CN ASIA CORPORATION BHD

(399442-A) (Incorporated In Malaysia)

2016 ANNUAL REPORT

CONTENT

Notice of the Twenty-First Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-First (21st) Annual General Meeting ("AGM") of CN Asia Corporation Bhd will be held at the Meeting Room 1, Level UG, ibis Styles Kuala Lumpur Cheras, C180 Hotel Sdn Bhd, Jalan C180/1, Dataran C180, 43200 Cheras, Selangor Darul Ehsan on Thursday, 25 May, 2017 at 10.00 a.m. for the following purposes:-

AGENDA

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

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

3. To re-elect Mr. Ho Cheng San who is retiring in accordance with Article 84 of the Company's Articles of Association and being eligible has offered himself for re-election. **(Resolution 2)**

4. To re-elect the following Directors who are retiring in accordance with Article 91 of the Company's Articles of Association and being eligible have offered themselves for re-election:-

   (i) Ms. Angeline Chan Kit Fong **(Resolution 3)**
   (ii) Mr. Lee King Loon **(Resolution 4)**
   (iii) En. Ariffin bin Khalid **(Resolution 5)**

5. To re-appoint Messrs Siew Boon Yeong & Associates as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. **(Resolution 6)**

As Special Business
To consider, and if thought fit, to pass the following resolutions:-

ORDINARY RESOLUTIONS

6. CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY

   Continuation in office of the following Directors as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

   (i) Dato' Hilmi bin Mohd Noor **(Resolution 7)**

   "THAT approval be and is hereby given to Dato' Hilmi bin Mohd Noor, who has served as an Independent Non-Executive Director of the Company for a cumulative of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

   (ii) Mr. Chong Ying Choy **(Resolution 8)**

   "THAT approval be and is hereby given to Mr. Chong Ying Choy, who has served as an Independent Non-Executive Director of the Company for a cumulative of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

Notice of the Twenty-First Annual General Meeting
(cont'd)

7. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 OF THE COMPANIES ACT, 2016 **(Resolution 9)**

"That, subject always to the Companies Act, 2016, the Articles of Association of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 75 of the Companies Act, 2016 to:

(1) allot shares in the Company; and/or
(2) grant rights to subscribe for shares in the Company; and/or
(3) convert any security into shares in the Company; and/or
(4) allot shares under an agreement or option or offer,

at any time and from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided it does not exceed 10% of the total number of issued shares of the Company as prescribed by the MMLR at the time of issuance of shares and such authority under this resolution shall continue to be in force until the conclusion of the next AGM of the Company or when it is required by law to be held, whichever is earlier, and that:

(a) approval and authority be and are given to the Directors of the Company to take all such actions that may be necessary and/or desirable to give effect to this resolution and in connection therewith to enter into and execute on behalf of the Company any instrument, agreement and/or arrangement with any person, and in all cases with full power to assent to any condition, modification, variation and/or amendment (if any) in connection therewith; and

(b) the Directors of the Company be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities"

8. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 21st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 79 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 May 2017. Only a depositor whose name appears on the Record of Depositors as at 18 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

LIM PAIK GOOT (MIA 13304)
Company Secretary

Selangor Darul Ehsan
27 April 2017

Notes:

1) The Agenda 1 is meant for discussion only as provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2) A member entitled to attend and vote at the 21st AGM is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but does not need to be a member of the Company. Where a member appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the 21st AGM shall have the same rights as the member to speak at the 21st AGM. Notwithstanding this, a member entitled to attend and vote at the 21st AGM is entitled to appoint any person as his proxy to attend and vote instead of the member at the 21st AGM.

Notice of the Twenty-First Annual General Meeting
(cont'd)

3) Where a member of the Company is an authorised nominee as defined under Securities Industry (Central Depositories) Act, 1991, it may be entitled to appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an authorised nominee appoints two (2) proxies to attend and vote at the 21st AGM, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing of the proxies, failing which, the appointment shall be invalid.

4) The instrument appointing a proxy in the case of an individual shall be under the hand of the appointor or of his attorney duly authorised or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

5) The original signed instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Registered Office of the Company at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for holding the meeting or at any adjournment thereof as Paragraph 8.29A(1) of the MMLR of Bursa Securities requires all resolutions set out in the Notice of 21st AGM to be put to vote by poll.

