UNITED U-LI CORPORATION BERHAD
(510737-H)

ANNUAL REPORT

2016

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MANAGEMENT DISCUSSION AND ANALYSIS

Disclaimer

This Statement provides the management's overview of the Group's operations and financial performance for FY2016. Analytical disclosures made herein are based on available management information which may not have been specifically audited, and are made to the extent that these do not compromise competitively sensitive information. This section may also contain opinions and forward-looking views, and as such users' discretion is advised.

BUSINESS REVIEW

In financial year 2016, the Group managed to deliver a satisfactory performance despite facing intense business competition and sustained market challenges.

The Group's Cable Support Systems division had another successful business year and registered a creditable growth performance. This was obtained by seizing opportunities in both government and private sector projects. The Light Fittings division too had an improved year.

Overall, performance of the Group's products in both international and domestic markets were better than the previous year. In the international front, improved demand largely came from ASEAN markets while the Middle East remained stable but tough. In the domestic market, the Group managed to improve its performance by realising opportunities in the oil and gas, power and infrastructure related projects. The Group also benefited from demand arising from the implementation of various government transformation projects and other private sector investments.

The Group remained focused in enhancing its competitive position through internal process improvements. These efforts have paid dividends and enabled us to weather the difficult business environment and deliver another positive performance.

GROUP PERFORMANCE

For FY2016, the Group attained its highest full year Revenue ever of RM201 million, exceeding the previous all-time high achieved in FY2015 by 12.2%. Profit Before Tax and Profit After Tax each also registered record highs at RM43.5 million and RM31.1 million respectively, representing an upturn of 21.9% and 19.7%. The increase in revenue is mainly due to increased contributions from both Cable Support Systems (CSS) and Light Fittings (LF) divisions. The increase in Profit Before Tax is mainly due to better revenue generated and better profit margins achieved on goods sold during the year under review. Both divisions registered double digit growth compared to previous year.

Staff/Labour costs increased by 18.2% to RM23.3 million as compared to RM19.7 million as the Group continued to expand and to focus on talent building in order to transform the Group to a higher level in human capital management. The Group also contributed to the Human Resource Development Fund (HRDF) to further enhance the knowledge of employees by sending them to relevant courses/seminars. Selling and Distribution costs too increased by 19.7% to RM10.5 million from RM8.8 million in the previous year as the Group expanded its market reach locally and regionally.

Operations wise, the Group's CSS plants were producing at their highest capacity utilisation rate during the year. Unfortunately, we were unable to realise some sales opportunities due to bottlenecks experienced at third party galvanizers. Under the circumstances, the additional capacity coming through from our new Nilai plant this year will definitely enable us to fulfil market requirements even better.

Our strong performance is also attributed to on-going improvement initiatives in quality and efficiency which have seen several enhancements throughout the production process being implemented, which include:

- *Increased automation*
  We continue to focus our efforts on automating the most labour intensive aspects of the production process such as roll forming, spot welding, shearing and slitting. Increasingly we are utilising industrial robots especially in welding operations, to improve efficiencies.

- *Downtime reduction efforts*
  Proper downtime planning and the use of better quality consumable parts have led to an increase in production capabilities.

Meanwhile, in honouring the Group's commitment to enhance shareholder value, the Group had paid good dividends for the past 3 years. For instance, the Board of Directors had declared and paid a total of 12 sen single tier dividend amounting to RM17.4 million in FY2016, representing approximately 56% of its Profit After Tax.

However, such payments in the future will depend on a few factors which include earnings, capital commitments, financial conditions, distributable reserves and other factors which have to be considered by the Board.

Segment's Performance

Cable Support System Division

The Group's cable support systems division had another successful business year and registered a creditable growth performance. This was obtained by seizing opportunities in both government and private sector projects.

The division enjoyed a higher year-on-year revenue increase of 11.9% and profit before tax increase of 23%. For FY2016, the increase in revenue came from both domestic and overseas market, with 79% of the increased revenue coming from the domestic market.

The increased demand came from both government and private sector projects implementation. On the government side, project implementation from the transportation and utilities sector drove demand. Similarly, in the private sector, implementation of major projects in the oil and gas and commercial developments supported demand.

Light Fittings Division

This division too had an improved year, making further inroads into the domestic market by registering a 13.8% year-on-year increase in revenue and a 43.83% year-on-year increase in profit before tax. The much improved performance is attributed to increased demand for new T5 luminaires and OPPLE brand LED products.

The division has consolidated its position through a strong network of dealers nationwide and a dedicated project development team that is focussed to seize opportunities in the commercial and offices market.

Key Financial Ratios

Outlined below are key financial ratios of the Group for FY2016 as compared to the preceding FY2015, which shows the Group is in a good position in all key measures on profitability, liquidity, gearing and valuation.

	FY2016	**FY 2015**
Profitability		
Return on Equity (Net Earnings/Equity)	11.50%	10.13%
Liquidity		
Current Ratio (Current Assets/Current Liabilities)	4.00	5.09
Gearing		
Debt to Equity	0.24	0.21
Valuation		
Net Asset per share (RM/share)	1.86	1.88

The Debt to Equity ratio is higher mainly due to a 58.5% increase in short term borrowings to RM27.8 million from RM17.5 million in the preceding financial year, which was used to finance the purchase of raw materials.

Liquidity is one of the key areas whereby the management pays special attention to, and always focus on finding ways to further strengthen it. In FY2016, the Group had invested an approximately RM40.8 million on capital expenditure for further expansion which resulted in a lower Current Ratio. However, the Group still sits on a healthy cash pile of RM83.1 million as at the end of the financial year as compared to RM105.8 million in FY2015.

Assets

In FY2016, the Total Assets of the Group have increased to RM335 million from RM310 million in FY2015 mainly due to the acquisition of a piece of vacant industrial land in Nilai Industrial Park for a total consideration of RM24 million and further invested RM11 million in various state-of-the-art plant and machineries to equip its existing Nilai plant. The management always believe that automation is one of the key areas that need to be focussed on especially in labour intensive sections.

There was a 20.9% increase in inventories to RM54.8 million from RM45.3 million at the end of FY2016. This is in anticipation of increased sales order after the full commissioning of the Group's new manufacturing plant in Nilai by the third quarter of FY2017 and also to cater for all government and private sector projects in hand.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to Corporate Social Responsibility ("CSR") by integrating it into the business operations.

During the year, the Group continued to support charitable foundations which are involved in disaster relief programmes. Internally, use of recycled paper where applicable is continuously encouraged, and the company practice switching off lighting and air conditioning in the offices when not in use to save energy.

The Group continues to place great importance on the need to protect our environment. The Group's business responsibility, while geared towards increasing profitability, is also to maintain its good manufacturing practices and to adhere to national environmental policies at all times. All manufacturing sites are pursuing their own waste reduction programmes.

OUTLOOK AND PROSPECTS

Moving forward, we anticipate market conditions to remain tough but demand is expected to be steady. With our new plant capacity coming on stream, we are well positioned to seize new business opportunities in the markets that we operate in. We will continue to pursue growth in overseas markets, particularly in the Middle East and East Asia region. Overall, we shall persevere to secure our positions by enhancing our product positioning at major customers particularly in the construction and development markets. Under the circumstances, the Group remain optimistic in repeating its success to secure contracts for various projects and expect it to maintain its contribution to the Group in financial year 2017.

Tan Sri Dato' Wira Lee Yoon Wah
CEO/Group Managing Director

DIRECTORATE & CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Wira Abd Rahman Bin Ismail
(Independent Non-Executive Director)
(Chairman)

Tan Sri Dato' Wira Lee Yoon Wah
(Group Managing Director/Chief Executive Officer)

Dato' Lee Yoon Kong
(Executive Director)

Teow Lai Seng
(Executive Director)

Chim Wai Khuan
(Independent Non-Executive Director)

Wong Chow Lan
(Independent Non-Executive Director)

Lokman Bin Mansor
(Independent Non-Executive Director)

Shariff Bin Mohd Shah
(Senior Independent Non-Executive Director)

SECRETARIES

Koay Soo Ngoh (MAICSA 0856746)
Foo Li Ling (MAICSA 7019557)

REGISTERED OFFICE

62C, Jalan SS21/62
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel No. : + (603) 7727 2806 / 7729 3337
Fax No. : + (603) 7729 3619

HEAD/MANAGEMENT OFFICE

33, Jalan Kartunis U1/47
Temasya Industrial Park
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan
Tel No. : + (603) 5569 5999
Fax No. : + (603) 5569 4170
e-mail : hq@uli.com.my
Website : www.uli.com.my

MANUFACTURING PLANTS

Lot No PT 1481, Jalan Emas 1,
Nilai Industrial Estate
71800 Nilai
Negeri Sembilan Darul Khusus

Lot 7, Jalan 6/1
Kawasan Perindustrian
Seri Kembangan
43300 Seri Kembangan
Selangor Darul Ehsan

25 & 27 Jalan Taming Lima
Taman Taming Jaya
43300 Seri Kembangan
Selangor Darul Ehsan

Lot 5 (PT7907), Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan

Lot 44, Jalan Cetak
Tasek Industrial Estate
31400 Ipoh, Perak Darul Ridzuan

Branch Office
1 Jalan Seroja 54
Taman Johor Jaya
81100 Johor Bahru
Johor Darul Takzim

REGISTRAR

Symphony Share Registrars Sdn Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No. : + (603) 7849 0777
Fax No. : + (603) 7841 8151/8152

AUDITORS

Baker Tilly Monteiro Heng
Chartered Accountants

AUDIT COMMITTEE

Chim Wai Khuan
- Independent, Non-Executive Director (Chairman)

Wong Chow Lan
- Independent, Non-Executive Director

Lokman Bin Mansor
- Independent, Non-Executive Director

NOMINATION COMMITTEE

Tan Sri Dato' Wira Abd Rahman Bin Ismail
- Independent, Non-Executive Director (Chairman)

Chim Wai Khuan
- Independent, Non-Executive Director

Wong Chow Lan
- Independent, Non-Executive Director

REMUNERATION COMMITTEE

Tan Sri Dato' Wira Abd Rahman Bin Ismail
- Independent, Non-Executive Director (Chairman)

Tan Sri Dato' Wira Lee Yoon Wah
- Group Managing Director / Chief Executive Officer

Chim Wai Khuan
- Independent, Non-Executive Director

Wong Chow Lan
- Independent, Non-Executive Director

GROUP PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
39-45, Jalan Othman
46000 Petaling Jaya
Selangor Darul Ehsan

Hong Leong Bank Berhad
Lot 43 & 45, Jalan USJ 10/1G
Taipan Triangle
47620 Subang Jaya
Selangor Darul Ehsan

SOLICITORS

Cheang & Ariff
Advocates & Solicitors
39 Court @ Loke Mansion
273A, Jalan Medan Tuanku
50300 Kuala Lumpur

Tay & Helen Wong
Suite 703, Block F,
Phileo Damansara I
9 Jalan 16/11, 46350 Petaling Jaya
Selangor Darul Ehsan

STOCK EXCHANGE LISTING

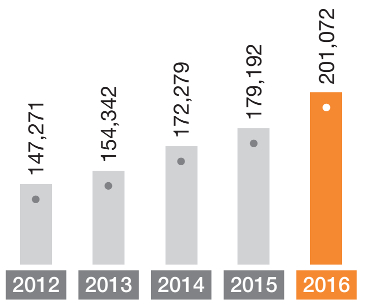
Main Board of Bursa Malaysia
Securities Berhad
Stock Code : 7133

PRODUCTS MANUFACTURED

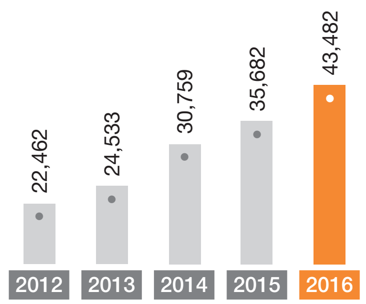
Cable Support Systems
Cable Management Systems
Integrated Ceiling Systems
Metal Framing Systems
Light Fittings

5 - YEAR GROUP FINANCIAL HIGHLIGHTS

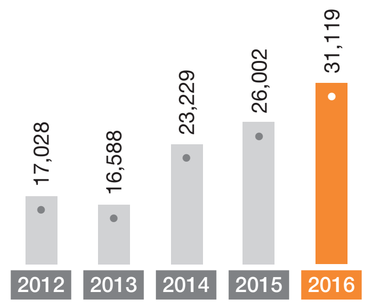
REVENUE
(RM'000)



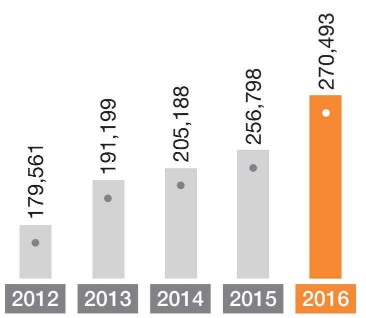
PROFIT BEFORE TAX
(RM'000)



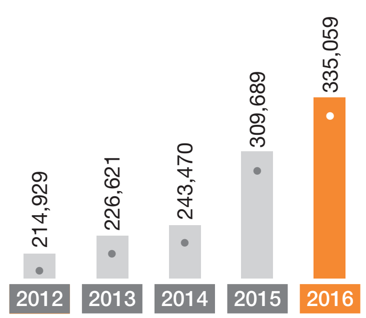
NET PROFIT
(RM'000)



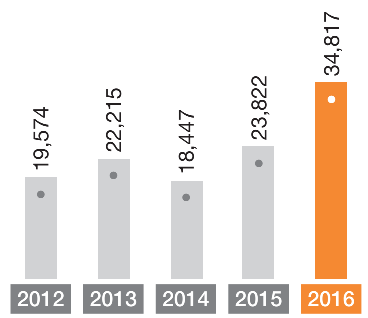
SHAREHOLDERS' EQUITY
(RM'000)



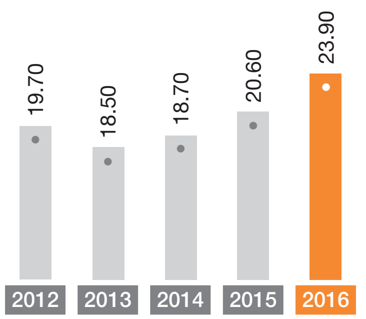
TOTAL ASSETS
(RM'000)



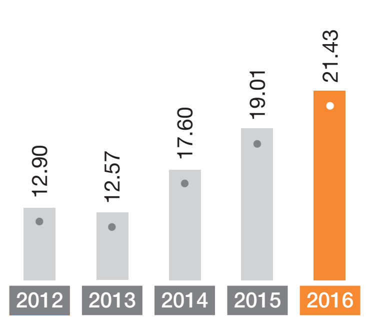
BORROWINGS
(RM'000)



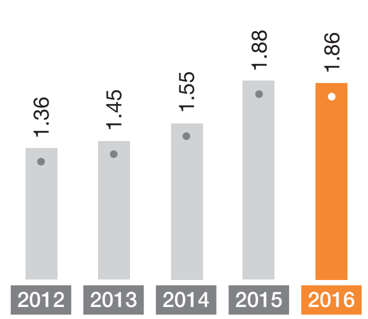
DEBT / EQUITY
(%)



EARNINGS PER SHARE
(RM'000)



NET ASSETS PER SHARE
(RM'000)



RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	147,271	154,342	172,279	179,192	201,072
Profit Before Tax	22,462	24,533	30,759	35,682	43,482
Net Profit	17,028	16,588	23,229	26,002	31,119
Shareholders' Equity	179,561	191,199	205,188	256,798	270,493
Total Assets	214,929	226,621	243,470	309,689	335,059
Borrowings	19,574	22,215	18,447	23,822	34,817
Debt/Equity (%)	19.70	18.50	18.70	20.60	23.90
Earnings per share	12.90	12.57	17.60	19.01	21.43
Net assets per share	1.36	1.45	1.55	1.88	1.86

PROFILE OF DIRECTORS

TAN SRI DATO' WIRA ABD RAHMAN BIN ISMAIL
Age 88, Male, Malaysian, Independent Non-Executive Director (Chairman)

Tan Sri Dato' Wira Abd Rahman Bin Ismail was appointed to the Board on 21 February 2002. He is also the Chairman of the Nomination Committee and Remuneration Committee. He completed his secondary education at Sultan Abdul Hamid College, Alor Star, Kedah Darul Aman in 1949. He served in the Royal Malaysian Police Force since 1950, holding various posts until 1985 when he retired as the Deputy Inspector General of Police. During his tenure of service, he represented Malaysia in various Interpol and drug enforcement/conferences/seminars/committees at international and regional levels. From 1979 to 1982, he was elected as an executive Committee Member of Interpol and was subsequently elected as Vice President of Interpol from 1984 up to 1985. He tendered his resignation due to his retirement from the Royal Malaysian Police Force. He sits on the Board of all subsidiary companies of the group. He also sits on the Board of several private limited companies. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended all Board Meetings of the Company held in the financial year ended 31 December 2016.

