 290,070 | 280,958 | 290,070 | 280,958 |
| | 8,199,565 | 11,405,812 | 8,193,249 | 11,340,979 |
| Less: Deposit restricted with a licensed bank | (290,070) | (280,958) | (290,070) | (280,958) |
| Cash and cash equivalents | 7,909,495 | 11,124,854 | 7,903,179 | 11,060,021 |

The weighted average interest rate for deposits during the financial year and the average maturities of deposits as at 31 January 2016 are 3.14% (2015: 3.01%) per annum and 365 days (2015: 365 days) respectively.

Included in deposits with licensed bank of the Group is an amount of RM290,070 ( 2015 : RM280,958) which are restricted for the purpose of the financing facilities granted by a licensed bank.

## 20. Loans and borrowings

| | Group / Company 2016 RM | Group / Company 2015 RM |
|---|---|---|
| **Current borrowings** | | |
| Secured: | | |
| Bai Bithaman Ajil Machinery Facility | 13,619,933 | 11,872,191 |
| Revolving credit | 2,895,418 | 2,000,000 |
| Bankers Acceptance | 1,091,959 | - |
| Loan from immediate holding company in relation to Muamalat term financing-I (MTF-i) | 411,159 | - |
| Tawarruq-i Term Financing 2 Islamic Facility | 2,500,354 | 2,400,476 |
| **Total current term loans and borrowings** | 20,518,823 | 16,272,667 |
| **Non-current** | | |
| Secured: | | |
| Bai Bithaman Ajil Machinery Facility | 9,730,365 | 22,989,179 |
| Loan from immediate holding company in relation to Muamalat term financing-I (MTF-i) | 17,038,241 | - |
| Tawarruq-i Term Financing'2 Islamic Facility | 22,142,120 | 24,614,018 |
| **Total non-current term loans and borrowings** | 48,910,726 | 47,603,197 |

## 20. Loans and borrowings (cont'd.)

| | Group / Company 2016 RM | 2015 RM |
|---|---|---|
| **Total current and non-current loans and borrowings** | | |
| Bai Bithaman Ajil Machinery Facility | 23,350,298 | 34,861,370 |
| Revolving credit | 2,895,418 | 2,000,000 |
| Bankers Acceptance | 1,091,959 | - |
| Muamalat term financing-I (MTF-i) | 17,449,400 | - |
| Loan from immediate holding company in relation to:- | | |
| - Tawarruq-i Term Financing 2 Islamic Facility | 24,642,474 | 27,014,494 |
| | 69,429,549 | 63,875,864 |
| Maturity of borrowings: | | |
| Within one year | 20,489,813 | 16,272,667 |
| More than 1 year and less than 2 years | 14,094,034 | 15,784,508 |
| More than 2 years and less than 5 years | 18,214,778 | 18,125,705 |
| More than 5 years | 16,630,924 | 13,692,984 |
| | 69,429,549 | 63,875,864 |

Revolving credit

The revolving credit is secured against the following :

(i) Corporate Guarantee by Ingress Corporation Berhad; and
(ii) Any other terms and conditions deemed necessary as advised by the bank's panel solicitor.

Bai Bithaman Ajil Machinery Facility

The Company had entered into an asset purchase and asset sales agreement with a financial instituition to purchase certain assets of the Company. The borrowing is repayable within the range of 36 months to 48 months from the disbursement date. This facility is secured against the following:

## 20. Loans and borrowings (cont'd.)

Bai Bithaman Ajil Machinery Facility (cont'd.)

(i) Fixed charge on the new toolings and equipment to be financed; and
(ii) Corporate Guarantee from Ingress Corporation Berhad.

Loan from immediate holding company in relation to Tawarruq Term Financing 2 Islamic Facility ("TTF2")

During the financial year ended 31 January 2015, the Board of Directors of ultimate holding company, Ingress Corporation Berhad ("ICB") had decided to pursue an initial public offering ("IPO") and listing of the Group's Automotive Component Manufacturing ("ACM") business/operation on the Stock Exchange of Thailand (SET) via Ingress Industrial Thailand Co., Ltd. ("IIT"). The restructuring exercise involved novation of Tawarruq Term Financing 2 Islamic Facility from penultimate holding company to immediate holding company.

The penultimate holding company, immediate holding company and the bank had on 30 January 2015, signed a novation agreement to novate TTF2 from penultimate holding company to immediate holding company.

The facility is secured over the following assets:
(i) Certain land and buildings of the Company and its related company, namely Ingress Precision Sdn. Bhd.;
(ii) Corporate Guarantee from the Company, Ingress Precision Sdn. Bhd. and penultimate holding company;
(iii) Ingress Corporation Berhad's irrevocable undertaking and instructions in respect of dividends from the Company, and Ingress Precision Sdn. Bhd.; and
(iv) Other security or terms deemed necessary as advised by the Bank's Solicitor.