Abstention from Voting

6) All those Directors of the Company who are shareholders of the Company will abstain from voting on under Ordinary Resolution 1 as applicable, in respect of their direct and/or indirect shareholdings in the Company.

Explanatory Notes on Ordinary and Special Business

(i) **Resolution 7** – Continuation in office as Independent Non-Executive Directors of the Company

The Nomination Committee and the Board have assessed the independence of Dato' Hilmi bin Mohd Noor who served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and has recommended that he continues to act as Independent Non-Executive Director of the Company based on the following justifications:

i) He has familiarised himself with the business and provides the element of objectivity to the Board of Directors.
ii) He continues to be independent as he has no circumstances and relationships that create threats to his independence.
iii) He has actively participated in board meetings and possess the appropriate competencies to enable him to apply professional judgment.

(ii) **Resolution 8** – Continuation in office as Independent Non-Executive Directors of the Company

The Nomination Committee and the Board have assessed the independence of Mr. Chong Ying Choy who served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and has recommended that he continues to act as Independent Non-Executive Director of the Company based on the following justifications:

a) His vast experience, expertise and independent judgment contributed to the effective discharging of his duties.
b) He has been with the Company for more than 20 years where he has familiarised himself with the business and provide element of objectivity to the Board of Directors.
c) He continues to be independent as there are no circumstances and relationships that create threats to his independence.
d) He actively participated in board meetings and possess the appropriate competencies to enable him to apply his professional judgment.

(iii) **Resolution 9** - Authority to Directors pursuant to Section 75 of the Companies Act, 2016

Ordinary Resolution 9, if passed, will give authority to the Directors of the Company, from the date of the 21st AGM, to issue and allot ordinary shares in the Company up to and not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

The Company has not issued any new shares under the general authority which was approved at the last AGM held on 15 June 2016 of which will lapse at the conclusion of the 21st AGM. A renewal of this authority is being sought at the 21st AGM under the proposed Ordinary Resolution 9.

The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment, working capital and/or acquisitions.

Statement Accompanying Notice of Annual General Meeting

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

1. Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the forthcoming 21st AGM of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the MMLR of Bursa Securities.

Details of the general mandate to issue securities in the Company pursuant to Section 75 of the Companies Act 2016 are set out in Explanatory Note (iii) of the Notice of 21st AGM.

Financial Highlights

GROUP FINANCIAL HIGHLIGHTS	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000	FYE 2015 RM'000	FYE 2016 RM'000
Revenue	20,393	18,415	15,593	13,114	18,745
Profit/(Loss) before interest and tax	(1,149)	(105)	(3,528)	(5,636)	23,687
Finance costs	(408)	(621)	(710)	(735)	(583)
Profit/ (Loss) after tax	(1,556)	(726)	(4,238)	(6,284)	22,047
Shareholders' equity	28,335	27,616	23,466	17,266	39,392
Total assets	38,747	41,462	38,466	33,543	45,974
Borrowings	7,897	11,598	12,462	12,275	1,621
Debt/Equity (%)	27.9	42.0	53.1	71.1	4.1
Net earnings/(loss) per share	(3.43)	(1.60)	(9.34)	(13.85)	48.58
Dividend per share	-	-	-	-	-

Corporate Information

BOARD OF DIRECTORS

Dato' Hilmi bin Mohd Noor
(Independent Non-Executive Chairman)

Ho Cheng San
(Managing Director)

Angeline Chan Kit Fong
(Executive Director)
(Appointed w.e.f. 16/06/2016)

Ir. Lee Lam
(Executive Director)
(Resigned w.e.f. 04/07/2016)

Chong Ying Choy
(Independent Non-Executive Director)

Lee King Loon
(Independent Non-Executive Director)
(Appointed w.e.f. 16/06/2016)

Ariffin bin Khalid
(Non-Independent Non-Executive Director)
(Appointed w.e.f. 16/06/2016)

Yoong Nim Chee
(Independent Non-Executive Director)
(Resigned w.e.f. 20/04/2016)