TAN SRI DATO' WIRA LEE YOON WAH
Age 58, Male, Malaysian, Group Managing Director/Chief Executive Officer

Tan Sri Dato' Wira Lee Yoon Wah, is the Group Managing Director/Chief Executive Officer of ULC. He was appointed to the Board on 21 February 2002. He is a member of the Remuneration Committee. He completed his secondary education in 1975 and is one of the founder members of the ULC Group. Presently, he is in charge of the overall management and growth of the Group. He has more than 20 years' working experience in the electrical industry. He is credited for charting the growth of the Group since its inception from a small operation to an industrial concern as it is today. As the driving force behind the Group's growth, he is also responsible for the overall business development, strategic planning as well as the business and corporate development of the Group. He also sits on the Board of all the subsidiary companies of the Group. He is the brother to Dato' Lee Yoon Kong, major shareholder and Director of the Company and has no conflict of interest with the Company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended all Board Meetings of the Company held in the financial year ended 31 December 2016.

DATO' LEE YOON KONG
Age 57, Male, Malaysian, Executive Director

Dato' Lee Yoon Kong was appointed to the Board on 21 February 2002. He is one of the founder members of the ULC Group. He holds a Diploma in Electrical Engineering. Prior to joining United U-LI (M) Sdn. Bhd. ("ULSB"), a subsidiary company of ULC, he was the electronics Technician with Amateur Photo Store Sdn. Bhd., the locally appointed agent for AKAI products, from 1979 to 1983. He has more than 20 years' working experience in the electrical industry and has contributed significantly towards the growth of the Group. Presently, he is responsible for the technical, production and manufacturing functions of the Group. He also sits on the Board of all the subsidiary companies of the Group. He is the brother to Tan Sri Dato' Wira Lee Yoon Wah, major shareholder and Director of the Company and has no conflict of interest with the Company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended four out of five Board Meetings of the Company held in the financial year ended 31 December 2016.

TEOW LAI SENG
Age 55, Male, Malaysian, Executive Director

Teow Lai Seng, was appointed to the Board on 21 February 2002. He has more than 20 years' working experience in the electrical industry. He holds a Diploma in Electronics Engineering and was the Technical and Service Technician with Amateur Photo Store Sdn. Bhd. prior to joining ULSB as a Factory Supervisor in 1982. He was subsequently promoted to Factory Manager in 1990 and is responsible for the overall management and production operations of the factory. He also sits on the Board of certain subsidiary companies of the Group. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended all Board Meetings of the Company held in the financial year ended 31 December 2016.

CHIM WAI KHUAN
Age 66, Male, Malaysian, Independent Non-Executive Director

Chim Wai Khuan was appointed to the Board on 21 February 2002. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is an accountant by training and is currently a member of the Malaysian Institute of Accountants. He has vast experience in the areas of accounting, audit, tax and corporate secretarial and consultancy matters, having served in various capacities both in the United Kingdom and in Malaysia from 1975 to 2000. Currently, he is practicing as a Corporate and Management Consultant and also manages his own audit practice under the name of WKC & Co. He also sits on the Board of several private limited companies. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended all Board Meetings of the Company held in the financial year ended 31 December 2016.

WONG CHOW LAN
Age 55, Female, Malaysian,
Independent Non-Executive Director

Wong Chow Lan was appointed to the Board on 11 April 2000. She is a member of the Nomination Committee, Remuneration Committee and Audit Committee. She is a qualified Chartered Secretary of the Institute of Chartered Secretaries and Administrators since 1992 and an associate member of The Malaysian Association of The Institute of Chartered Secretaries and Administrators. Currently, she is attached to a consultancy firm. She also sits on the Board of several private limited companies. She does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. She attended all Board meetings of the Company held in the financial year ended 31 December 2016.

LOKMAN BIN MANSOR
Age 57, Male, Malaysian,
Independent Non-Executive Director

Lokman Bin Mansor was appointed to the Board on 21 February 2002. He is a member of the Audit Committee. He graduated with a Bachelor of Architecture from Adelaide University, Australia in 1984. From 1981 to 1982, he was attached with CSL & Associates in the capacity of Architectural Assistant. In 1984, he joined Pakatan Reka Architects as an Assistant Architect before taking up a lecturing position with Institut Teknologi Mara in 1986. From 1987 to 1991, he was appointed as a Director of Binateras-DeG Arkitek Sdn. Bhd.. He has gained vast experience in the area of development and project management in implementation of projects and is also well versed in the various aspects related to property investment, financing and market assessment. He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended four out of five Board Meetings held in the financial year ended 31 December 2016.

SHARIFF BIN MOHD SHAH
Age 68, Male, Malaysian,
Senior Independent
Non-Executive Director

Shariff Bin Mohd Shah was appointed to the Board on 1 October 2003. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1971. Upon graduation he joined the Administrative and Diplomatic Service (PTD) and posted to the Government Staff Training Centre and then to the Ministry of Foreign Affairs. He left government service in 1975 to join Borneo Company (1975) Sdn. Bhd. as Marketing Executive until 1978. He was Marketing Director of the National Livestock Development Corporation between 1978 until 1981. He took up appointment as Manager, Guthrie Malaysia Trading Corporation in 1983 and was the Senior General Manager of the company when he left in 1997. He has wide experience in international trading and marketing. He does not have any family relationship with any Director and / or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences other than traffic offences (if any) within the past five (5) years and has not been imposed of any public sanction or penalty imposed by the relevent regulatory bodies during the financial year. He attended all five Board Meetings of the Company held in the financial year ended 31 December 2016.

KEY SENIOR MANAGEMENT

CHOONG CHEE YEONG
Age 43, Male, Malaysian, Group Financial Controller

Choong Chee Yeong joined the company in May 2005. He is a member of the Malaysian Institute of Accountants. He started his career as an Audit Executive in a medium-sized audit firm before joining a light fittings manufacturer as an Assistant Accountant in June 2002 and was promoted to Accountant a year later. He has been the Group Financial Controller of United U-Li group of companies since 2005. He is also a member of the Risk Management Committee. He is not a director of any public listed company. He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than for traffic offences, if any. He has no sanction and penalty imposed by any regulatory bodies.

MOHD HANIFF HASHIM
Age 56, Male, Malaysian, General Manager, Corporate Affairs/HR

Mohd Haniff Hashim joined the company in March 2005. He graduated with a Bachelor of Science in Industrial Chemistry from University of New South Wales, Sydney in 1984. Prior to joining U-LI, he had served in various senior management positions with the ICI Group of companies in Malaysia and Singapore. He is responsible for the corporate and management functions and human resource matters of the Group. He is also a member of the Risk Management, Safety and ISO committees. He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than for traffic offences, if any. He has no sanction and penalty imposed by any regulatory bodies.

HO CHIEN LOON
Age 37, Male, Malaysian, Business Development Manager

Ho Chien Loon joined the company in July 2000 as Production Executive. He was appointed Technical Sales Executive in 2006 and promoted to his current role in January 2012. He completed his Diploma in Automotive Engineering from Federal Institute of Technology in 2000.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has no convictions for offences within the past five (5) years other than for traffic offences, if any. He has no sanction and penalty imposed by any regulatory bodies.

LEE YOOK CHOO
Age 55, Female, Malaysian, Group Procurement Manager

Lee Yook Choo joined the company in March 2005. Prior to that she has accumulated more than 20 years experience working with a local glass manufacturer and a steel producer. She holds a Diploma in Secretarial Studies from Stamford College.

She is the younger sister of Tan Sri Dato' Wira Lee Yoon Wah and Dato' Lee Yoon Kong. Apart from that, she has no conflict of interest with the Company. She has no convictions for offences within the past five (5) years other than for traffic offences, if any. She has no sanction and penalty imposed by any regulatory bodies.

CORPORATE GOVERNANCE STATEMENTS

The Board of Directors of United U-LI Corporation Berhad ("the Board") acknowledges the importance of adopting good corporate governance practices in discharging its duties and responsibilities to safeguard the assets of the Company and its subsidiaries and to enhance shareholder value and financial performance of the Group. The Board is committed to ensuring that the highest standards of Corporate Governance are consistently observed by the Group.

By promoting integrity and professionalism in the management of the Group's affairs, the Board acknowledges the corporate governance tenets of transparency, accountability, integrity and corporate governance as the prerequisites of a responsible corporate citizen.

The Board is therefore pleased to report that during the financial year ended 31 December 2016, it had practiced good corporate governance in directing and managing the business affairs of the Company and its subsidiaries ("the Group").

1 ESTABLISH CLEAR ROLES AND RESPONSBILITIES

1.1 Clear Functions between Board and Management

The Board is responsible for the oversight and overall management of the business direction and objectives of the Group. There is a clear and distinct division of responsibilities between the Chairman and the Managing Director to ensure a proper balance of power and authority. The Chairman leads the Board in setting values and standards of the Group and is responsible for the effective conduct of the Board. He ensures that information relating to issues on agenda is disseminated to all Directors well before deliberation at Board meetings and facilities the constructive relations between the executive and Non-executive Directors whilst the Managing Director has overall responsibility over the operating units, organisational effectiveness, coordinating the development and implementation of business and corporate strategies as well as the implementation of Board policies and decisions.

The duties and responsibilities of the Board are further disclosed in the Board Charter, which is available online at the company's website.

The Board assumes, amongst others, the following duties and responsibilities:

i. reviewing and adopting the overall strategic plans and programmes for the company and group;
ii. overseeing and evaluating the conduct of business of the company and group;
iii. identifying principal risks and ensuring implementation of a proper risk management system to manage such risks;
iv. establishing a succession plan;
v. developing and implementing a shareholder communication policy for the company;
vi. reviewing the adequacy and the integrity of the management information and internal controls systems of the company and group; and
vii. the board delegates certain responsibilities to the various board committees with clearly defined terms of reference to assist the board in discharging its responsibilities.

The following are matters which are specifically reserved for the Board:

i. approval of corporate plans and programmes;
ii. approval of annual budgets, including major capital commitments;
iii. approval of new ventures;
iv. approval of material acquisition and disposals of undertakings and properties;
v. change to the management and control structure within the company and its subsidiaries ("the Group"), including key policies, delegated authority limits; and
vi. review and update the Whistle-blowing policy.

1 ESTABLISH CLEAR ROLES AND RESPONSBILITIES (CONT'D)

1.1 Clear Functions between Board and Management (Cont'd)

The following are matters which are specifically reserved for the Board (Cont'd):

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group's overall strategic directions as well as development and control of the Group. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees namely; the Nomination and Remuneration Committee, Audit Committee, and Risk Management Committee.

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short-term and long-term plans and strategies and succession planning for top management are reserved for the Board.

Meanwhile, all Board Committees have their Terms of Reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. At each Board meeting, the reports and minutes of Board Committee meetings are presented to keep the Board informed and updated on the key issues deliberated by the Board Committees at their respective meetings. The Terms of Reference, composition and activities of the respective committees are stated in their respective reports.

The Board maintains a close and transparent relationship with Management. Clear limits of authority for Management to manage the business of the Group has been established and reviewed as and when necessary to ensure that the limits of authority are up to date. Many of the responsibilities of the Board are delegated to Management through the Group Managing Director. The Group Managing Director is accountable to the Board for the achievement of the Group's corporate objectives which include performance targets and long-term goals of the business.

1.2 Clear Roles and Responsibilities

(i) Review and adopt strategic plans for the Group

The Board considers, and after discussion and amendment as required, approves strategic plan proposed by management. All Board's decisions are recorded in the minutes, including the deliberation for each decision, along with actions to be taken and the individuals responsible for implementation. Relevant Board decisions are communicated to Senior Management for implementation with a reasonable timeframe.

In conjunction with this, the Board also reviews and approves the annual forecast for the ensuing year, and sets the Key Performance Indicators in ensuring that the targets correspond to the Company's strategy and business plan, reflect competitive industry trends and internal capabilities as well as provide sufficient stretch goals for the Management.

To ensure the successful realisation of the strategies, the Board actively engages with Management in monitoring the progress of initiatives and projects identified from time to time and, where required, identifies alternative measures to be taken.

(ii) Oversee the conduct of the Group's Business

The Board oversees the performance of Management to determine whether the business is being properly managed. In this regard, the Group Managing Director is critical to the performance of the Group and provides the leadership and strategic vision of the Group. He is responsible for the day-to-day running of the business and operations of the Group including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Group's business to the Board. His in-depth and intimate knowledge of the Group's affairs contributes significantly towards the direction of the Group to achieve its goals and objectives.

1 ESTABLISH CLEAR ROLES AND RESPONSBILITIES (CONT'D)

1.2 Clear Roles and Responsibilities (Cont'd)

(iii) Identify Principle Risks and implement appropriate Internal Controls

The Board acknowledges that it is responsible for ensuring that a sound system of risk management and internal control is maintained and that it has reviewed the effectiveness of these systems to safeguard shareholders' interest and the Group's assets. Further details of the Group's system of internal controls are set out in the Statement on Risk Management and Internal Control section of this Annual Report.

(iv) Succession Planning

The Board recognises the importance to attract and retain key management personnel. Hence, the Board has made concerted efforts to identify and groom middle management at all key areas as an integral part of the management succession plan. The plan also includes offering a competitive remuneration package to and providing training and career development opportunities for employees in all key functions of the Group's operations.

(iv) Oversee the development and implementation of Shareholder Communications Policy

The Board values the dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, the Board has established a Corporate Disclosure Policy to meet or otherwise communicate with the shareholders of the Group. A copy of the Policy can be accessed on the Company's website.

(v) Review the adequacy and integrity of the management information and internal control systems

The Board is fully aware of the responsibilities to maintain a sound internal control system. The Board's responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 30 to 32.

1.3 Formalise Ethical Standards through Code of Conduct and Ensure its Compliance

The Code of Ethics and Conduct ("the Code") is to be observed by all Directors and employees of the Group, and the core areas of conducts under the Code include the followings:-

i. conflict of interest;
ii. confidential information;
iii. inside information and securities trading;
iv. protection of assets;
v. business records and control;
vi. compliance to the law;
vii. personal gifts and contribution;
viii. health and safety;
ix. sexual harassment;
x. outside interest;
xi. fair and courteous behavior; and
xii. misconducts.

The Code is effectively communicated via the Company's website and is also subject to regular review and update.

As part of best practices in good corporate governance, the Group is in the process to establish a "Whistle-Blowing" policy, which provides an avenue for employees to report on their concerns of any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment. In this respect, the policy makes it clear that such concerns can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

1 ESTABLISH CLEAR ROLES AND RESPONSBILITIES (CONT'D)

1.4 Strategies Promoting Sustainability

The Board understands the importance of sustainability in operating its businesses and is committed towards achieving sustainability that shall benefit stakeholders, environment, our people and the community. To achieve this, The Board reviews operational practices which impact on sustainability of environment, governance and social aspects of its business on a regular basis.

1.5 Access to Information and Advice

Directors have comprehensive and timely access to information concerning the Company and the Group. Notice of Board meetings and Board papers with supporting documents, presentations and materials detailing Group performance and operational, financial and corporate matters are circulated to Directors, normally at least fourteen days in advance of Board meetings to ensure that Directors have sufficient time to study them and be prepared for discussion. Comprehensive minutes of Board meetings are maintained and circulated to Directors. Directors are entitled to request and receive supplementary information in order to be fully briefed before the meeting.

The Board has full, unrestricted and timely access to all information pertaining to the Group's business affairs. All members of the Board have access to the advice and services of the Company Secretary and are entitled to obtain professional opinions or advice from external consultants when the need arises at the expense of the Group. Where such advice is considered necessary for the discharge of his duties and responsibilities as Director and, for the benefit of the Company, such Director shall first discuss the request with the Audit Committee Chairman furnishing satisfactory and explicit justification for such request, having done so, shall be free to proceed, where appropriate. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with.

1.6 Qualified and Competent Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and apprised by the Company Secretary. She gives clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities. The Company Secretary briefs the Board on proposed contents and timing of material announcements to be made to Bursa Malaysia. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the Bursa Malaysia Main Market Listing Requirements.

The Company Secretary attends and ensures that all Board meetings are properly convened and those accurate and proper records of the proceeding and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretary also facilities timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committee, and between the Non-Executive Directors and Management.

1.7 Board Charter

The Charter was formalised in April 2014 and will be reviewed from time to time. Accordingly, the Board had on, 24 February 2017 reviewed the Charter. The Charter is displayed for reference on the Company's website.

2 STRENGTHEN COMPOSITION

2.1 Nomination and Remuneration Committee

During the financial year ended 31 December 2016, the members were as follows:

Tan Sri Dato' Wira Abd Rahman Bin Ismail	Chairman	Independent Non-Executive Director
Chim Wai Khuan	Member	Independent Non-Executive Director
Wong Chow Lan	Member	Independent Non-Executive Director

The NC operates under its terms of reference and had one (1) meeting convened during financial year under review. The NC's Terms of Reference are stipulated in section 5(b) of this Annual Report.

The main activities of the NC include the following:-

- Assessed the effectiveness of the Board, the Board Committees, the contribution of each Director and the Company Secretary on an annual basis;
- Reviewed the board structure, size and composition and the required mix of skills of the Board and the Board Committee;
- Reviewed the Board the continuation in service of Executive Director(s) and Director(s) who are due for retirement by rotation;
- Assessed the independence of the Independent Directors annually; and
- Reviewed the training needs for the Director.