Muamalat Term Financing-I (MTF-i)

The Company had entered into Tawarruq asset purchase and asset sales agreement with a financial institution to purchase machine of the Company. The borrowing is repayable within the range of 72 months to 84 months from the disbursement date. This facility is secured against the following:

## 20. Loans and borrowings (cont'd.)

Muamalat Term Financing-I (MTF-i) (cont'd.)

(i) Specific Debenture over the 3rd Stamping Line and its related equipment to be financed by the bank;

(ii) Against 2nd fixed legal charge on land and building held under HSD 39152, PT 13990 Seksyen 20, Bandar Serendah, Distric of Hulu Selangor, State of Selangor ("the Property");

(iii) Against one (1) month instalment upfront deposit in the form of 1st or 3rd party Fixed Term Account ("FTA"), Pledge to the Bank together with Irrevocable Letter of Authorisation and memorandum of deposit; and

(iv) Corporate Guarantee of Ingress Corporation Berhad ("ICB").

The Group's and the Company's weighted average effective interest rates and finance cost per annum during the financial year for borrowings, excluding hire purchase and Al-Ijarah lease payables, were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | % | % | % | % |
| Bai Bithaman Ajil Machinery Facility | 6.7 | 5.3 | 6.7 | 5.3 |
| Revolving credits | 5.1 | 4.2 | 5.1 | 4.2 |
| Muamalat term financing-i (MTF-i) | 0.7 | - | 0.7 | - |
| Loan from immediate holding company in relation to Tawarruq-i Term Financing 2 Islamic Facility | 5.7 | 4.8 | 5.7 | 4.8 |

## 21. Trade and other payables

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| **Trade payables** | | | | |
| Third parties | 17,055,230 | 23,650,217 | 17,028,026 | 23,650,217 |
| Amount due to a related company | - | 293,934 | - | 293,934 |
| | 17,055,230 | 23,944,151 | 17,028,026 | 23,944,151 |
| **Other payables** | | | | |
| Amount due to ultimate holding company | - | 1,593,146 | - | 1,593,146 |
| Amount due to related companies | 737,093 | 767,070 | 639,844 | 376,724 |
| Sundry payables | 4,460,630 | 6,035,358 | 4,413,982 | 5,916,885 |
| Provisions | 128,765 | 271,781 | 128,765 | 271,781 |
| Accruals | 1,166,911 | 879,573 | 831,247 | 774,464 |
| | 6,493,399 | 9,546,928 | 6,013,838 | 8,933,000 |
| Total trade and other payables | 23,548,629 | 33,491,079 | 23,041,864 | 32,877,151 |
| Less: Provisions | (128,765) | (271,781) | (128,765) | (271,781) |
| Add: Loans and borrowings (Note 20) | 69,429,549 | 63,875,864 | 69,429,549 | 63,875,864 |
| Total financial liabilities carried at ammortised costs | 92,849,413 | 97,095,162 | 92,342,648 | 96,481,234 |

## 21. Trade and other payables (cont'd.)

### (a) Trade and other payables

These amounts are non interest bearing. Trade payables are normally settled on 30 to 60 days (2015: 30 to 60 days) terms. Other payables are normally settled on an average term of 2 months (2015: average term of 2 months).

### (b) Amounts due to holding and related companies

The amounts due to holding and related companies are unsecured, interest free and are repayable on demand.

Further details on significant related party transactions are disclosed in Note 26. Other information on financial risks of trade and other payables are disclosed in Note 30.

## 22. Share capital

| | Group / Company Number of ordinary shares of RM1 each | | Group / Company Amount | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 RM | 2015 RM |
| **Authorised** | | | | |
| At beginning / end of year | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 |
| **Issued and fully paid** | | | | |
| At beginning / end of year | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |

## 23. Revaluation reserves

### (a) Assets revaluation reserve

| | Group/Company | |
|---|---|---|
| | 2016 RM | 2015 RM |
| At 1 February | 9,784,785 | 10,027,821 |
| Revaluation surplus, net of deferred tax | 4,079,017 | - |
| Transfer revaluation surplus to retain earnings | (138,295) | (243,036) |
| At 31 January | 13,725,507 | 9,784,785 |

The assets revaluation reserve is used to record increases in the fair value of freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

## 23. Revaluation reserves (cont'd.)

### (b) Foreign exchange reserve

| | Group 2016 RM | Group 2015 RM |
|---|---|---|
| At 1 February | (270,803) | (128,437) |
| Foreign currency translation | 68,601 | (142,366) |
| At 31 January | (202,202) | (270,803) |

The foreign exchange reserve represents exchange differences arising from the translation of the financial statements of a foreign subsidiary whose functional currency is different from that of the Group's presentation currency.