Roy Ho Yew Kee
(Independent Non-Executive Director)
(Retired w.e.f. with 15/06/2016)

AUDIT COMMITTEE
Chong Ying Choy *(Chairman)*
Dato' Hilmi bin Mohd Noor
Lee King Loon *(Appointed w.e.f. 16/06/2016)*
Yoong Nim Chee *(Resigned w.e.f. 20/04/2016)*

NOMINATION COMMITTEE
Dato' Hilmi bin Mohd Noor *(Chairman)*
Chong Ying Choy
Lee King Loon *(Appointed w.e.f. 16/06/2016)*
Yoong Nim Chee *(Resigned w.e.f. 20/04/2016)*

REMUNERATION COMMITTEE
Chong Ying Choy *(Chairman)*
Ho Cheng San
Lee King Loon *(Appointed w.e.f. 16/06/2016)*
Yoong Nim Chee *(Resigned w.e.f. 20/04/2016)*

COMPANY SECRETARIES
Lim Paik Goot *(MIA 13304)*
Koh Mui Tee *(LS03057) (Resigned w.e.f. 31/03/2017)*

REGISTERED OFFICE
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan
Tel : +603-8942 6888
Fax : +603-8942 3365

AUDITORS
Siew Boon Yeong & Associates (Firm No.: AF 0660)
Chartered Accountants
9-C, Jalan Medan Tuanku, Medan Tuanku
50300 Kuala Lumpur, Malaysia
Tel : +603-2693 8837
Fax : +603-2693 8836

PRINCIPAL BANKERS
Public Bank Berhad
Maybank Islamic Berhad
Ambank (M) Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
CIMB Bank Berhad

SOLICITORS
Foong & Partners

INVESTOR RELATIONS
Kathy Lim Paik Goot
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan
Tel : +603-8942 6888
Fax : +603-8942 3365
Email: corporate@cnasia.com

REGISTRARS
Tricor Investor & Issuing House Services Sdn Bhd
(Co. No: 11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite,
Avenue 3, Bangsar South,
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : +603-2783 9299
Fax : +603-2783 9222

STOCK EXCHANGE LISTING
Main Market
Bursa Malaysia Securities Berhad

Group Structure

CN ASIA CORPORATION BHD
(Company No.: 399442-A)
(Incorporated In Malaysia)
Investment Holding &
Providing Management Services

100%
Chip Ngai Engineering Works Sdn Bhd
(Incoporated in Malaysia)

Manufacturing and trading of underground and skid tanks, dish ends, pressure vessels, road tankers, piping for the petroleum industry and that of specialised engineering works and fabrication works

100%
Zhuhai CN Engineering Works Co., Ltd.
(Incoporated in People's Republic of China)

Manufacturing and trading of tanks for specialised industries

20%
PICN Engineering Sdn Bhd
(Incoporated in Malaysia)

Fabrication and trading of tanks for specialised industries

100%
Asia Tank Containers (Malaysia) Sdn Bhd
(Incoporated in Malaysia)

Dormant

100%
CN Asia Capital Sdn Bhd
(Incoporated in Malaysia)

Dormant

100%
Douwin Sdn Bhd
(Incoporated in Malaysia)

Investment Holding

Certification and Accreditation


CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

Chip Ngai Engineering Works Sdn. Bhd. (10217-A)
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan, Selangor
Malaysia

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

ISO 9001:2008
EN ISO 9001:2008
BS EN ISO 9001:2008
MS ISO 9001:2008

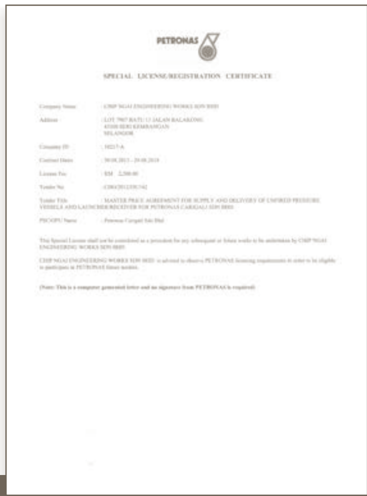
The Quality Management System is applicable to:

Design, manufacture and installation of storage tanks, pressure vessels, road tankers, dished-ends and related mechanical/civil engineering works.