2.2 Assessment of Directors

The Board, through its delegation to the Nomination Committee, has set up and implemented the process for the assessments of its Chairman, the individual Board Members and the Board as a whole. For the financial year ended 31 December 2016, the Board has, through the Nomination Committee, reviewed the skills mix and experience of the individual Directors and assessed the effectiveness of the Board as a whole. A separate assessment for Independent Director is also undertaken annually.

2.3 Appointment and Re-election of Board Members

In accordance with the Company's Articles of Association, all Directors are required to submit themselves for re-election by rotation at least once in every three (3) years at each Annual General Meeting (AGM). Newly appointed Directors shall hold office until the AGM following their appointment and shall then be eligible for re-election by shareholders. The proposed appointment of new Board members, resignation of existing members, as well as the proposed re-election of the Directors are approved by the Board upon the recommendation of the Nomination Committee.

The Articles of Association also requires that at least one-third (1/3) of the Directors including Executive Directors, to retire from office by rotation and be eligible for re-election at every AGM. All Directors shall submit themselves for re-election at least once every three (3) years from date of appointment in compliance with the Listing Requirements of the Bursa Securities.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over seventy (70) years of age are required to submit themselves for re-appointment annually.

2 STRENGTHEN COMPOSITION (CONT'D)

2.4 Directors Remuneration

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total directors' remuneration	6,886,453	7,522,986	433,800	436,400
Total estimated money value of benefits-in-kind	66,650	68,397	–	–
	6,953,103	7,591,383	433,800	436,400

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

	Number of Directors	
	2016	2015
Executive directors:-		
RM500,000 and below	1	1
RM500,001 - RM1,000,000	–	–
RM1,000,001 - RM1,500,000	–	–
RM1,500,001 - RM 2,000,000	–	–
RM2,000,001 - RM2,500,000	–	–
RM2,500,001 – RM3,000,000	2	2
Non-executive directors:-		
RM50,000 and below	4	4
RM50,001 - RM100,000	–	–
RM100,001 - RM150,000	1	1

3 REINFORCE INDEPENDENCE

3.1 Board Composition and Balance

The Board currently comprises eight (8) members, three (3) of whom are Executive Directors and five (5) Non-Executive Directors. All Non-Executive Directors are Independent and hence fulfil the prescribed requirements for one-third (1/3) of the membership of the Board to be independent Members.

The composition and size of the Board is a well-balanced with an effective mix of Executive Directors and Independent Non-Executive Directors, which is in line with the Code and with the right mix of skills and experience. This balance enables the Board to provide clear and effective leadership to the Group and facilities the Board in making of informed and critical decisions on many aspects of the Group's strategies and performances. The Board structure also ensures that no individual or group of individuals dominates the Board's decision making process.

The Executive Directors who have good knowledge of the business are responsible for implementing corporate strategies and policies as well as charged with the management of the day-to day operations of the business. The Independent Non-Executive Directors play a pivotal role in corporate accountability.

3 REINFORCE INDEPENDENCE (CONT'D)

3.1 Board Composition and Balance (Cont'd)

The Independent Non-executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement or the ability to act in the best interests of the Group and of the minority shareholders. The presence of the Independent Non-Executive Directors are essential in providing the Group with a wider general experience of strategy formulation, unbiased and independent opinions, advices, judgements, objective view of the performance of the management and professionalism to ensure that adequate systems are used to safeguard the interest not only of the Group, but also of minority shareholders and stakeholders of the Group.

The Board has identified Mr. Shariff Bin Mohd Shah as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed where it could be inappropriate for the concerns to be dealt with by the Chairman and Managing Director. The Senior Independent Non-Executive Director may be contacted at Tel: +603-5569 5999.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness. The Board is satisfied with its current composition which comprises a balanced mix of skills, knowledge and experience in the business and management fields which are relevant to enable the Board to carry out its responsibilities in an effective and efficient manner.

3.2 Tenure of Independent Directors

The Board has implemented a nine (9) year policy for Independent Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to obtaining shareholders approval to continue serving at the company's Annual General Meeting.

4 FOSTER COMMITMENT

4.1 Time Commitment for Directors

Board Meetings and Supply of Information

To ensure effective management of the Group, Board meetings are convened regularly during the year, at quarterly intervals or as and when necessary. During the financial year five (5) Board meetings took place.

Details of the attendance of the Directors at the Board meetings held in the financial year ended 31 December 2016 are as follows:

Name of Director	No. of Meetings Attended
Tan Sri Dato' Wira Abd Rahman Bin Ismail	5/5
Tan Sri Dato' Wira Lee Yoon Wah	5/5
Dato' Lee Yoon Kong	4/5
Teow Lai Seng	5/5
Chim Wai Khuan	5/5
Wong Chow Lan	5/5
Lokman Bin Mansor	4/5
Shariff Bin Mohd Shah	5/5

All Directors are provided with an agenda inclusive of relevant Board papers prior to each Board meeting. The Board papers include minutes of the last Board meeting, agenda for the current meeting and any report and documents pertaining to the issues to be discussed at the meeting. The Board papers are issued in sufficient time to enable the Directors to obtain a comprehensive understanding of the issues to be deliberated upon to enable them to arrive at an informed decision. The Chairman of the Board chairs the Board meetings while the Managing Director leads the presentation and provides explanations on the Board reports. Senior Management staff may be invited to attend the Board meetings to explain and clarify matters being tabled.

4 FOSTER COMMITMENT (CONT'D)

4.1 Time Commitment for Directors (Cont'd)

In addition to quarterly Board meetings, briefings are conducted for the Board from time to time on various issues such as changes to company and securities legislations, rules and regulations to inform them of the latest developments in these areas. The Directors are also notified of any corporate announcements released to the Bursa Securities. They are also informed of the impending restriction in dealing with the securities of the Company at least one month prior to the release of the unaudited quarterly financial result announcement.

In exercising their duties, the Board has unrestricted access to timely and accurate information which is not only quantitative but also other information deemed suitable within the Group, whether as a full Board or in their individual capacity. All Directors also have direct access to the advice and the services of the Group's Company Secretary in carrying out their duties. In addition, the Board may also seek professional opinion and independent advice from external consultants, if necessary, at the Company's expense.

4.2 Continuing Education Programme and Training

All Directors have attended the Mandatory Accreditation Programme ("MAP") and from time to time Continuing Education Programme ("CEP") prescribed by the Bursa Securities. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with the Listing Requirements of Bursa Securities.

Particulars of the various programmes attended by Board members during financial year ended 31 December 2016 are as follows:

Name of Director	Date	Topic of Seminar / Talk
Tan Sri Dato' Wira Abd Rahman Bin Ismail	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
Tan Sri Dato' Wira Lee Yoon Wah	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
Dato' Lee Yoon Kong	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
Teow Lai Seng	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
Shariff Bin Mohd Shah	05-04-2016	Fraud Risk Management workshop
	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
Lokman Bin Mansor	19-01-2016	C-Suite Risk Conference
	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
Chim Wai Khuan	19-01-2016	C-Suite Risk Conference
	05-04-2016	Fraud Risk Management workshop
	06-05-2016	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
	01-11-2-16	Budget, Tax Planning & GST

4 FOSTER COMMITMENT (CONT'D)

4.2 Continuing Education Programme and Training (Cont'd)

Name of Director	Date	Topic of Seminar / Talk
Wong Chow Lan	26-02-2016	Improving Board Risk Oversight Effectiveness
	14-04-2016	Companies Bill 2015
	06-05-2015	Challenges in Understanding & Monitoring Corporate Developments – The Need to Risk Manage
	08-08-2016 to 09-08-2016	MAICSA Annual Conference 2016 : Sustainability – Shaping the Future
	06-10-2016	Bursa Malaysia Listing Requirements – Updates 2016 & The Proposed Malaysian Code of Corporate Governance
	16-11-2016	Amendments to Bursa Malaysia's Listing Requirements with latest cases on Director's duties
	21-11-2016	Launch of the AGM guide and CG Breakfast Series

5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

In order to ensure the effective discharge of its fiduciary duties, the Board has established various Board Committees to assist the Board in the running of the Group. This is to allow the members of the Board Committees to deliberate and examine issues within their terms of reference in greater details and subsequently recommend and report to the Board. The functions and terms of reference of the committees, as well as the authority delegated by the Board to these committees, have been clearly defined and approved by the Board. All Board Committees do not have executive powers but only the power to make recommendations to the Board.

The Board Committees for the financial year under review are as follows:

(a) Audit Committee

The Audit Committee operates under a clearly defined Terms of Reference stating its roles and responsibilities in ensuring the quality and integrity of the practices of the Group.

The Audit Committee presently comprises three (3) members, all of whom are Independent Non-executive Directors:

i) Chim Wai Khuan (Independent Non-Executive Director) - Chairman
ii) Wong Chow Lan (Independent Non-Executive Director)
iii) Lokman Bin Mansor (Independent Non-Executive Director)

The Audit Committee has held a total of five (5) meetings during the course of the financial year ended 31 December 2016.

5 UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

(b) Nomination Committee

Members		No. of Meetings Attended
Tan Sri Dato' Wira Abd Rahman Bin Ismail	(Independent, Non-Executive Director)-(Chairman)	1/1
Chim Wai Khuan	(Independent, Non-Executive Director)	1/1
Wong Chow Lan	(Independent, Non-Executive Director)	1/1

The Nomination Committee is responsible for ensuring the Board has the appropriate balance and size, and recommending the right candidates with the necessary mix of skills, experience and competencies to be appointed to the Board. The membership of the Committee has not changed since the last report.

Meeting of the Nomination Committee are held at least once a year or as and when required.

The Terms of reference of the Nomination Committee are as follows:

- to review, recommend and consider suitable candidates to the Board of the Group, including committees of the Board;
- to review and determine the mix of skills, experience and other qualities, including core competencies of Non-executive Directors, on an annual basis;
- to assess the Directors on an on-going basis and the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors as well as Chief Executive Officer;
- to recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors;
- to provide a succession planning policy and ensure that the policy is kept under review;
- to examine particular issues and make the appropriate recommendations to the Board;
- to ensure the composition of the Board is in accordance with the Memorandum and Articles of Association and the requirements for Best Practice of Corporate Governance; and
- to assess and recommend to the Board, the terms of reference of Board Committees and review the adequacy of committee structure of Board Committee.

The Nomination Committee upon its annual assessment carried out for financial year 2016, was satisfied that:

- The size and composition of the Company is optimum with appropriate mix of knowledge, skills, attributes and core competencies;
- The Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the operations;
- All the Directors continue to uphold he highest governance standards in their conduct and that of the Board;
- All the Members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, and depth of knowledge, skills and experience and their personal qualities;

5 UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

(b) Nomination Committee (Cont'd)

The Nomination Committee upon its annual assessment carried out for financial year 2016, was satisfied that (Cont'd):

- The Independent Directors comply with the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objective to the Board of Directors;

- The following Independent Non-Executive Directors whom has served as an Independent Non-Executive Directors of the Company for cumulative term of more than nine (9) years respectively do not in any way interfere with their exercise of objective judgement or their ability to act in the best interest of the Company:

  i) Tan Sri Dato' Wira Abd Rahman Bin Ismail;
  ii) Chim Wai Khuan;
  iii) Lokman Bin Mansor;
  iv) Shariff Bin Mohd Shah; and
  v) Wong Chow Lan.

- The Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company, as they hold one directorship in public listed company.

(c) Remuneration Committee

Members		No. of Meetings Attended
Tan Sri Dato' Wira Abd Rahman Bin Ismail	(Independent, Non-Executive Director)-(Chairman)	1/1
Tan Sri Dato' Wira Lee Yoon Wah	(Group Managing Director/Chief Executive Officer)	1/1
Chim Wai Khuan	(Independent, Non-Executive Director)	1/1
Wong Chow Lan	(Independent, Non-Executive Director)	1/1

Meeting of the Remuneration Committee are held at least once a year or as and when required.

The terms of reference of the Remuneration Committee are as follows:

- to establish and review the terms and conditions of employment and remuneration of executive Directors and Key Senior Management Officers of the Group to ensure that rewards commensurate with their contributions to the Group's growth and profitability; and supports the Group's objectives and shareholder value and is consistent with the Group's culture and strategy;

- to review annually the performance of the executive Directors and recommend to the Board specific adjustments in remuneration and/or reward payments if any reflecting their contributions for the year;

- to ensure the level of remuneration for Independent Non-executive Directors reflects their experience and level of responsibilities undertaken and contribution to the effective functioning of the Board. Reviews and recommends changes to the Board where necessary; and

- keep abreast of the terms and conditions of service of the executive Directors including their total remuneration package for market comparability. Reviews and recommends changes to the Board where necessary.

All recommendations of the Remuneration Committee are subject to the endorsement of the Board.

5 UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

5.1 Compliance with Applicable Financial Reporting Standard

The Board strives to present true and fair, comprehensive, balanced and meaningful evaluation and assessment of the Group's financial performance, financial position and future prospects of the Group in the Quarterly interim financial reports of the Group and the annual audited financial statements of the Group and of the company in accordance with the provisions of the Companies Act, 1965 in Malaysia ("Act"), the Listing Requirements, the Malaysian Financial Reporting Standards in Malaysia ("MFRS"), the International Financial Reporting Standards ("IFRS") and any other statutory or regulatory requirements.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure the quality of financial reporting and adequacy of such information, prior to submission to the Board for its approval. The activities of the Audit Committee are elaborated in more detail in the Audit Committee's report section in this Annual Report.

In addition, the Directors are also responsible for taking reasonable steps to safeguard the assets for the Group and to prevent and detect fraud as well as other irregularities.

5.2 Assessment of Suitability and Independence of External Auditors by Audit Committee

The Audit Committee meets with the external auditors at least once a year to discuss their audit plan, audit findings and the financial statements. The Audit Committee also meets the external auditors without the presence of the executive Directors and the management at least twice a year. From time to time, the external auditors highlight to the Audit Committee and the Board on matters that require the Board's attention.

The role of the Audit Committee in relation to both the internal and external auditors is described in the Audit Committee Report of this Annual Report.

6 RECOGNISE AND MANAGE RISKS

The Board acknowledges its overall responsibility in ensuring that a sound risk management framework and internal control system is maintained throughout the Group that covers strategic, financial, operational and compliance controls and risk management. The Board recognise that risks may not be totally eliminated and the risk management and internal control framework is designed to manage and mitigate these risks to safeguard shareholders and the Group's assets.

The Audit Committee, which has been empowered to assist the Board in discharging its duties in relation to risk management and internal control, seeks regular assurance and the continuity and effectiveness of the risk management framework and internal control system through independent reviews conducted by internal and external auditors, and the Group's Risk Management Committee.

Significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying measures to mitigate, avoid or eliminate these risks.

During the financial year, the internal audit function was outsourced to Messrs BoardRoom Business Solution Sdn Bhd. In financial year 2016, the internal auditor has reviewed the adequacy and effectiveness of the inventory management system at Seri Kembangan factory and observed that the internal control systems were operating effectively and satisfactorily.

Further details of the Group's system of internal controls are set out in the Statement on Risk Management And Internal Control section of this Annual Report.

7 TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Procedures

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to the regulators, shareholders and stakeholders. The Board formalized pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the Listing Requirements, but also setting out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

A copy of the Group's Corporate Disclosure Policy is available for reference on our Corporate Website.

7.2 Leverage on Information Technology

To augment the process of disclosure, the Board established a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information, share prices, and the Company's Annual Report may be accessed.

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Investor Relations and Shareholders Communication

The Board acknowledges the importance of maintaining transparency and accountability to all its stakeholders, particularly its shareholders and investors as it ensures that market credibility and investor's confidence are maintained. Through extensive disclosures of appropriate and relevant information, using various channels of communication on a timely basis, the Group aims to effectively provide shareholders and investors with information to fulfil transparency and accountability objectives.

At this juncture, the channel of communication to shareholders, stakeholders and general public for the overall performance and operations of the Group's business activities are press releases, public announcements on quarterly basis, annual report and disclosures to the Bursa Securities.

Meetings with institutional investors, fund managers and analysts from time to time provide an additional avenue for the Board and Management to convey information about Group's performance, strategy and other matters affecting shareholders' interests.

Besides the key channels of communication through the annual report, general meetings and announcements to Bursa Malaysia as well as analyst and media briefings, there is also continuous effort to enhance the Group's website at www.uli.com.my as a channel of communication and information dissemination. Continuous improvement and development of the website will be undertaken by the Group to ensure easy and convenient access.

The upcoming AGM represents the principal forum for dialogue and interaction with shareholders. The notice of meeting and the annual report are sent out to shareholders at least 21 days before the date of the meeting in accordance with the Company's Articles of Association. A presentation is given by the Chairman to explain the Group's strategy, performance and major Developments to shareholders during the AGM. Shareholders are accorded both the opportunity and time to raise questions or offer constructive criticism pertaining to the operations and financial matters of the Group; whilst the Board and Senior Management will provide the answers and appropriate clarifications to issues raised. The external auditors will also be present to provide their professional and independent clarification on issues and concerns raised by the shareholders, if necessary.

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.2 Poll Voting

At the last AGM of the Company, no substantive resolutions were put forth for shareholders' approval, except the routine resolutions pertaining to receiving of audited financial statements, re-appointment and re-election of Directors, payment of dividends and Directors' fees and re-appointment of Auditors. In view thereof, all resolutions were voted on by show of hands by shareholders.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings,and to ensure accurate and efficient outcomes of the voting process.