## 24. Retained earnings

The Company may distribute dividends out of its entire retained profits as at 31 December 2015 under the single tier system.

## 25. Related party disclosures

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Purchases from a related company | 14,552,041 | 7,386,889 | 14,552,041 | 7,386,889 |
| Management fee expenses to immediate holding company | 4,661,839 | 4,693,999 | 4,661,839 | 4,693,999 |
| Interest income on intercompany advances from a related company | - | 25,284 | - | 25,284 |
| Rental expense to a related company | 96,092 | 90,764 | - | - |
| Sales to a related company | 1,267,166 | 1,492,252 | 679,663 | 1,085,722 |
| Sales to Perodua Manufacturing Sdn. Bhd., a subsidiary of corporate shareholder | 72,848,802 | 112,497,608 | 72,848,802 | 112,497,608 |
| Sales to Perodua Global Manufacturing Sdn. Bhd., a subsidiary of corporate shareholder | 47,806,600 | 17,408,939 | 47,806,600 | 17,408,939 |
| Sales to Perodua Sales Sdn. Bhd., a subsidiary of corporate shareholder | 640,512 | 295,895 | 640,512 | 295,895 |

**25. Related party disclosures (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | RM | RM | RM | RM |
| Sales of tooling to Perodua Manufacturing Sdn. Bhd., a subsidiary of corporate shareholder | - | 19,801,159 | - | 19,801,159 |
| Reimbursement on the sales of tooling to Perodua Manufacturing Sdn. Bhd., a subsidiary of corporate shareholder | - | 1,401,493 | - | 1,401,493 |
| Novation of debts from ultimate holding company to intermediate holding company | - | 81,000,000 | - | 81,000,000 |

**(a) Compensation of key management personnel**

Key management personnel are defined as those having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise of all the directors of the Group and of the Company.

The remuneration of key management personnel of the Group and of the Company during the financial year were as follows:

| | Group / Company | |
|---|---|---|
| | 2016 | 2015 |
| | RM | RM |
| Salaries and other emoluments | 484,050 | 560,360 |
| Bonus | 69,300 | 139,872 |
| Statutory contribution to Employees Provident Fund | 60,872 | 91,038 |
| Others | 7,200 | 7,200 |
| | 621,422 | 798,470 |

## 26. Capital commitment

| | Group 2016 RM | Group 2015 RM | Company 2016 RM | Company 2015 RM |
|---|---|---|---|---|
| Capital expenditure: | | | | |
| Approved and contracted for | 845,158 | 4,142,731 | 845,158 | 4,128,050 |
| Approved but not contracted for | 3,982,032 | 3,324,370 | 3,982,032 | 3,293,966 |

## 27. Contingent liability

| | Company 2016 RM | Company 2015 RM |
|---|---|---|
| Guarantees given to a financial institution for facilities taken up by immediate holding company | 24,642,474 | 27,014,494 |

As at the reporting date, there was no indication that the immediate holding company would default on repayment. The financial guarantees have not been recognised as their fair values on initial recognition were not material.

## 28. Fair value of financial instruments

**(a) 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**

| | Group/Company Carrying amount RM | Group/Company Fair value RM |
|---|---|---|
| **At 31 January 2016** | | |
| Bai Bithaman Ajil Machinery Facility | 23,350,298 | 21,821,906 |
| Muamalat term financing-i (MTF-i) | 17,449,400 | 15,384,886 |
| Tawarruq-i Term Financing 2 Islamic Facility | 24,642,474 | 22,804,913 |
| **At 31 January 2015** | | |
| Bai Bithaman Ajil Machinery Facility | 34,861,370 | 32,224,272 |
| Tawarruq-i Term Financing 2 Islamic Facility | 27,014,494 | 24,853,334 |

**28. Fair value of financial instruments (cont'd.)**

**(a) 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 (cont'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 |
|---|---|
| <u>Current</u> | |
| Trade and other receivables | 17 |
| Short term borrowings | 20 |
| Trade and other payables | 21 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Level 1 Quoted price (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input)

**Level 1**

| | | Group and Company | |
|---|---|---|---|
| | | **2016** | **2015** |
| **Financial asset:** | **Note** | **RM** | **RM** |
| Investment securities | 18 | 1,313,949 | 28,287,050 |

## 29. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include liquidity, interest rate and foreign exchange risks.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The audit committee provides independent oversight on the effectiveness of the risk management process.

It is, and has been throughout the financial year under review, the Group's and the Company's policy that no trading in derivative financial instruments shall be undertaken.

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

The Group's and the Company's credit risk is primarily attributable to trade receivables. The Group and the Company trades only with recognised and creditworthy third parties. It is the Group's and the Company'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 and the Group's and the Company's exposure to bad debts is not significant. Since the Group and the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Credit risk concentration profile

The credit risk concentration of the Group's and the Company's trade receivables at the reporting date is disclosed in Note 17.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 17.