ISO 9001:2008


PERAKUAN PENDAFTARAN

CIDB


SPECIAL LICENSE/REGISTRATION CERTIFICATE

PETRONAS - SPECIAL LICENSE, REGISTRATION CERTIFICATE


Certificate of Compliance

Issued to: CHIP NGAI ENGINEERING WORKS SDN BHD

This is to certify that representative samples of: Underground Flammable Liquid Tanks

Look for the UL Listing Mark on the product

UL 58 & UL 1746


THE NATIONAL BOARD OF BOILER & PRESSURE VESSEL INSPECTORS

Certificate of Authorization to Register

This is to certify that

CHIP NGAI ENGINEERING WORKS SDN. BHD.
LOT 7907, BATU 11
JALAN BALAKONG
SERI KEMBANGAN, SELANGOR DARUL EHSAN 43300
MALAYSIA

ISSUE DATE: October 31, 2014

NB STAMP

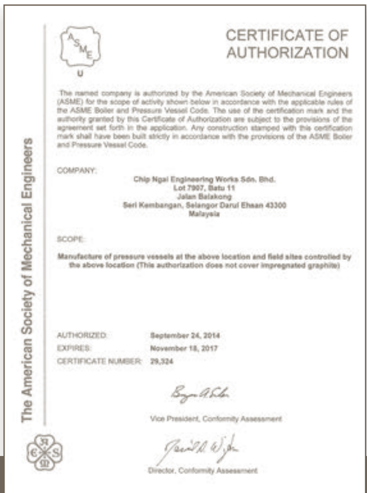

THE NATIONAL BOARD OF BOILER & PRESSURE VESSEL INSPECTORS

Certificate of Authorization

This is to certify that

CHIP NGAI ENGINEERING WORKS SDN. BHD.
LOT 7907, BATU 11
JALAN BALAKONG
SERI KEMBANGAN, SELANGOR DARUL EHSAN, 43300
MALAYSIA

R STAMP


CERTIFICATE OF AUTHORIZATION

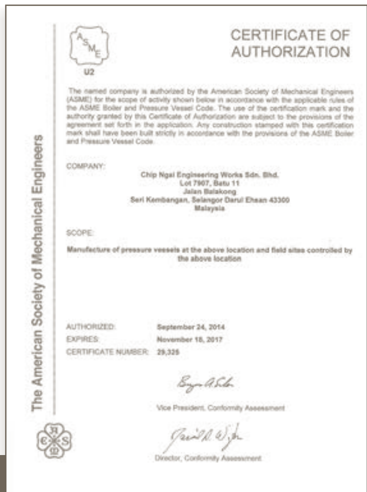
The American Society of Mechanical Engineers

COMPANY: Chip Ngai Engineering Works Sdn. Bhd., Lot 7907, Batu 11, Jalan Balakong, Seri Kembangan, Selangor Darul Ehsan 43300, Malaysia

SCOPE: Manufacture of pressure vessels at the above location and field sites controlled by the above location (This authorization does not cover impregnated graphite)

AUTHORIZED: September 24, 2014
EXPIRES: November 18, 2017
CERTIFICATE NUMBER: 29,324

U STAMP


CERTIFICATE OF AUTHORIZATION

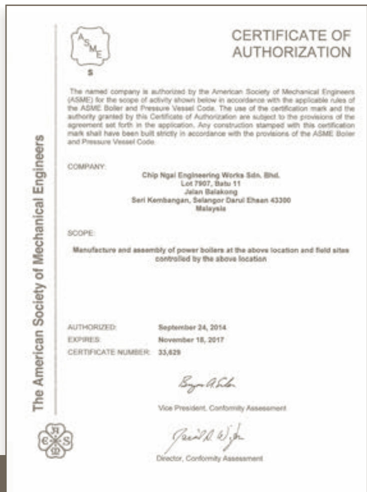
The American Society of Mechanical Engineers

COMPANY: Chip Ngai Engineering Works Sdn. Bhd., Lot 7907, Batu 11, Jalan Balakong, Seri Kembangan, Selangor Darul Ehsan 43300, Malaysia

SCOPE: Manufacture of pressure vessels at the above location and field sites controlled by the above location