CONCLUSION

Compliance with the Code

The Board is satisfied that the Group has maintained high standards of Corporate Governance and has strived to achieve the highest level of integrity and ethical standard, in all its business dealings, including compliance with the Code throughout the financial year ended 31 December 2016.

This Statement is made in accordance with the resolution of the Board of Directors dated 30 March 2017.

AUDIT COMMITTEE REPORT

MEMBERS

Chim Wai Khuan *(Independent, Non-Executive Director) -Chairman*
Wong Chow Lan *(Independent, Non-Executive Director)*
Lokman Bin Mansor *(Independent, Non-Executive Director)*

TERMS OF REFERENCE

1. Membership

The Audit Committee shall be appointed by the Board of Directors amongst the Directors and shall consist of not less than three (3) members, all of whom must be Non-executive Directors, with majority of them being Independent. The Chairman who shall be elected by the Audit Committee must be an Independent Non-Executive Director. No alternate Director shall be appointed as a member of the Audit Committee.

The Board shall at all times ensure that at least one (1) member of the Audit Committee:

I. must be a member of the Malaysian Institute of Accountants ("MIA"); or
II. if he is not a member of MIA, he must have at least three (3) years working experience and:
- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

III. fulfills such other requirements as prescribed or approved by Bursa Securities.

At least once in every three (3) years, the Board of Directors must review the Terms of reference and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members carried out their duties in accordance to the Terms of Reference.

2. Meetings and Reporting Procedures

The Audit Committee shall convene meeting at least four (4) times a year, or more frequently as the Audit Committee considers necessary. The Chairman of the Audit Committee, or the secretary on the requisition of any members, the head of internal audit or the external auditors, shall at any time summon a meeting by giving reasonable notice. A quorum shall be two (2) members present and majority of which must be Independent Directors.

The chief financial officer and the company secretary, the head of internal audit and representative of the external auditors shall normally be invited to attend the meetings but may be requested to leave a meeting as and when deemed necessary by the Audit Committee. Other Board members and senior management staff may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet the external auditors without any executive Directors and employees present at least twice a year.

The company secretary shall act as secretary of the Audit Committee. The secretary shall draw up an agenda for each meeting, in consultation with the chairman of the Audit Committee. The agenda shall be distributed to all members of the Audit Committee and head of internal audit as well as external auditors before the meeting together with supporting papers. The minutes of the meeting of the Audit Committee shall be signed by the Chairman and circulated to all members of the Board. The Chairman of the Audit Committee shall report on each meeting to the Board and all recommendations of the Audit Committee shall be submitted to the Board for approval.

3. Authority

The Audit Committee is authorised by the Board and at the cost of the Company to:-

- Investigate any activity within its Terms of Reference;
- Have the internal audit function report directly to the Audit Committee;
- Have the resources required to perform its duties;
- Have full and unrestricted access to any information pertaining to the Company or the Group for the purpose of discharging its functions and responsibilities;
- have direct communication channels with the external and internal auditors;
- obtain external legal or other independent advice as necessary; and
- to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

4. Responsibilities and Duties

The responsibilities and duties of the Audit Committee shall include the following:

Corporate Financial Reporting

i) to review and recommend acceptance or otherwise of accounting policies, principles and practices;
ii) to review the quarterly and annual financial statements of the Group and the Company for recommendation to the Board of Directors for approval, focusing particularly on:
   - any changes in or implementation of new accounting policies and practices;
   - major judgemental areas, significant and unusual events;
   - significant adjustments arising from the audit;
   - the going concern assumptions; and
   - compliance with the applicable approved accounting standards in Malaysia, Listing Requirements of the Bursa Securities and other legal and statutory requirements.

iii) to review with the management and the external auditors the results of the audit, including any difficulties encountered.

Corporate Risk Management

i) to review the adequacy of and to provide reasonable assurance to the Board of the effectiveness of risk management functions of the Group; and
ii) to ensure that the principal and requirements of managing risk are consistently adopted throughout the Group.

Internal Control

i) to assess the quality and effectiveness of the systems of the internal control and the efficiency of the Group's operations;
ii) to review the findings on the internal control in the Group by internal and external auditors; and
iii) to review and approve the Statement on Risk Management and Internal Control for the annual report as required under Listing Requirements of Bursa Securities.

Internal Audit

i) to approve the corporate audit charters of internal audit functions in the Group;
ii) to ensure that the internal audit functions have appropriate standing in the Group and have the necessary authority and resources to carry out their work. This includes a review of the organizational structure, resources, budgets and qualifications of the internal audit personnel;
iii) to review internal audit reports and management's response and actions taken in respect of these and report to the Board accordingly;
iv) to review the adequacy of the scope, functions and resources of the internal auditors and whether it has the necessary authority to carry out its work;
v) to be informed of resignations and transfer of senior internal audit staff and providing resigning/ transfer staff an opportunity in expressing their view; and
vi) to direct any special investigation to be carried out by internal audit. The total cost incurred for the internal audit function in respect of the financial year ended 31 December 2016 amounted to RM 16,434.24.

4. Responsibilities and Duties (Cont'd)

External Audit

i) to consider the appointment, resignation and dismissal of external and their audit fee;
ii) to review the external audit reports, major findings and management's responses and actions taken thereto. Where actions are not taken within an adequate time frame by the management, the Audit Committee will report the matter to the Board; and
iii) to review the nature and scope of the audit by external auditors before commencement.

Corporate Governance

i) to review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) any instances of non-compliance;
ii) to review the findings of any examinations by regulatory authorities;
iii) to consider any related party transaction and conflict of interest that may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity;
iv) to review and approve the Statements of Corporate Governance for the annual report as required under the Listing Requirements of Bursa Securities;
v) to examine instances and matters that may have compromised the principles of Corporate Governance and report back to the Board;
vi) to review the investor relations programme and shareholder communication policy for the Company;
vii) to develop and regularly review the Group's code of Corporate Governance and business ethics;
viii) where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Securities, the Audit Committee must promptly report such matters to Bursa Securities; and
ix) any such other functions as may be agreed by the Committee and the Board.

Meetings And Minutes

During the financial year ended 31 December 2016, five (5) Audit Committee Meetings were held. Details of attendance of each Committee members were as follows:

Name of Committee Members	No. of Meetings Attended
Chim Wai Khuan	5/5
Wong Chow Lan	5/5
Lokman Bin Mansor	4/5

At each of these Committee Meetings, the senior management personnel, the company secretary together with representatives of the external auditors were in attendance.

5. Summary of Activities

The Audit Committee carried out its duties in accordance with its Terms of Reference during the financial year ended 31 December 2016. The main activities undertaken by the Audit Committee included the following:

i) reviewed the interim financial reports relating to the quarterly reporting of the Group to ensure adequacy of disclosure of information essential to a fair and full presentation of the financial affairs of the Group for recommendation to the Board for approval for the release of the said quarterly reporting;

ii) reviewed the audited financial statements before submitting them to the Board, ensuring that the financial statements were prepared in accordance with the applicable approved accounting standards and the Companies Act, 1965 in Malaysia. Any significant issues resulting from the audit of the financial statements by the external auditors were deliberated;

iii) evaluated the performance of the external auditors, reviewed the external auditors scope of work, audit plan and their audit fees and recommending the appointment of external auditors at the AGM;

5. **Summary of Activities (Cont'd)**

iv) reviewed with external auditors the result of the audit and the management letter (if any), including management's response;

v) discussed the internal audit plan, programmes and resources requirement and skill levels of the internal auditors for the year and assessed the performance of the internal audit function;

vi) reviewed the internal auditor's report, which highlighted the audit issues, recommendations and management's response. Discussed with management, actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports; and

vii) reviewed and discussed Related Party Transactions ("RPT") and Recurrent Related Party Transactions ("RRPT") to ascertain if the transactions are conducted at arm's length and on normal commercial terms, and that the internal control procedures with regards to such transactions are sufficient.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Principles and Best Practices provisions relating to internal control provided in the Malaysian Code on Corporate Governance 2012, the Board of Directors ('Board') is pleased to present its Statement on Risk Management and Internal Control, which has also been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

Board of Directors' Responsibilities

The Malaysian Code on Corporate Governance requires the Board to establish a sound risk management framework and internal controls system to safeguard shareholders' investment and the Group's assets. The Board recognises the importance of maintaining a sound system of internal control. The Board also acknowledges its responsibility for the Group's system of internal control which covers not only financial controls but operational and compliance controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and strategies. Shareholders should be aware that there are inherent limitations in any system of internal control. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information or against financial losses or irregularities.

Risk Management Framework

Recommendation 6.1 of Principle 6 in the Malaysian Code on Corporate Governance 2012 states that the Board should establish a sound framework to manage risk. The risk management framework has been embedded in the Company's management systems. Authority and accountability have been clearly defined to implement the risk management process and internal control system.

The Group's Risk Management Framework encompasses Risk Management Units whose members are made of Managers from different subsidiaries and departments within the Group. These Units, within their area of expertise and operational responsibilities, will identify and evaluate critical risks faced by their departments/divisions through observations and discussions on a day-to-day basis. These Units are also responsible to assess the changes to the existing operational risks or emergence of new key business risks in order to formulate and implement effective internal controls to manage such risks.

These critical risks identified are then brought to the attention of the Risk Management Committee during Risk Management Meetings for deliberations and decisions. Thereafter, follow up audits/checks will be carried out to ensure that all relevant controls are in place. The members of the Risk Management Committee comprise of the Group Managing Director/Chief Executive Officer, two Executive Directors and appointed Senior Management personnel. During the financial year ended 31 December 2016, the Risk Management Committee has met two (2) times.

Based on the assessment of the risk management and internal control systems of the Group, the Board is of the view that there is an ongoing process of identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives in their daily activities throughout the financial year and up to the date of approval of the Annual Report.

Internal Control Environment

Within the Group, there are organisational structures in place for each operating unit with clearly defined levels of authority. Management of each operating unit has clear responsibility for identifying risk affecting their unit and the overall Group's business as a whole. They are also charged with instituting adequate procedures and internal controls to mitigate and monitor such risks on an ongoing basis. Since its listing on the Bursa Securities, the Board has regularly addressed issues or risks that may have arisen.

Standard operating policies and procedures that document how transactions are captured and where internal controls are applied exist for all operating units of the Group. As part of the performance monitoring process, management information in the form of forecasts and quarterly management accounts and reports are provided to the Board for review and approval.

On the other hand, the Group has also put in a lot of efforts in Human Resource Management in order to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary expertise to carry out their duties and responsibilities. Performance evaluations are being practised at all levels of staff to identify performance gaps, for training needs identification and talent development.

In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by ISO auditors as well as surveillance audit by various independent consultants engaged by the Group also serve as an integral part of the Group's internal control process.

Internal Audit

The Group outsourced its internal audit function to an independent firm of consultants, who, through the Audit Committee provides the Board with the assurance it requires in respect of the adequacy and effectiveness of the Group's systems of the risk management and internal control.

An internal audit plan in respect of financial year ended 31 December 2016 was drafted, after taking into consideration existing key business risks identified by the Executive Directors and Senior Management team, previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution.

The internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Inc. and a Chartered member of the Institute of Internal Auditors Malaysia. Furthermore, the entire internal audit team is totally independent. It has no involvement in the operations of the Group and is not involved in providing any form of advisory to the management of the Group.

The internal control review procedures performed by the internal audit team are designed to understand and evaluate risks, and related controls to determine the adequacy and effectiveness of the risk and control structures and processes and also to provide recommendations for further improvement. The internal audit procedures used consist of process evaluations through interviews with relevant personnel involved, review of process flows provided and observations. Thereafter, samples are being selected and analysed during the testing of controls for the respective audit areas.

During the financial year ended 31 December 2016, the internal audit function has conducted a review on inventory management in a factory of one of the subsidiary company. Upon the completion of the internal audit field work, internal audit reports were presented to the Audit Committee during its scheduled meeting. Internal audit findings and recommendations as well as management response and action plans are presented and deliberated during those meetings. Follow up audits had been carried out to ensure that all recommended corrective actions have been undertaken to mitigate risks highlighted by the internal audit team.

Conclusion

In addition to the above, the Board has received assurance from the Group Managing Director/Chief Executive Officer, Executive Directors, Group Financial Controller as well as other Managers and Departmental Heads of the subsidiaries that the Group's risk management and internal control system is operating adequately and effectively in all material aspects. Based on this assurance, the Board is of the view that the risk management and internal control system is adequate to meet the needs of the Group in addressing financial, operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Furthermore, the Board and senior management remains committed to continuously strengthen the Group's internal control system by taking into consideration better practices and the fast changing business environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Controls is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the financial year ended 31 December 2016:

Material Contracts Involving Directors and Substantial Shareholders

Save as otherwise disclosed in Significant Related Party Transactions in the Financial Statements, there are no material contracts including contracts relating to any loan entered into by the Company and its subsidiaries involving Directors and major shareholders' interests.

Audit and Non-Audit Fees

During the financial year ended 31 December 2016, audit fees paid to external auditors amounted to RM125,000. There were no non-audit fees paid to the External Auditors during the financial year ended 31 December 2016.

Utilisation of Proceeds Raised From Corporate Proposals

The Private Placement was completed on 21 August 2015 following the listing of and quotation for 13,200,000 shares, representing ten percent (10%) of the issued and paid-up share capital of the Company on the Main Market of Bursa Securities.

As at 31 December 2016, the utilisation of the proceeds is as follows:-

Purpose	Proposed utilisation	Revised utilisation	Amount utilised as at 31 December 2016	Balance unutilised	Estimated time frame for the utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	
Capital Expenditure	22,000	22,000	15,141	6,859	Within twenty four (24) months
Working capital	29,153	23,923	23,923	–	Within twenty four (24) months
Defrayment of expenses related to the Proposed Placement	327	277	277	–	Within one (1) month
Total	**51,480**	**46,200**	**39,341**	**6,859**	

Profit Guarantees

There were no profit guarantees given by the Company during the financial year ended 31 December 2016

Financial Statements

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	31,118,736	16,746,860
Attributable to:		
Owners of the Company	31,118,736	16,746,860
Non-controlling interests	–	–
	31,118,736	16,746,860

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

i. a fourth interim dividend of 3 sen per ordinary share of RM0.50 each amounting to RM4,356,000 in respect of the financial year ended 31 December 2015 paid on 12 May 2016;

ii. a first interim dividend of 3 sen per ordinary share of RM0.50 each amounting to RM4,356,000 in respect of the financial year ended 31 December 2016 paid on 21 July 2016;

iii. a second interim dividend of 3 sen per ordinary share of RM0.50 each amounting to RM4,356,000 in respect of the financial year ended 31 December 2016 paid on 18 October 2016;

iv. a third interim dividend of 3 sen per ordinary share of RM0.50 each amounting to RM4,356,000 in respect of the financial year ended 31 December 2016 was declared on 8 December 2016;

Subsequent to the financial year end, the Company declared a fourth interim dividend of 3 sen per ordinary share of RM0.50 each amounting to RM4,356,000 in respect of the financial year ended 31 December 2016 on 24 February 2017. The financial statements for the current financial year do not reflect this declared dividend. Such dividend, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2017.

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

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted to any person to take up the unissued shares of the Company.

DIRECTORS

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

Tan Sri Dato' Wira Abd Rahman Bin Ismail
Tan Sri Dato' Wira Lee Yoon Wah
Dato' Lee Yoon Kong
Teow Lai Seng
Chim Wai Khuan
Wong Chow Lan
Lokman Bin Mansor
Shariff Bin Mohd Shah

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
The Company				
Direct Interest				
Tan Sri Dato' Wira Abd Rahman Bin Ismail	9,000	–	–	9,000
Tan Sri Dato' Wira Lee Yoon Wah	4,261,848	–	–	4,261,848
Dato' Lee Yoon Kong	3,867,246	–	–	3,867,246
Teow Lai Seng	9,000	–	–	9,000
Chim Wai Khuan	400,000	–	–	400,000
Wong Chow Lan	624	–	–	624
Lokman Bin Mansor	9,000	–	–	9,000
Shariff Bin Mohd Shah	449,128	–	(10,000)	439,128
Deemed Interest				
Tan Sri Dato' Wira Abd Rahman Bin Ismail *	44,556	–	–	44,556
Tan Sri Dato' Wira Lee Yoon Wah **	54,000,000	–	–	54,000,000
Dato' Lee Yoon Kong **	54,000,000	–	–	54,000,000

* Deemed interest by virtue of interest in Kasuria Sdn. Bhd.
** Deemed interest by virtue of interest in Pearl Deal (M) Sdn. Bhd.