Receivables that are past due but not impaired

Information regarding trade receivables that past due but not impaired is disclosed in Note 17.

### (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 mismatches of the maturities of financial assets and liabilities.

## 29. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk (cont'd.)

The Group's and the Company's liquidity risk management policy is to maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

**Analysis of financial instruments by remaining contractual maturities**

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

| Group | 2016 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | More than five years RM | Total RM |
| **Financial liabilities:** | | | | |
| Trade, other payables and accruals | 23,419,864 | - | - | 23,419,864 |
| Loans and borrowings | 23,882,021 | 39,167,650 | 17,886,569 | 80,936,240 |
| | 47,301,885 | 39,167,650 | 17,886,569 | 104,356,104 |

| | 2015 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | More than five years RM | Total RM |
| **Financial liabilities:** | | | | |
| Trade, other payables and accruals | 33,219,298 | - | - | 33,219,298 |
| Loans and borrowings | 17,506,572 | 39,894,324 | 15,195,773 | 72,596,669 |
| | 50,725,870 | 39,894,324 | 15,195,773 | 105,815,967 |

| Company | 2016 | | | |
|---|---|---|---|---|
| | On demand or within one year RM | One to five years RM | More than five years RM | Total RM |
| **Financial liabilities:** | | | | |
| Trade, other payables and accruals | 22,913,099 | - | - | 22,913,099 |
| Loans and borrowings | 23,882,021 | 39,167,650 | 17,886,569 | 80,936,240 |
| | 46,795,120 | 39,167,650 | 17,886,569 | 103,849,339 |

## 29. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk (cont'd.)

| | 2015 | | | |
|---|---|---|---|---|
| Company | On demand or within one year RM | One to five years RM | More than five years RM | Total RM |
| **Financial liabilities:** | | | | |
| Trade, other payables and accruals | 32,605,370 | - | - | 32,605,370 |
| Loans and borrowings | 17,506,572 | 39,894,324 | 15,195,773 | 72,596,669 |
| | 50,111,942 | 39,894,324 | 15,195,773 | 105,202,039 |

### (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 rate.

The Group's and the Company's exposure to interest rate risk arises primarily from its loans and borrowings.

The Group's and the Company's policy is to manage interest cost through the use of fixed and floating rate borrowings. The Group and the Company does not use derivative financial instruments to hedge its interest rate obligations.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis point lower/higher, with all other variables held constant, the interest expenses capitalised by the Group and the Company would have been RM8,745 lower/higher, arising mainly as a result of lower/higher interest expenses on floating rate loans and borrowings.

## 30. 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 issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 January 2016 and 31 January 2015.

The Company will continue to actively manage its capital structure to enhance shareholder's value. Any revision to its allocation of capital resources are subject to the approval of the Board of Directors.

**Ingress Technologies Sdn. Bhd.**
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## 31. Dividends

| | Amount 2016 RM | Amount 2015 RM | Net dividends per ordinary share 2016 Sen | Net dividends per ordinary share 2015 Sen |
|---|---|---|---|---|
| **Recognised during the financial year:** | | | | |
| **Interim** | | | | |
| 18.75% single tier dividend on 20,000,000 ordinary shares, paid on 31 December 2015 for financial year ended 2016 | 3,750,000 | | 18.75 | |
| 18.75% single tier dividend on 20,000,000 ordinary shares, paid on 30 December 2014 for financial year ended 2015 | | 3,750,000 | | 18.75 |
| **Final** | | | | |
| 18.75% single tier dividend on 20,000,000 ordinary shares, paid on 29 May 2015 for financial year ended 2015 | 3,750,000 | | 18.75 | |
| 18.75% single tier dividend on 20,000,000 ordinary shares, paid on 30 June 2014 for financial year ended 2014 | | 3,750,000 | | 18.75 |
| | 7,500,000 | 7,500,000 | | |

## 32. Significant event

During the year, Ingress Corporation Berhad (ICB), the shareholder of 14,000,000 ordinary shares of RM1.00 each in the Company (Sale Shares) had, on 12 January 2016 executed shares sale agreement (SSA) with Ingress Industrial (Malaysia) Sdn Bhd (IIM) whereby ICB has agreed to dispose the Sale Shares to IIM and IIM has agreed to acquire the Sale Shares from ICB subject to the terms and conditions of the SSA. The purchase consideration for the Sale Shares is RM97,482,000 (Purchase Consideration). The Purchase Consideration will be paid on deferred payment basis through the issuance of 97,482,000 new ordinary shares of RM1.00 in IIM to ICB. The transaction has been completed on 13 January 2016 and consequently, the Company became a subsidiary of IIM.