By virtue of their interest in the ordinary shares of the Company and pursuant to Section 6A of the Companies Act 1965 in Malaysia, Tan Sri Dato' Wira Lee Yoon Wah and Dato' Lee Yoon Kong are also deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 26(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

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

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

....
TAN SRI DATO' WIRA LEE YOON WAH
Director

....
DATO' LEE YOON KONG
Director

Petaling Jaya

Date: 30 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	114,167,772	80,242,355	–	–
Investment properties	6	391,600	400,500	–	–
Intangible asset	7	1	55	–	–
Investment in subsidiaries	8	–	–	40,933,094	40,933,094
Total non-current assets		114,559,373	80,642,910	40,933,094	40,933,094
Current assets					
Other investments	9	3,033,266	–	–	–
Inventories	10	54,806,344	45,323,908	–	–
Trade and other receivables	11	77,599,376	75,786,717	75,682,489	76,396,209
Prepayments		52,203	737,246	–	–
Tax recoverable		1,894,330	1,380,441	–	12,612
Fixed deposits placed with licensed banks	12	38,977,701	65,453,903	–	–
Cash and bank balances		44,136,465	40,364,130	1,505,502	1,336,269
Total current assets		220,499,685	229,046,345	77,187,991	77,745,090
TOTAL ASSETS		335,059,058	309,689,255	118,121,085	118,678,184
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	72,600,000	72,600,000	72,600,000	72,600,000
Share premium	14	39,600,000	39,600,000	39,600,000	39,600,000
Retained profits	15	158,293,041	144,598,305	997,502	1,674,642
Total equity		270,493,041	256,798,305	113,197,502	113,874,642
Non- current liabilities					
Deferred tax liabilities	16	2,403,923	1,595,294	–	–
Loans and borrowings	17	7,040,383	6,298,476	–	–
Total non- current liabilities		9,444,306	7,893,770	–	–
Current liabilities					
Trade and other payables	18	26,836,549	25,337,384	4,806,452	4,803,542
Loans and borrowings	17	27,776,799	17,523,983	–	–
Tax payable		508,363	2,135,813	117,131	–
Total current liabilities		55,121,711	44,997,180	4,923,583	4,803,542
Total liabilities		64,566,017	52,890,950	4,923,583	4,803,542
TOTAL EQUITY AND LIABILITIES		335,059,058	309,689,255	118,121,085	118,678,184

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	19	201,072,328	179,192,071	17,424,000	20,592,000
Cost of sales	20	(118,908,627)	(110,196,200)	–	–
Gross profit		82,163,701	68,995,871	17,424,000	20,592,000
Other income		4,917,776	5,391,911	–	–
Administrative expenses		(35,022,324)	(32,054,401)	(677,140)	(946,398)
Other operating expenses		(7,191,381)	(5,508,949)	–	–
Operating profit	21	44,867,772	36,824,432	16,746,860	19,645,602
Finance costs	22	(1,385,276)	(1,141,978)	–	–
Profit before tax		43,482,496	35,682,454	16,746,860	19,645,602
Income tax expense	23	(12,363,760)	(9,680,135)	–	–
Profit for the financial year		31,118,736	26,002,319	16,746,860	19,645,602
Other comprehensive income, net of tax					
Total comprehensive income for the financial year		31,118,736	26,002,319	16,746,860	19,645,602
Profit for the financial year attributable to:					
Owners of the Company		31,118,736	26,002,319	16,746,860	19,645,602
Non- controlling interests		–	–	–	–
		31,118,736	26,002,319	16,746,860	19,645,602
Total comprehensive income attributable to:					
Owners of the Company		31,118,736	26,002,319	16,746,860	19,645,602
Non- controlling interests		–	–	–	–
		31,118,736	26,002,319	16,746,860	19,645,602
Earnings per share attributable to owners of the Company	24				
- basic (sen)		21.43	19.01		
- diluted (sen)		21.43	19.01		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	<------------- Attributable to owners of the Company -------------> Share capital RM	Share premium RM	*Distributable* Retained profits RM	Total equity RM
Group					
At 1 January 2015		66,000,000	–	139,187,986	205,187,986
Total comprehensive income for the financial year		–	–	26,002,319	26,002,319
Transaction with owners:					
Issuance of ordinary shares	13	6,600,000	39,600,000	–	46,200,000
Dividends	25	–	–	(20,592,000)	(20,592,000)
Total transaction with owners		6,600,000	39,600,000	(20,592,000)	25,608,000
At 31 December 2015		72,600,000	39,600,000	144,598,305	256,798,305
Total comprehensive income for the financial year		–	–	31,118,736	31,118,736
Transaction with owners:					
Dividends	25	–	–	(17,424,000)	(17,424,000)
At 31 December 2016		72,600,000	39,600,000	158,293,041	270,493,041
Company					
At 1 January 2015		66,000,000	–	2,621,040	68,621,040
Total comprehensive income for the financial year		–	–	19,645,602	19,645,602
Transaction with owners:					
Issuance of ordinary shares	13	6,600,000	39,600,000	–	46,200,000
Dividends	25	–	–	(20,592,000)	(20,592,000)
Total transaction with owners		6,600,000	39,600,000	(20,592,000)	25,608,000
At 31 December 2015		72,600,000	39,600,000	1,674,642	113,874,642
Total comprehensive income for the financial year		–	–	16,746,860	16,746,860
Transaction with owners:					
Dividends	25	–	–	(17,424,000)	(17,424,000)
At 31 December 2016		72,600,000	39,600,000	997,502	113,197,502

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit before tax	43,482,496	35,682,454	16,746,860	19,645,602
Adjustments for:				
Impairment loss on receivables	115,954	828,967	–	–
Inventories written down	83,871	341,770	–	–
Reversal of impairment loss on receivables	(210,717)	(63,686)	–	–
Amortisation of intangible assets	54	8,400	–	–
Bad debts written off	21,769	37,788	–	–
Depreciation of:				
- property, plant and equipment	7,201,701	5,520,610	–	–
- investment properties	8,900	8,900	–	–
Dividend income	–	–	(17,424,000)	(20,592,000)
Fair value gain on other investment	(33,266)	–	–	–
Net gain on disposal of property, plant and equipment	(180,901)	(145,659)	–	–
Interest income	(1,825,175)	(1,706,024)	–	–
Interest expense	1,385,276	1,141,978	–	–
Net loss/(gain) on unrealised foreign exchange	202,229	(235,988)	–	–
Operating profit before changes in working capital	50,252,191	41,419,510	(677,140)	(946,398)
Changes in working capital:				
Inventories	(9,566,307)	(2,197,685)	–	–
Receivables	(1,256,851)	(12,456,709)	–	–
Payables	(2,856,835)	2,718,905	2,910	6,177,390
Net cash flows generated from/(used in) operations	36,572,198	29,484,021	(674,230)	5,230,992
Interest paid	(1,026,590)	(996,187)	–	–
Interest received	1,825,175	1,706,024	–	–
Tax paid	(14,047,113)	(8,498,350)	–	(36,662)
Tax refunded	350,643	142,522	129,743	–
Net cash flows from/(used in) operating activities	23,674,313	21,838,030	(544,487)	5,194,330

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	253,182	176,414	–	–
Purchase of property, plant and equipment	(40,002,834)	(12,589,513)	–	–
Placement of other investment	(3,000,000)	–	–	–
Repayment from/(advances to) subsidiaries	–	–	13,781,720	(35,258,154)
Net cash flows (used in)/from investing activities	(42,749,652)	(12,413,099)	13,781,720	(35,258,154)
Cash flows from financing activities				
Dividend paid	(13,068,000)	(16,236,000)	(13,068,000)	(16,236,000)
Interest paid	(358,686)	(145,791)	–	–
Net drawdown/(repayment) of other short term borrowings	10,418,000	(909,000)	–	–
Net repayment of finance lease liabilities	–	(587,983)	–	–
Net repayment of term loan	(619,842)	(49,215)	–	–
Proceeds from issuance of ordinary shares	–	46,200,000	–	46,200,000
Net cash flows (used in) /from financing activities	(3,628,528)	28,272,011	(13,068,000)	29,964,000
Net (decrease)/increase in cash and cash equivalents	(22,703,867)	37,696,942	169,233	(99,824)
Cash and cash equivalents at the beginning of the financial year	105,818,033	68,121,091	1,336,269	1,436,093
Cash and cash equivalents at the end of the financial year	83,114,166	105,818,033	1,505,502	1,336,269
Analysis of cash and cash equivalents				
Fixed deposits placed with licensed banks	38,977,701	65,453,903	–	–
Cash and bank balances	44,136,465	40,364,130	1,505,502	1,336,269
	83,114,166	105,818,033	1,505,502	1,336,269

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

United U-LI Corporation Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at 33, Jalan Kartunis U1/47, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

The Company is principally engaged in investment holding whilst the principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal 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 30 March 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

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

2. BASIS OF PREPARATION (CONT'D)

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statements of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

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

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

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (Cont'd)

Key requirements of MFRS 9 (Cont'd):

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 16 Leases

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

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

Amendments to MFRS 1 First-time Adoption of MFRSs

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

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:
- (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 4 Insurance Contracts

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

Amendments to MFRS 12 Disclosure of Interests in Other Entities

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

Amendments to MFRS 107 Statements of Cash Flows

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

2. BASIS OF PREPARATION (CONT'D)

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

Amendments to MFRS 112 Income Taxes

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

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

Amendments to MFRS 128 Investments in Associates and Joint Ventures

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

Amendments to MFRS 140 Investment Property

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

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

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

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

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

IC Int 22 Foreign Currency Transactions and Advance Consideration

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

2.4 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONT'D)

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(i) Subsidiaries and business combination

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(i) Subsidiaries and business combination (Cont'd)

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

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

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

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

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

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

(ii) Transactions eliminated on consolidation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment and depreciation

All property, plant and equipment are initially stated at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7 to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Freehold lands are not depreciated as it has an infinite lives. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Leasehold land	remaining lease period ranges from 73 years to 86 years
Buildings	2%
Electrical installation	10%
Plant and machinery	15%
Motor vehicles	15%
Office equipment	10%
Furniture and fittings	10%
Renovation	10%

Work-in-progress is not depreciated as this asset is not yet available for use.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

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

3.3 Investment property

Investment property is property held for long term rental yields and/or for capital appreciation and is not occupied by the Group. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties are provided for the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties.

Building is depreciated on a straight line basis to write off the cost over its estimated useful lives at an annual rate of 2%.

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

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets

Trademark represents the acquisition cost of the rights and license to use the name of "Goodlite" in the manufacturing of electrical lighting and fittings. Trademark is stated at cost less any accumulated amortisation and any accumulated impairment losses.

Trademark with finite useful lives will be amortised on a straight line basis over its estimated economic useful lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for trademark are reviewed yearly at the end of each reporting period.

3.5 Inventories

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

Cost is determined on the weighted average basis. The cost of raw materials and consumables comprise cost of purchase, transport and handling charges. The costs of finished goods and work-in-progress comprise cost of raw materials, direct labour and other direct costs and appropriate proportions of manufacturing overheads based on the normal operating capacity.

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

3.6 Financial instruments

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

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

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

(i) Subsequent measurement

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

(a) Financial assets

Financial assets at fair value through profit or loss

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(i) Subsequent measurement (Cont'd)

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

(a) Financial assets (Cont'd)

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7 to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7 of the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

As at the end of the reporting period, there were no financial assets classified under this category.

Available-for-sale financial assets

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

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

As at the end of the reporting period, there were no financial assets classified under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(i) Subsequent measurement (Cont'd)

(b) Financial liabilities

Financial liabilities at fair value through profit or loss

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

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

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

(ii) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, 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.

(iii) Regular way purchase or sale of financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(iv) Derecognition

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

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

3.7 Impairment

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

(i) Impairment of financial assets

(a) 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 occurred, the Group and the Company consider factors such as the probability of insolvency 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 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 increased in the number of delayed payments in the portfolio past the average credit period and the observable changes in national or local economic conditions that correlate with default on receivables.

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss 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.

(b) Unquoted equity securities carried at cost

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (Cont'd)

(i) Impairment of financial assets (Cont'd)

(c) *Available-for-sale financial assets*

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

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

Impairment losses on available-for-sale equity instruments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(ii) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purpose of assessing impairments, 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 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 risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and 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 impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Equity instruments

Instrument classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

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

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

(iii) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

3.9 Leases

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful lives of the asset and the lease term.

(ii) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. 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.

In the previous years, a leasehold land that normally had an indefinite economic lives and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Interest-bearing borrowings

All interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method.

3.11 Foreign currencies

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss.

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

3.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Revenue from sale of goods is recognised upon delivery of products and customers' acceptance, net of discounts and returns and when the significant risk and rewards of ownership have been passed to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

Interest income is recognised on an accruals basis using the effective interest method unless collectability is in doubt in which recognition will be on a receipt basis.

(iii) Dividend income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Income tax

(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 end of the reporting period.

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 end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or a 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.

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 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 end of the reporting period.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Borrowing costs

Borrowing costs are recognised in the profit or loss as an expense in the period in which they are incurred.

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3.15 Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. 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 like sick leave, maternity and paternity leave are recognised when absences occur.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

3.16 Segment reporting

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

3.17 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Earnings per share

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

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

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

3.19 Contingent liabilities

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

3.20 Fair value measurements

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

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

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

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

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

3.21 Goods and services tax

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) Classification of leasehold land (Note 5)

The Group had in the prior financial year, reassessed and determined that all leasehold land of the Group which are in substance finance leases and had reclassified the leasehold land from prepaid lease payments to property, plant and equipment.

(ii) Depreciation and useful lives of property, plant and equipment (Note 5)

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

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

(iii) Impairment of property, plant and equipment (Note 5)

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

The Group reviews the carrying amount of its non-current assets, which include property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent valuations to determine the carrying amount of these assets will be procured when the need arise.

As at end of reporting period, the directors of the Group are of the opinion that there is no indication that the property, plant and equipment may be impaired.

(iv) Impairment of investment in subsidiaries (Note 8)

The Group and the Company carried out the impairment test based on a variety of estimation including the value in use of the cash generating unit. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Impairment of loans and receivables (Note 11)

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of reporting period is disclosed in Note 11 to the financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(vi) Amortisation of intangible assets (Note 7)

Intangible assets are amortised on a straight line basis over their estimated economic useful lives. The directors estimates that the useful lives of the intangible assets to be 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the intangible assets. Therefore the future amortisation charge could be revised.

(vii) Income taxes (Note 23)

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

(viii) Contingent liabilities

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

The determination of treatment of contingent liabilities is based on directors' view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(ix) Write down of obsolete or slow moving of inventories (Note 10)

Reviews are made periodically by management on demand, obsolete and slow moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Electrical installation RM	Plant and machinery RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Building under construction RM	Plant and machinery under installation RM	Total RM
Cost												
At 1 January 2015	6,816,000	20,313,000	21,854,809	55,425	54,905,016	8,441,422	2,629,989	729,655	3,259,447	344,220	–	119,348,983
Additions	–	–	–	12,290	5,225,892	1,118,209	285,624	10,876	1,091,653	10,404,585	1,362,000	19,511,129
Disposals	–	–	–	–	–	(1,239,941)	–	–	–	–	–	(1,239,941)
At 31 December 2015	6,816,000	20,313,000	21,854,809	67,715	60,130,908	8,319,690	2,915,613	740,531	4,351,100	10,748,805	1,362,000	137,620,171
Additions	–	24,039,080	–	–	10,947,620	696,612	322,849	100,639	3,894,879	712,720	485,000	41,199,399
Disposals	–	–	–	(10,050)	(308,000)	(723,006)	–	–	–	–	–	(1,041,056)
At 31 December 2016	6,816,000	44,352,080	21,854,809	57,665	70,770,528	8,293,296	3,238,462	841,170	8,245,979	11,461,525	1,847,000	177,778,514
Accumulated depreciation and impairment losses												
At 1 January 2015	–	872,046	1,705,294	49,097	43,701,048	3,616,427	1,155,255	395,954	1,571,271	–	–	53,066,392
Depreciation for the financial year	–	274,425	459,096	1,408	3,168,970	1,024,678	253,040	37,435	301,558	–	–	5,520,610
Disposals	–	–	–	–	–	(1,209,186)	–	–	–	–	–	(1,209,186)
At 31 December 2015	–	1,146,471	2,164,390	50,505	46,870,018	3,431,919	1,408,295	433,389	1,872,829	–	–	57,377,816
Depreciation for the financial year	–	520,545	459,096	111	4,302,762	1,109,240	239,041	45,992	524,914	–	–	7,201,701
Disposals	–	–	–	–	(307,996)	(660,779)	–	–	–	–	–	(968,775)
At 31 December 2016	–	1,667,016	2,623,486	50,616	50,864,784	3,880,380	1,647,336	479,381	2,397,743	–	–	63,610,742
Net carrying amount												
At 31 December 2015	6,816,000	19,166,529	19,690,419	17,210	13,260,890	4,887,771	1,507,318	307,142	2,478,271	10,748,805	1,362,000	80,242,355
At 31 December 2016	6,816,000	42,685,064	19,231,323	7,049	19,905,744	4,412,916	1,591,126	361,789	5,848,236	11,461,525	1,847,000	114,167,772

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) During the financial year, the aggregate costs of property, plant and equipment acquired by means of:

	Group	
	2016 RM	2015 RM
Purchase of property, plant and equipment	41,199,399	19,511,129
Financed by:		
- term loan	(1,196,565)	(6,921,616)
Cash payments on purchase of property, plant and equipment	40,002,834	12,589,513

(b) Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for borrowings as disclosed in Note 17 to the financial statement are as follows:

	Group	
	2016 RM	2015 RM
Buildings	1,983,520	2,028,000
Freehold land	6,326,000	6,326,000
Building under construction	10,851,134	10,138,414
	19,160,654	18,492,414

(c) Lease period for leasehold land

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

6. INVESTMENT PROPERTIES

	Group 2016 RM	2015 RM
At cost		
At 1 January/31 December	445,000	445,000
Accumulated depreciation		
At 1 January	44,500	35,600
Depreciation for the financial year	8,900	8,900
At 31 December	53,400	44,500
Net carrying amount	391,600	400,500
Fair value	868,000	670,000

The Group's investment properties with carrying amount of RM83,600 (2015: RM85,500) and RM308,000 (2015: RM315,000) are held under freehold and leasehold with unexpired lease period of more than 50 years respectively.

Direct operating expenses recognised in profit or loss in respect of investment properties amounted to RM4,211 (2015: RM3,611).

Fair value of investment properties are categorised as follows:

	Group			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2016				
Investment properties	–	–	868,000	868,000
2015				
Investment properties	–	–	670,000	670,000

There were no transfers between level 1 and level 2 during the financial year ended 31 December 2016 and 31 December 2015.

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to
Buildings	Sales comparison approach	Price per square foot RM1,217 and RM454	The higher the price per square foot, the higher the fair value

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

7. INTANGIBLE ASSET

	Group 2016 RM	Group 2015 RM
Trademark		
At cost		
At 1 January/31 December	89,000	89,000
Accumulated amortisation		
At 1 January	88,945	80,545
Amortisation for the financial year	54	8,400
At 31 December	88,999	88,945
Net carrying amount	1	55

8. INVESTMENT IN SUBSIDIARIES

	Group 2016 RM	Group 2015 RM
Unquoted shares - at cost	40,933,094	40,933,094

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

Name of subsidiary	Effective equity interest 2016 %	Effective equity interest 2015 %	Principal activities
United U-LI (M) Sdn. Bhd.	100	100	Manufacturing of and dealing in cable support systems, integrated ceiling systems, steel roof battens and related industrial metal products
United U-LI Steel Service Centre Sdn. Bhd.	100	100	Provision of slitting and shearing services and trading of industrial hardware
Cable-Tray Industries (Malaysia) Sdn. Bhd.	100	100	Manufacturing of and dealing in all types of cable trunking and related industrial metal products
Gabung Mekar Sdn. Bhd.	100	100	Investment holding
United U-LI Building Materials Sdn. Bhd.	100	100	Manufacturing of and trading in integrated ceiling systems, steel roof battens and building materials
United U-LI Goodlite Sdn. Bhd.	100	100	Manufacturing of and trading in electrical lighting and fittings products
U-LI Goodlite Marketing Sdn. Bhd.	100	100	Trading in electrical lighting and fitting products

9. OTHER INVESTMENTS

	Group 2016 RM
At fair value through profit or loss	
At 1 January	–
Additions	3,000,000
Fair value gain	33,266
At 31 December	3,033,266

The fair value of the security is based on closing market process on the last market day of the financial year.

10. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost or net realisable value		
Raw materials	34,066,904	28,010,495
Consumables	1,897,912	1,861,819
Work-in-progress	5,371,534	3,913,514
Finished goods	13,469,994	11,538,080
	54,806,344	45,323,908

During the financial year, the cost of inventories recognised as expenses in the Group amounted to RM102,792,690 (2015: RM96,311,197).

During the financial year, the Group had written down inventories amounted to RM83,871 (2015: RM341,770) and was included in expenses.

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables	(a)	74,064,989	71,086,103	–	–
Less: Allowance for impairment		(943,483)	(1,038,246)	–	–
Trade receivables, net		73,121,506	70,047,857	–	–
Other receivables					
Amount owing by subsidiaries	(b)	–	–	75,682,489	76,396,209
Deposits	(c)	3,294,237	5,717,191	–	–
Other receivables		32,511	13,953	–	–
GST recoverable		1,151,122	7,716	–	–
		4,477,870	5,738,860	75,682,489	76,396,209
Total trade and other receivables		77,599,376	75,786,717	75,682,489	76,396,209

11. TRADE AND OTHER RECEIVABLES (CONT'D)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Total trade and other receivables *		76,448,254	75,779,001	75,682,489	76,396,209
Add: Fixed deposits placed with licensed banks	12	38,977,701	65,453,903	–	–
Cash and bank balances		44,136,465	40,364,130	1,505,502	1,336,269
Total loans and receivables		159,562,420	181,597,034	77,187,991	77,732,478

* Excluded GST recoverable

(a) Trade receivables

The Group's normal trade credit terms range from 30 to 150 days (2015: 30 to 150 days). Other credit terms are assessed and approved on a case by case basis.

The foreign currency exposure profile of trade receivables are as follows:

	Group 2016 RM	Group 2015 RM
Brunei Dollar	103,371	189,792
Singapore Dollar	12,778,081	9,830,451
US Dollar	866,245	1,283,356
	13,747,697	11,303,599

Ageing analysis of the Group's trade receivables are as follows:

	Group 2016 RM	Group 2015 RM
Neither past due nor impaired	17,001,543	16,806,194
1 to 30 days past due not impaired	19,354,996	16,730,453
31 to 60 days past due not impaired	13,795,911	14,009,624
61 to 90 days past due not impaired	13,095,322	11,479,568
More than 90 days past due not impaired	9,873,734	11,022,018
	56,119,963	53,241,663
Impaired	943,483	1,038,246
	74,064,989	71,086,103

11. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM56,119,963 (2015: RM53,241,663) that are past due but not impaired and are unsecured in nature. These receivables relate to customers whom there is no objective evidence that the receivables are not fully recoverable. No impairment has been made on these amounts as the Group is closely monitoring these receivables and is confident of their eventual recovery.

Receivables that are impaired

The Group's trade receivables that are impaired at the end of reporting period are as follows:

	Group	
	2016 RM	**2015 RM**
Individually impaired		
Trade receivables	943,483	1,038,246
Less: Allowance for impairment	(943,483)	(1,038,246)
	–	–

Movements in the allowance for impairment account are as follows:

	Group	
	2016 RM	**2015 RM**
At 1 January	1,038,246	272,965
Allowance for the financial year	115,954	828,967
Reversal of impairment losses	(210,717)	(63,686)
At 31 December	943,483	1,038,246

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amount owing by subsidiaries

The amount owing by subsidiaries is unsecured, interest free, repayable on demand and is expected to be settled in cash.

(c) Deposits

Included in deposits of the Group are deposits paid to suppliers for acquisition of machinery and a piece of leasehold land amounting to RM1,755,556 (2015: RM2,129,579) and RM1,083,203 (2015: RM2,300,000) respectively. The balance of the purchase consideration is disclosed as a capital commitment in Note 27 to the financial statements.

12. FIXED DEPOSITS PLACED WITH LICENSED BANKS

The fixed deposits of the Group earn weighted average effective interest rate ranging from 2.80% to 3.78% (2015: 3.10% to 3.78%) per annum and have maturity period within 3 months (2015: 3 months).

13. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares unit	Amount RM	Number of shares unit	Amount RM
Ordinary shares of RM0.50 each				
Authorised:				
At the beginning/end of the financial year	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid:				
At the beginning of the financial year	145,200,000	72,600,000	132,000,000	66,000,000
Issuance of ordinary shares	–	–	13,200,000	6,600,000
At the end of the financial year	145,200,000	72,600,000	145,200,000	72,600,000

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

In previous financial year, the Company increased its issued and paid-up share capital from RM66,000,000 to RM72,600,000 by the issuance of 13,200,000 new ordinary shares of RM0.50 each at RM3.50 pursuant to the private placement exercise.

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

14. SHARE PREMIUM

	Company	
	2016 RM	2015 RM
At the beginning of the financial year	39,600,000	–
Issuance of ordinary shares	–	39,600,000
At the end of the financial year	39,600,000	39,600,000

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

15. RETAINED PROFITS

The entire retained profits of the Company as at 31 December 2016 may be distributed as dividends under the single tier system.

16. DEFERRED TAX LIABILITIES

	Group 2016 RM	Group 2015 RM
At 1 January	1,595,294	564,586
Recognised in the profit or loss (Note 23)	808,629	1,030,708
At 31 December	2,403,923	1,595,294

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

	Property, plant and equipment RM	Unused tax losses and unabsorbed capital allowances RM	Total RM
Group			
Deferred tax assets			
At 1 January 2015	–	(310,177)	(310,177)
Recognised in the profit or loss	–	310,177	310,177
At 31 December 2015	–	–	–
Deferred tax liabilities			
At 1 January 2015	874,763	–	874,763
Recognised in the profit or loss	720,531	–	720,531
At 31 December 2015	1,595,294	–	1,595,294
Recognised in the profit or loss	808,629	–	808,629
At 31 December 2016	2,403,923	–	2,403,923
Deferred tax liabilities			
At 31 December 2015	1,595,294	–	1,595,294
At 31 December 2016	2,403,923	–	2,403,923

17. LOANS AND BORROWINGS

	Maturity	Group 2016 RM	Group 2015 RM
Current			
Secured			
Bankers' acceptances	2017	27,259,000	16,841,000
Term loans	2017	517,799	682,983
		27,776,799	17,523,983
Non-current			
Secured			
Term loans	2018/2024	7,040,383	6,298,476
Total loans and borrowings		34,817,182	23,822,459

(a) Bankers' acceptances

The bankers' acceptances are secured by way of:

(i) legal charges over land and buildings of subsidiaries as disclosed in Note 5(b) to the financial statements;

(ii) corporate guarantee by the Company; and

(iii) negative pledge on all assets of a subsidiary.

(b) Term loans

	Group 2016 RM	Group 2015 RM
Current		
- not later than one year	517,799	682,983
Non-current		
- later than one year but not later than two years	541,048	846,860
- later than two years but not later than five years	1,773,308	2,520,000
- later than five years	4,726,027	2,931,616
	7,040,383	6,298,476
	7,558,182	6,981,459

Term loan 1 of a subsidiary of Nil (2015: RM59,843) bears interest at Nil (2015: 7.35%) per annum and is repayable by monthly instalments of RM4,635 over 120 instalments commencing from the full release of the term loan and is secured and supported as follows:

(i) legal charges over land and buildings of subsidiaries as disclosed in Note 5(b);

(ii) corporate guarantee by the Company; and

(iii) negative pledge on all assets of a subsidiary.

17. LOANS AND BORROWINGS (CONT'D)

(b) Term loans (Cont'd)

Term loan 1 have been fully settled during the financial year.

Term loan 2 of a subsidiary of RM7,558,182 (2015: RM6,921,616) bears interest at 4.40% (2015: 4.40%) per annum and is repayable by monthly instalments of RM70,000 over 120 instalments commencing of the following month from the date of full drawdown or upon expiry of the availability period, whichever is the earlier and is secured and supported as follows:

(i) legal charges over construction costs of a factory as disclosed in Note 5(b);

(ii) debenture of fixed and floating charge over the equipment and the project; and

(iii) corporate guarantee by the Company.

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Current					
Trade payables	(a)	16,994,017	13,556,504	–	–
Other payables					
Accruals		1,834,433	2,385,222	441,150	438,240
Other payables	(b)	8,008,099	9,395,658	4,365,302	4,365,302
		9,842,532	11,780,880	4,806,452	4,803,542
Total trade and other payables		26,836,549	25,337,384	4,806,452	4,803,542
Total trade and other payables		26,836,549	25,337,384	4,806,452	4,803,542
Add: Loans and borrowings (Note 17)		34,817,182	23,822,459	–	–
Total financial liabilities carried at amortised cost		61,653,731	49,159,843	4,806,452	4,803,542

(a) Trade payables

The normal trade payables credit terms granted to the Group range from 15 to 120 days (2015: 15 to 120 days).

The foreign currency exposure profile of trade payables is as follows:

	Group	
	2016 RM	2015 RM
Singapore Dollar	337,939	–
US Dollar	2,379,107	–
Euro Dollar	63,313	–
	2,780,359	–

18. TRADE AND OTHER PAYABLES (CONT'D)

(b) Other payables

Included in other payables of the Group are:

(i) interim dividend payable to shareholders amounting to RM4,356,000 (2015: RM4,356,000); and

(ii) construction and installation costs of property, plant and machinery amounting to RM44,520 (2015: RM2,039,719).

19. REVENUE

Revenue of the Group and the Company consists of the following:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Sale of goods	201,072,328	179,192,071	–	–
Dividend income	–	–	17,424,000	20,592,000
	201,072,328	179,192,071	17,424,000	20,592,000

20. COST OF SALES

Cost of sales represents the direct costs attributable to goods produced and sold by the Group.

21. OPERATING PROFIT

Operating profit has been arrived at:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
After charging:				
Amortisation of intangible assets	54	8,400	–	–
Auditors' remuneration				
- current year	103,000	103,000	30,000	30,000
- prior year	13,000	19,760	–	10,800
Bad debts written off	21,769	37,788	–	–
Casual wages, bonuses and allowances	12,580,321	10,811,884	–	–
Depreciation of:				
- property, plant and equipment	7,201,701	5,520,610	–	–
- investment properties	8,900	8,900	–	–
Directors' remuneration	6,886,453	7,522,986	433,800	436,400
Impairment loss on receivables	115,954	828,967	–	–
Net loss on unrealised foreign exchange	202,229	–	–	–

21. OPERATING PROFIT (CONT'D)

Operating profit has been arrived at (Cont'd):

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging (Cont'd):				
Rental of premises:				
- paid/payable to directors	25,200	25,200	–	–
- others	251,090	225,500	–	–
Rental of office equipment	68,044	49,354	–	–
Staff costs:				
- salaries, allowances and bonuses	7,831,908	6,964,349	–	–
- Employees' Provident Fund	2,248,291	977,414	–	–
- SOCSO	196,456	89,319	–	–
- other staff related costs	460,188	333,026	–	–
Inventories written down	83,871	341,770	–	–
And crediting:				
Reversal of impairment loss on receivables	(210,717)	(63,686)	–	–
Net gain on foreign exchange				
- realised	(75,263)	(2,231,359)	–	–
- unrealised	–	(235,988)	–	–
Net gain on disposal of property, plant and equipment	(180,901)	(145,659)	–	–
Interest income	(1,825,175)	(1,706,024)	–	–
Fair value gain on other investment	(33,266)	–	–	–

22. FINANCE COSTS

	Group	
	2016 RM	2015 RM
Interest expenses:		
- bankers' acceptances	1,026,590	996,187
- term loans	358,686	136,476
- finance lease liabilities	–	9,315
	1,385,276	1,141,978

23. INCOME TAX EXPENSE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current income tax				
- current year	10,491,916	8,598,244	–	–
- prior year	1,063,215	51,183	–	–
	11,555,131	8,649,427	–	–
Deferred taxation (Note 16)				
- current year	738,692	853,258	–	–
- prior year	69,937	177,450	–	–
	808,629	1,030,708	–	–
	12,363,760	9,680,135	–	–

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

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Profit before tax	43,482,496	35,682,454	16,746,860	19,645,602
Tax at applicable tax rate of 24% (2015: 25%)	10,435,799	8,920,614	4,019,246	4,911,401
Tax effects arising from:				
- non-deductible expenses	911,375	646,283	162,514	236,599
- non-taxable income	(59,860)	(110,696)	(4,181,760)	(5,148,000)
- (origination)/reversal of deferred tax assets not recognised in the financial statements	(56,706)	19,031	–	–
- deferred tax recognised in difference tax rate	–	(23,730)	–	–
- under provision of current tax in prior years	1,133,152	228,633	–	–
Income tax expense for the financial year	12,363,760	9,680,135	–	–

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Property, plant and equipment	62,871	253,164	–	–
Unabsorbed tax losses	2,164,147	2,210,129	–	–
	2,227,018	2,463,293	–	–
Potential deferred tax assets not recognised	534,484	591,190	–	–

24. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares of RM0.50 each on issue during the financial year.

	Group	
	2016 RM	**2015 RM**
Profit for the financial year, net of tax	31,118,736	26,002,319
Weighted average number of ordinary shares on issue	145,200,000	136,809,863
Basic earnings per share	21.43	19.01

(b) Diluted

The basic and diluted earnings per ordinary share are equal as the Group has no dilutive potential ordinary shares.

25. DIVIDENDS

	Group and Company	
	2016 RM	**2015 RM**
Recognised during the financial year:		
Third interim dividend of 6 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2014	–	7,920,000
First interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015	–	3,960,000
Second interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015	–	4,356,000
Third interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015	–	4,356,000
Fourth interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015	4,356,000	–
First interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2016	4,356,000	–
Second interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2016	4,356,000	–
Third interim dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2016	4,356,000	–
	17,424,000	20,592,000

26. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Direct subsidiaries; and
(ii) Key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Dividends received/receivable from a subsidiary - United U-LI (M) Sdn. Bhd.	–	-	17,424,000	20,592,000
Rental of premises paid/ payable to directors, namely Tan Sri Dato' Wira Lee Yoon Wah, Dato' Lee Yoon Kong, and Puan Sri Datin Wira Lim Pki Fong (spouse of Tan Sri Dato' Wira Lee Yoon Wah)	25,200	25,200	–	–
Salaries and other related expenses paid/payable to persons related to certain directors	216,771	238,196	–	–

(c) Key management personnel remuneration

The remuneration of directors and other members of key management during the financial year are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Short term employee benefits	6,316,279	6,582,476	433,800	436,400
Employees' Provident Fund	978,380	1,023,552	–	–
	7,294,659	7,606,028	433,800	436,400

26. RELATED PARTIES (CONT'D)

(c) Key management personnel remuneration (Cont'd)

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

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive:				
- salaries	5,469,913	6,067,374	7,000	7,500
- fees	144,000	144,000	144,000	144,000
- other emoluments	926,740	963,712	–	–
	6,540,653	7,175,086	151,000	151,500
- benefits- in- kind	66,650	68,397	–	–
	6,607,303	7,243,483	151,000	151,500
Non- executive:				
- fees	321,000	321,000	258,000	258,000
- allowances	24,800	26,900	24,800	26,900
	345,800	347,900	282,800	284,900
Total	6,953,103	7,591,383	433,800	436,400
Total directors' remuneration	6,886,453	7,522,986	433,800	436,400
Total estimated money value of benefits- in- kind	66,650	68,397	–	–
	6,953,103	7,591,383	433,800	436,400

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

	Number of Directors	
	2016	2015
Executive directors:		
RM500,000 and below	1	1
RM500,001- RM1,000,000	–	–
RM1,000,001- RM1,500,000	–	–
RM1,500,001- RM2,000,000	–	–
RM2,000,001- RM2,500,000	–	–
RM2,500,001- RM3,000,000	2	2
Non-executive directors:		
RM50,000 and below	4	4
RM50,001- RM100,000	–	–
RM100,001- RM150,000	1	1

27. CAPITAL COMMITMENTS

	Group 2016 RM	2015 RM
Capital expenditure approved and contracted for:		
- purchase of machinery	2,802,745	3,141,061
- building under construction	–	361,586
- plant and machinery under installation	–	1,021,500
- leasehold land	9,748,823	20,700,000
Capital expenditure approved and not contracted for:		
- purchase of machinery	–	862,160

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

The following are classes of financial instruments that are measured on an ongoing basis either at fair value or at amortised cost.

	Note
Financial assets (current)	
Other investments	9
Trade and other receivables	11
Fixed deposits placed with licensed banks	12
Cash and bank balances	–
Financial liabilities (current)	
Trade and other payables	18
Loans and borrowings (floating rate)	17
Financial liabilities (non-current)	
Loans and borrowings (floating rate)	17

Except for other investments, 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 or near the end of reporting period.

(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Financial asset					
2016					
Other investments	3,033,266	–	–	3,033,266	3,033,266

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group seeks to manage effectively various risks namely credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk to which the Group is exposed to in its daily operations.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increase credit risk exposure. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including fixed deposits placed with licensed banks and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The management has a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount.

(i) Exposure to credit risk

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

(ii) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the end of reporting period are as follows:

	Group			
	2016		2015	
	RM	**% of total**	**RM**	**% of total**
By country:				
Malaysia	59,373,809	81%	58,744,258	84%
Singapore	12,778,081	18%	9,830,451	14%
Middle East	866,245	1%	1,283,356	2%
Others	103,371	0%	189,792	0%
	73,121,506	100%	70,047,857	100%

(iii) Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable banks with high credit ratings and no history of default.

(iv) Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 11 to the financial statements.

(v) Amount owing by subsidiaries

The amount owing by subsidiaries is unsecured, interest free, repayable on demand and expected to be settled in cash. The Company monitors the results of the subsidiaries regularly.

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

(vi) Financial guarantees contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans and borrowings granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM94,726,000 (2015: RM94,726,000) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 29(b) to the financial statements. As at the reporting date, there was no indication that the subsidiary would default on repayment.

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

(b) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Maturity analysis

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

	Carrying amount RM	Contractual undiscounted cash flow RM	On demand or within one year RM	One to five years RM	Over five years RM
Financial liabilities					
2016					
Group					
Trade and other payables	26,836,549	26,836,549	26,836,549	–	–
Loans and borrowings	34,817,182	36,327,202	28,414,620	4,252,880	3,659,702
	61,653,731	63,163,751	55,251,169	4,252,880	3,659,702
Company					
Other payables and accruals	4,806,452	4,806,452	4,806,452	–	–
Financial guarantee contracts	–	94,726,000	94,726,000	–	–
	4,806,452	99,532,452	99,532,452	–	–

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM	Contractual undiscounted cash flow RM	On demand or within one year RM	One to five years RM	Over five years RM
2015					
Group					
Trade and other payables	25,337,384	25,337,384	25,337,384	–	–
Loans and borrowings	23,822,459	25,193,828	17,753,687	5,152,171	2,287,970
	49,159,843	50,531,212	43,091,071	5,152,171	2,287,970
Company					
Other payables and accruals	4,803,542	4,803,542	4,803,542	–	–
Financial guarantee contracts	–	94,726,000	94,726,000	–	–
	4,803,542	99,529,542	99,529,542	–	–

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

During the financial year, the Group is exposed to foreign currency risk on transactions that are denominated in currencies other than Ringgit Malaysia. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Singapore Dollar ("SGD"), Brunei Dollar ("BND") and Euro ("EUR").

The Group and the Company ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The financial assets and financial liabilities of the Group that are not denominated in their functional currencies are disclosed in respective notes to the financial statements.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency

The following table demonstrate the sensitivity of the Group's profit before tax to a reasonably possible change in the exchange rates of BND, EUR, SGD and USD against the functional currency of the Group, with all the other variables held constant.

		Group	
		2016 RM Profit for the year	**2015 RM Profit for the year**
BND/RM	- strengthened 3% (2015: 3%)	3,101	5,694
	- weakened 3% (2015: 3%)	(3,101)	(5,694)
EUR/RM	- strengthened 3% (2013: 3%)	1,899	–
	- weakened 3% (2013: 3%)	(1,899)	–
SGD/RM	- strengthened 3% (2015: 3%)	373,204	294,914
	- weakened 3% (2015: 3%)	(373,204)	(294,914)
USD/RM	- strengthened 3% (2015: 3%)	45,386	38,501
	- weakened 3% (2015: 3%)	(45,386)	(38,501)

(d) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from fixed deposits placed with licensed banks and loans and borrowings. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

	Effective Interest Rate %	**Within one year RM**	**One to five years RM**	**More than five years RM**	**Total RM**
Group					
2016					
Financial asset					
Fixed deposits placed with licensed banks	2.80 - 3.78	38,977,701	–	–	38,977,701
Financial liabilities					
Bankers' acceptances	4.11 - 5.70	27,259,000	–	–	27,259,000
Term loans	4.40	517,799	2,314,356	4,726,027	7,558,182
2015					
Financial asset					
Fixed deposits placed with licensed banks	3.10 - 3.78	65,453,903	–	–	65,453,903
Financial liabilities					
Bankers' acceptances	4.60 - 5.66	16,841,000	–	–	16,841,000
Term loans	4.40 - 7.35	682,983	3,366,860	2,931,616	6,981,459

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 1% higher/lower, with all other variables held constant, the Group's profit before tax would have been RM348,171 (2015: RM238,225) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate of loans and borrowings. The assumed movement in the percentage for interest rate sensitivity analysis is based on the currently observable market environment.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to commodity price risk which affects the price of raw materials used in the operations.

The Group has in place policies to manage the Group's exposure to fluctuations in the selling price of the Group's products and purchase prices of the key raw materials used in the operations. The directors conduct constant survey of the global market price and trend in order to determine the selling price.

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capitals ratio 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 adjusts the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is total debts divided by total capital plus total debts. The Group includes within total debts, trade and other payables and loans and borrowings.

The gearing ratio of the Group and the Company is as follows:

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Trade and other payables	18	26,836,549	25,337,384	4,806,452	4,803,542
Loans and borrowings	17	34,817,182	23,822,459	–	–
Total debts		61,653,731	49,159,843	4,806,452	4,803,542
Equity attributable to owners of the Company		270,493,041	256,798,305	113,197,502	113,874,642
Capital and total debts		332,146,772	305,958,148	118,003,954	118,678,184
Gearing ratio		18.6%	16.1%	4.1%	4.0%

The Company is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

31. OPERATING SEGMENTS

General information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the nature of the products and services, and has three reportable operating segments as follows:

(a) Investment Holding
(b) Cable Support Systems
(c) Electrical Lighting and Fittings

Except as above, no other operating segment has been aggregated to form the above reportable operating segments.

There are varying levels of integration between Cable Support Systems reportable segments and the Electrical Lighting and Fittings reportable segments. This integration includes transfer of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on negotiated basis.

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment profit or loss is profit earned or loss incurred by each segment with allocation of interest income, depreciation, interest expense, tax expense and other non-cash expenses. There are no significant changes from prior financial year in the measurement methods used to determine reported segment statements of comprehensive income.

All the Group's assets are allocated to reportable segments.

All the Group's liabilities are allocated to reportable segments other than deferred tax liabilities.

2016	Investment Holding RM	Cable Support Systems RM	Electrical Lighting and Fittings RM	Adjustments and Elimination RM	Note	Consolidated Financial Statements RM
Revenue						
External customers	–	167,597,377	33,474,951	–		201,072,328
Inter– segment	17,743,200	5,623,898	16,358,821	(39,725,919)	(a)	–
Total revenue	17,743,200	173,221,275	49,833,772	(39,725,919)		201,072,328
Results						
Interest income	–	(1,664,449)	(160,726)	–		(1,825,175)
Depreciation on investment properties and property, plant and equipment	–	6,782,269	388,887	39,445	(b)	7,210,601
Interest expense	–	1,342,929	42,347	–		1,385,276
Income tax expense	49,527	11,601,929	712,304	–		12,363,760
Other non– cash (income)/expenses	–	(335,358)	367,617	–	(c)	32,259
Segment results	16,932,872	40,838,728	3,174,340	(17,463,444)	(d)	43,482,496

31. OPERATING SEGMENTS (CONT'D)

2016	Investment Holding RM	Cable Support Systems RM	Electrical Lighting and Fittings RM	Adjustments and Elimination RM	Note	Consolidated Financial Statements RM
Assets						
Additions to property, plant and equipment	–	40,922,153	277,246	–		41,199,399
Segment assets	121,598,002	334,227,133	57,363,201	(178,129,278)	(e)	335,059,058
Liabilities						
Deferred tax liabilities	129,941	2,039,322	216,996	17,664	(f)	2,403,923
Loans and borrowings	–	33,691,182	1,126,000	–		34,817,182
Segment liabilities	5,530,022	160,377,856	33,095,421	(136,841,205)	(e)	62,162,094
2015						
Revenue						
External customers	–	149,785,914	29,406,157	–		179,192,071
Inter– segment	20,911,200	7,869,556	22,041,683	(50,822,439)	(a)	–
Total revenue	20,911,200	157,655,470	51,447,840	(50,822,439)		179,192,071
Results						
Interest income	–	(1,545,208)	(160,816)	–		(1,706,024)
Depreciation on investment properties and property, plant and equipment	–	5,068,332	421,736	39,442	(b)	5,529,510
Interest expense	–	1,086,606	55,372	–		1,141,978
Income tax expense	69,055	9,090,037	521,043	–		9,680,135
Other non- cash expenses	–	160,410	611,182	–	(c)	771,592
Segment results	19,827,795	33,729,097	2,207,004	(20,081,442)	(d)	35,682,454
Assets						
Additions to property, plant and equipment	–	19,465,431	45,698	–		19,511,129
Segment assets	122,134,842	312,130,903	53,388,658	(177,729,311)	(e)	309,925,092
Liabilities						
Deferred tax liabilities	135,373	1,295,323	146,934	17,664	(f)	1,595,294
Loans and borrowings	–	23,002,459	820,000	–		23,822,459
Segment liabilities	5,520,775	150,838,423	31,417,140	(136,480,682)	(e)	51,295,656

31. OPERATING SEGMENTS (CONT'D)

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

(a) Inter-segment revenues are eliminated on consolidation.

(b) Depreciation charged on the investment properties from a subsidiary company being recognised as property, plant and equipment on consolidation.

(c) Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the financial statements:

		Group	
	Note	2016 RM	2015 RM
Impairment loss on receivables	11(a)	115,954	828,967
Amortisation of intangible assets	7	54	8,400
Bad debts written off		21,769	37,788
Inventories written down		83,871	341,770
Reversal of impairment loss on receivables	11(a)	(210,717)	(63,686)
Net gain on disposal of property, plant and equipment		(180,901)	(145,659)
Net loss/(gain) on unrealised foreign exchange		202,229	(235,988)
		32,259	771,592

(d) The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income:

	Group	
	2016 RM	2015 RM
Profit from inter-segment revenue	(19,143,419)	(21,760,386)
Inter-segment expenses	1,679,975	1,678,944
	(17,463,444)	(20,081,442)

(e) Inter-segment balances and investment in subsidiaries are eliminated on consolidation.

(f) Deferred tax liabilities are arising from the investment properties from a subsidiary company being recognised as property, plant and equipment on consolidation.

Geographical segments

The Group's business segments operate substantially from Malaysia. In determining the geographical segments of the Group, revenues are based on the country in which the customer is located.

	Revenue		Total assets		Capital expenditure	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	160,963,529	143,660,580	321,311,361	298,385,656	41,199,399	19,511,129
Overseas	40,108,799	35,531,491	13,747,697	11,303,599	–	–
	201,072,328	179,192,071	335,059,058	309,689,255	41,199,399	19,511,129

32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 28 June 2016, the wholly-owned subsidiary of the Company, United U-LI (M) Sdn. Bhd. had entered into a Sales and Purchase Agreement with Peresscol Sdn. Bhd. to purchase a plot of vacant industrial land for a total consideration of RM12,035,584.

33. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which the Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of the Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and of the Company as at 31 December 2016 and 31 December 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained profits of the Company and its subsidiaries				
- realised	186,651,659	171,703,899	997,502	1,674,642
- unrealised	(2,572,886)	(1,359,306)	–	–
	184,078,773	170,344,593	997,502	1,674,642
Less: Consolidation adjustments	(25,785,732)	(25,746,288)	–	–
Total retained profits	158,293,041	144,598,305	997,502	1,674,642

STATEMENT BY DIRECTORS

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

We, **TAN SRI DATO' WIRA LEE YOON WAH** and **DATO' LEE YOON KONG**, being two of the directors of UNITED U-LI CORPORATION BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 40 to 91 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 92 has been prepared in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

....

TAN SRI DATO' WIRA LEE YOON WAH
Director

....

DATO' LEE YOON KONG
Director

Petaling Jaya

Date: 30 March 2017

STATUTORY DECLARATION

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

I, **CHOONG CHEE YEONG**, being the officer primarily responsible for the financial management of UNITED U-LI CORPORATION BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 40 to 91, and the supplementary information set out on page 92 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....
CHOONG CHEE YEONG

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 30 March 2017.

Before me,

....
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United U-LI Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 91.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

7.1 Trade receivables (Note 11 to the financial statements)

We focused on this area because the directors made complex and subjective judgements over both the evens or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The receivables are monitored individually by management and therefore the impairment is assessed based on knowledge of each individual receivable.

Our response:

Our audit procedures included, among other:
- evaluating the design and assessing the implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue as at 31 December 2016;
- developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- reviewing subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness of impairment charges for identified credit exposures.

7.2 Inventories (Note 10 to the financial statements)

The Group's inventories are measured at the lower of cost or net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our response:

Our audit procedures included, among others:

- evaluating the design and assessing the implementation of controls associated with monitoring and detection and write down/off of slow-moving inventories as at 31 December 2016;
- observing year end physical inventory count at those locations with significant inventories held to examine physical existence and condition of the finished goods and evaluating the design and assessing the implementation of controls during the count;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable values for inventory items with net realisable values lower than their costs.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comments made under Section 174(3) of the Companies Act 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 92 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/18 (J)
Chartered Accountant

Kuala Lumpur

Date: 30 March 2017

PROPERTIES OF THE GROUP

Company/ Location	Description/ Existing use	Land Area/ Built-up Area	Tenure	Age of Building (years)	Net Book Value RM'000	Date of Revaluation/ Acquisition
United U-LI (M) Sdn. Bhd.						
Lot 5 (PT7907) Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.	Factory/ Factory used	43,666 Sq.ft/ 40,881 Sq.ft	99 years expiring on 11 October 2091	23	3,324	31.12.2015 Revalued
No. 33, Jalan Kartunis U1/47, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.	Semi-Detached Factory/ Office used	9,601 Sq.ft/ 8,392 Sq. ft	Freehold	17	3,620	31.12.2015 Revalued
No. 29, Jalan Taming 7, Taman Taming Jaya Industrial Park, 43300 Balakong, Selangor Darul Ehsan.	Terrace Factory/ Store	2,000 Sq.ft/ 2,550 Sq.ft	Freehold	23	390	31.12.2015 Revalued
No. 43, Jalan Kamunting 1, Bukit Sentosa, 48300 Serendah, Selangor Darul Ehsan.	Terrace Factory/ Vacant	1,600 Sq.ft/ 1,300 Sq.ft	Freehold	20	29	31.12.2015 Revalued
No. 25, Jalan Taming 5, Taman Taming Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan.	Terrace Factory/ Store	13,500 Sq.ft/ 13,120 Sq.ft	Freehold	13	1,750	31.12.2015 Revalued
No. 27, Jalan Taming 5, Taman Taming Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan.	Terrace Factory/ Store	13,500 Sq.ft/ 14,806 Sq.ft	Freehold	13	1,840	31.12.2015 Revalued
Unit B21-09, Desa Bistari Apartment, No. 3, Lindang Pantai Jerjak, 11700 Pulau Pinang.	Apartment/ Vacant	700 Sq.ft	Freehold	13	86	31.12.2015 Revalued
No. 102, Jalan Perigi Nanas 8/10, Section 12 (Phase 1B), Pulau Indah Industrial Park, West Port, 42920 Port Klang, Selangor Darul Ehsan.	Terrace Factory/ Vacant	2,400 Sq.ft/ 3,300 Sq.ft	99 years expiring on 30 March 2097	12.5	233	31.12.2015 Revalued
Lot 7, Jalan 6/1, Kawasan Perindustrian Seri Kembangan, 43300 Seri Kembangan, Selangor Darul Ehsan.	Factory/ Factory used	185,716 Sq.ft/ 181,702 Sq.ft	84 years expiring on 10 January 2089	11	14,696	31.12.2015 Revalued

Company/ Location	Description/ Existing use	Land Area/ Built-up Area	Tenure	Age of Building (years)	Net Book Value RM'000	Date of Revaluation/ Acquisition
United U-LI (M) Sdn. Bhd. (Cont'd)						
Lot No. 120, Floor No. L23, Type S3, Resort Suites @ Pyramid Tower, Bandar Sunway, Selangor Darul Ehsan.	Condominium/ Vacant	452 Sq.ft	99 years expiring on 21 February 2102	12	315	31.12.2015 Revalued
Lot No. PT 1481, Jalan Emas 1, Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus.	Factory/ Vacant	355,564 Sq.ft/ 73,969 Sq.ft	99 years expiring on 19 August 2089	25	13,026	31.10.2015 Revalued
Lot 761, Nilai Industrial Estate 71800 Nilai Negeri Sembilan Darul Khusus	Industrial Land/ Vacant	469,468 sq ft	99 years expiring on 20 Aug 2089	-	23,441	07.01.2016 Acquired
Gabung Mekar Sdn. Bhd.						
Lot 17045, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan.	Factory/ Factory used	38,118 Sq.ft/ 37,428 Sq.ft	99 years expiring on 11 October 2091	23	2,403	31.12.2015 Revalued
United U-LI Goodlite Sdn. Bhd.						
No. 44, Jalan Cetak, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan.	Factory/ Factory used	131,282 Sq.ft/ 108,571 Sq.ft	99 years expiring on 20 March 2066	44	3,533	31.12.2015 Revalued
United U-LI Building Materials Sdn. Bhd.						
1, Jalan Seroja 54, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim.	Workshop/ Warehouse	9,408 Sq.ft/ 10,204 Sq.ft	Freehold	9.5	1,145	31.12.2015 Revalued

SHAREHOLDERS' INFORMATION

List of Thirty Largest Shareholders as at 31 March 2017

No.	Names	No. of shares	% of Holdings
1.	Pearl Deal (M) Sdn. Bhd.	54,000,000	37.19
2.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Kidsave Trust*	6,269,600	4.32
3.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund*	3,917,200	2.70
4.	Dato' Lee Yoon Kong	3,858,246	2.66
5.	Tan Sri Dato' Wira Lee Yoon Wah	3,709,248	2.55
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund (RHB Inv)*	3,204,600	2.21
7.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt an for Citibank New York (Norges Bank 12)*	2,960,000	2.04
8.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Affin Am B Eq)*	2,863,700	1.97
9.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Smart Treasure Fund*	2,680,400	1.85
10.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad – Kenanga Growth Fund*	2,235,300	1.54
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ting Siew Pin (8118995)*	1,990,800	1.37
12.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ting Siew Pin (CEB)*	1,964,800	1.35
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	1,829,800	1.26
14.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investmentsmy Focus Fund*	1,669,600	1.15
15.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Private Fund – Series 3*	1,660,000	1.14
16.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt an for Citibank New York (Norges Bank 14)*	1,656,700	1.14
17.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	1,569,500	1.08
18.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Growth and Income Focus Trust*	1,520,000	1.05
19.	Maybank Nominees (Tempatan) Sdn. Bhd. *Tan Yok Hua*	1,494,800	1.03
20.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Equity Trust*	1,319,400	0.91
21.	Tokio Marine Life Insurance Malaysia Bhd *As Beneficial Owner (PF)*	1,300,800	0.90
22.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Smart Balanced Fund*	1,290,300	0.89
23.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust*	1,122,600	0.77
24.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Smart Income Fund*	927,300	0.64
25.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund*	835,200	0.58
26.	Goh Thong Beng	780,000	0.54
27.	Chor Wan Yoke	726,000	0.50
28.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for Manulife Insurance Berhad (Equity Fund)*	721,400	0.50
29.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for RHB Malaysia Dividend Fund*	697,200	0.48
30.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ting Siew Pin (8059095)*	645,600	0.44

Analysis by Size of Shareholdings as at 31 March 2017

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
1 – 99	147	9.53	2,046	0.00
100 – 1,000	430	27.87	167,898	0.12
1,001 – 10,000	605	39.21	2,763,878	1.90
10,001 – 100,000	252	16.33	8,255,184	5.69
100,001 – 7,259,999*	108	7.00	80,010,994	55.10
7,260,000 and above**	1	0.06	54,000,000	37.19
TOTAL	**1,543**	**100.00**	**145,200,000**	**100.00**

* Less than 5% of Issued Holdings
** 5% and above of Issued Holdings

List of Substantial Shareholders (5% and above) as at 31 March 2017

No.	Names of Substantial Shareholders	No. of Shares	%
1.	Pearl Deal (M) Sdn Bhd	54,000,000	37.19

Shareholders with holdings of 5% and above as at 31 March 2017

No.	Names of Substantial Shareholders	Direct Interest No. of Shares Hold	%	Deemed Interest No. of Shares Held	%
1.	Pearl Deal (M) Sdn. Bhd. ("PDSB")	54,000,000	37.19	–	–
2.	Tan Sri Dato' Wira Lee Yoon Wah	4,261,848	2.94	54,000,000#	37.19
3.	Dato' Lee Yoon Kong	3,867,246	2.66	54,000,000#	37.19

Deemed interest through PDSB

Directors' Interest as at 31 March 2017

	No. of Shares Hold	%
The Company		
Direct Interest		
Tan Sri Dato' Wira Abd Rahman Bin Ismail	9,000	0.01
Tan Sri Dato' Wira Lee Yoon Wah	4,261,848	2.94
Dato' Lee Yoon Kong	3,867,246	2.66
Teow Lai Seng	9,000	0.01
Chim Wai Khuan	400,000	0.28
Wong Chow Lan	624	0.00
Lokman Bin Mansor	9,000	0.01
Shariff Bin Mohd Shah	439,128	0.30
Deemed Interest		
Tan Sri Dato' Wira Abd Rahman Bin Ismail *	44,556	0.03
Tan Sri Dato' Wira Lee Yoon Wah **	54,000,000	37.19
Dato' Lee Yoon Kong **	54,000,000	37.19

* Deemed interest by virtue of interest in Kasuria Sdn. Bhd.
** Deemed interest by virtue of interest in Pearl Deal (M) Sdn. Bhd.

NOTICE OF
SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth (17th) Annual General Meeting of the Company will be held at Glenmarie Ballroom A, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on Thursday, 25th May 2017 at 10.00 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended **31st December 2016** together with the Reports of the Directors and the Auditors thereon. (Please refer to item 1 of the Explanatory Notes

2. To approve the payment of Directors' fees for the financial year ended **31st December 2016**. **(Ordinary Resolution 1)**

3. To re-elect the following Director who is retiring in accordance with Article 89 of the Company's Articles of Association and being eligible, has offered himself for re-election:-

   (a) Mr. Chim Wai Khuan **(Ordinary Resolution 2)**

   Ms. Wong Chow Lan (F) who is subject to retire in accordance with Article 89 of the Company's Articles of Association has given notice that she will not be seeking for re-election. Hence, she will retain office until the conclusion of this 17th AGM.

4. To re-appoint Tan Sri Dato' Wira Abd Rahman Bin Ismail as Director of the Company. **(Ordinary Resolution 3)**

5. To re-appoint Messrs **Baker Tilly Monteiro Heng** as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

6. **AS SPECIAL BUSINESS**
   To consider and if thought fit, to pass the following Ordinary Resolutions:

   a) Retention of Independent Non-Executive Directors

   "THAT approval be and is hereby given to retain the following directors who have each served as Independent Directors in accordance with the Malaysian Code on Corporate Governance 2012:
   (i) Chim Wai Khuan (subject to the passing of Resolution 2) **(Ordinary Resolution 5)**
   (ii) Tan Sri Dato' Wira Abd Rahman Bin Ismail (subject to the passing of Resolution 3) **(Ordinary Resolution 6)**
   (iii) Lokman Bin Mansor **(Ordinary Resolution 7)**
   (iv) Shariff Bin Mohd Shah **(Ordinary Resolution 8)**

   b) Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 **(Ordinary Resolution 9)**

   "THAT subject always to the Companies Act, 2016, the Articles of Association of the Company and approvals and requirements of the relevant governmental/regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act, 2016 to allot and issue new ordinary shares of RM0.50 each in the Company, from time to time and upon such terms and conditions and for such purpose and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to the resolution does not exceed 10% of the issued and paid up share capital for the time being of the Company and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company".

7. **Any Other Business**

   To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

   By Order of the Board
   UNITED U-LI CORPORATION BERHAD

   KOAY SOO NGOH (MAICSA 0856746)
   FOO LI LING (MAICSA 7019557)
   Chartered Secretaries

   Petaling Jaya
   Date: 27th April 2017

NOTES:

1. A member of the Company is entitled to appoint not more than two (2) proxy to attend and vote at a meeting. Where a Member appoints two proxies, the appointments shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each proxy.

2. A proxy need not be a Member of the Company. A proxy appointed to attend and vote at the meeting shall have the same rights as the Member to speak at the Meeting.

3. The Instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal, or the hand of its attorney duly authorised. An instrument appointing a proxy to vote at a Meeting shall be deemed to include the power to demand a poll on behalf of the appointer.

4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. Where a Member of the Company is an exempt authorised nominee as defined under SICDA, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. The instrument appointing a proxy together with the power of attorney (if any) shall be deposited at the Registered Office of the Company at 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before time appointed for holding the Meeting or any adjournment meeting or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Copies of the duly executed form of proxy which are faxed and/or e-mailed to us are not acceptable.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements, all the resolutions at the Seventeenth Annual General Meeting of the Company shall be put to vote by way of poll.

8. For purpose of determining who shall be entitled to attend this Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 18 May 2017 pursuant to Article 47 (f) and paragraph 7.16(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements. A Depositor whose name appears as such Record of Depositors shall be entitled to attend this Meeting.

9. By submitting the proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.

EXPLANATORY NOTES TO THE AGENDA

Item 1 of the Agenda
This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Item 4 of the Agenda
With the Companies Act, 2016 which came into force on 31 January 2017, there is no age limit for directors.

At the Sixteenth Annual General Meeting of the Company held on 26 May 2016, Tan Sri Dato' Wira Abd Rahman Bin Ismail who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Seventeenth Annual General Meeting. His term of office will end at the conclusion of the Seventeenth Annual General Meeting and he has offered himself for re-appointment.

The proposed Ordinary Resolution 3 if passed, will enable Tan Sri Dato' Wira Abd Rahman Bin Ismail to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

The Nomination Committee ("NC") of the Company has assessed the criteria and contribution of Tan Sri Dato' Wira Abd Rahman Bin Ismail and recommended that Tan Sri Dato' Wira Abd Rahman Bin Ismail be re-appointed as Director of the Company.

Item 6 (a) of the Agenda – Ordinary Resolutions 5, 6, 7 and 8
<u>Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012</u>

The Nomination Committee has assessed the independence of Chim Wai Khuan, Tan Sri Dato' Wira Abd Rahman Bin Ismail, Lokman Bin Mansor and Shariff Bin Mohd Shah, who have served as an Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

(i) They fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would be able to function as check and balance and provide an element of objectivity to the Board;
(ii) They have performed their duty diligently by bringing independent and objective judgements to Board deliberations and in the best interest of the Company; and
(iii) They also possess vast professional experience and bring the right mix of skills to the Board.

Item 6 (b) of the Agenda – Ordinary Resolution 9
<u>Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016</u>

The Company continues to consider opportunities to broaden the operating base and earnings potential of the Company. The proposed Resolution 9 if passed, will authorise the directors to issue shares up to 10% of the issued and paid-up capital of the Company for the time being and for such purposes as the directors consider would be in the best interest of the Company.

The purpose for the renewal of a general mandate is to avoid any delay and costs in convening a general meeting and to specifically approve such an issue of shares for any possible fund raising activities (excluding placing of shares) for the purpose of funding future investment projects, additional working capital etc.

This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on **26 May 2016** and which will lapse at the conclusion of the forthcoming Annual General Meeting.

STATEMENT ACCOMPANYING
NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

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

1. The Directors who are standing for re-election and re-appointment (as per Ordinary Resolutions 2 to 3 as stated above) at the Seventeenth Annual General Meeting of the Company are as follows:-

   (a) Director standing for re-election pursuant to Article 89 of the Company's Articles of Association
   - Mr. Chim Wai Khuan

   (b) Director standing for re-appointment
   - Tan Sri Dato' Wira Abd Rahman Bin Ismail

   Retention of the following directors as Independent Non-Executive Directors of the Company, who have served the Company as board members for a cumulative term of more than nine years pursuant to the Malaysia Code on Corporate Governance 2012:

   i) Chim Wai Khuan;
   ii) Tan Sri Dato' Wira Abd Rahman Bin Ismail;
   iii) Lokman Bin Mansor; and
   iv) Shariff Bin Mohd Shah.

2. The profiles of the above Directors are set out in the Profile of Directors which appear from pages 8 to page 10 of this Annual Report.

3. The details of any interest in the securities of ULICORP and subsidiaries (if any) held by the said Directors are stated on page 38 of the Financial Statement book of the Annual Report 2016.

UNITED U-LI CORPORATION BERHAD
(Company No. 510737-H)
Incorporated in Malaysia

FORM OF PROXY

Number of share held	CDS Account No.
	- -

I/We, ...NRIC/Company No. ....

....
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

(Tel No:..) of ....

....
(FULL ADDRESS)

being a member/members of **UNITED U-LI CORPORATION BERHAD**, hereby appoint the following:

Name of Proxy	NRIC/Passport No.	Proportion of Shareholdings (%)
and/or failing him/her		

or failing him/her, the Chairman of the Meeting, as my/our proxy to attend and vote for me/us on my/our behalf at the Seventeenth Annual General Meeting ("17th AGM") of the Company to be held at Glenmarie Ballroom A, Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on **Thursday, 25 May 2017** at **10.00 a.m.** and at any adjournment thereof.

My/our proxy is to vote on the resolutions as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

ORDINARY BUSINESS			
No.	Ordinary Resolution	For	Against
1.	To approve the payment of Directors' Fees		
2.	To re-elect Mr. Chim Wai Khuan as Director of the Company		
3.	To re-appoint Tan Sri Dato' Wira Abd Rahman Bin Ismail as Director of the Company		
4.	To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors		
SPECIAL BUSINESS			
5.	To retain Mr. Chim Wai Khuan as an Independent Non-Executive Director		
6.	To retain Tan Sri Dato' Wira Abd Rahman Bin Ismail as an Independent Non-Executive Director		
7.	To retain En. Lokman Bin Mansor as an Independent Non-Executive Director		
8.	To retain En. Shariff Bin Mohd Shah as an Independent Non-Executive Director		
9.	Authority to Directors to allot and issue shares in general pursuant to the Companies Act, 2016		

Dated this .... day of .... , 2017

....
Signature(s) of shareholder(s)/Attorney
(if Shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

NOTES TO FORM OF PROXY:-

1. A member of the Company is entitled to appoint not more than two (2) proxy to attend and vote at a meeting. Where a Member appoints two proxies, the appointments shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each proxy.
2. A proxy need not be a Member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
3. The Instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal, or the hand of its attorney duly authorised. An instrument appointing a proxy to vote at a Meeting shall be deemed to include the power to demand a poll on behalf of the appointer.
4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a Member of the Company is an exempt authorised nominee as defined under SICDA, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy together with the power of attorney (if any) shall be deposited at the Registered Office of the Company at 62C, Jalan SS21/62, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before time appointed for holding the Meeting or any adjournment Meeting or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Copies of the duly executed form of proxy which are faxed and/or e-mailed to us are not acceptable.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements, all the resolutions at the Seventeenth Annual General Meeting of the Company shall be put to vote by way of poll.
8. For purpose of determining who shall be entitled to attend this Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 18 May 2017 pursuant to Article 47(f) and paragraph 7.16(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements. A Depositor whose name appears as such Record of Depositors shall be entitled to attend this Meeting.
9. By submitting the proxy form, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.

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AFFIX
STAMP

The Company Secretary
UNITED U-LI CORPORATION BERHAD (510737-H)
62C, Jalan SS 21/62,
Damansara Utama,
47400 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.

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CORPORATE OFFICE
No. 33, Jalan Kartunis U1/47
Temasya Industrial Park, Seksyen U1
40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

CONTACT
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