AUTHORIZED: September 24, 2014
EXPIRES: November 18, 2017
CERTIFICATE NUMBER: 29,325

U2 STAMP


CERTIFICATE OF AUTHORIZATION

The American Society of Mechanical Engineers

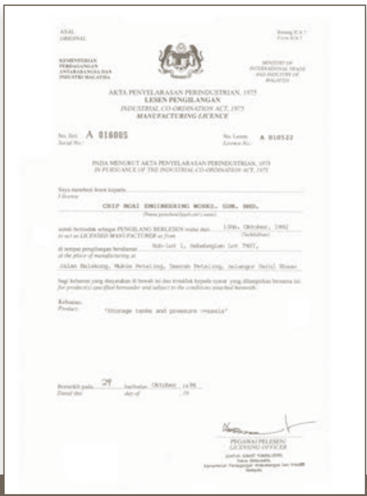
COMPANY: Chip Ngai Engineering Works Sdn. Bhd., Lot 7907, Batu 11, Jalan Balakong, Seri Kembangan, Selangor Darul Ehsan 43300, Malaysia

SCOPE: Manufacture and assembly of power boilers at the above location and field sites controlled by the above location

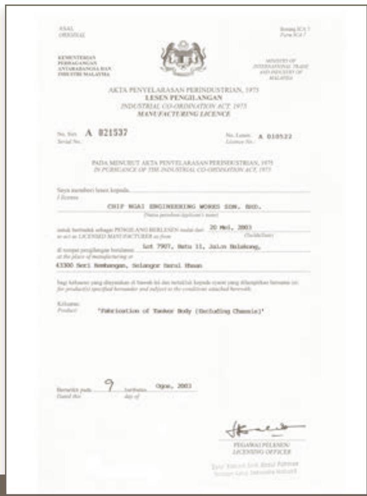
AUTHORIZED: September 24, 2014
EXPIRES: November 18, 2017
CERTIFICATE NUMBER: 33,629

S STAMP

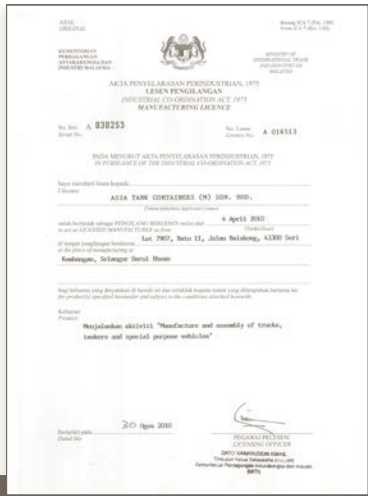
Certification and Accreditation
(cont'd)



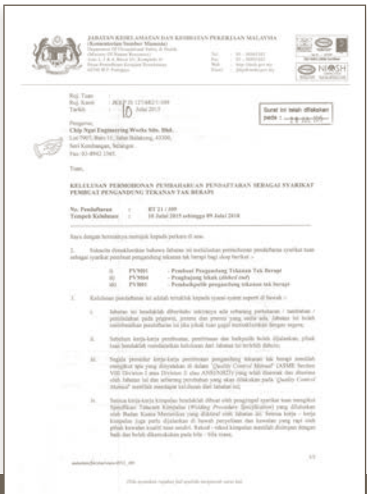
STORAGE TANK AND PRESSURE VESSELS



FABRICATION OF TANKER BODY

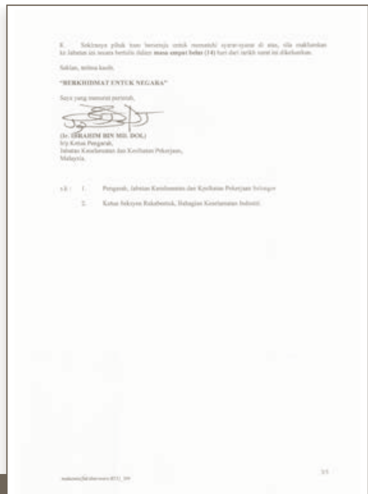


MANUFACTURE AND ASSEMBLY OF TRUCKS, TANKERS AND SPECIAL PURPOSE VEHICLES



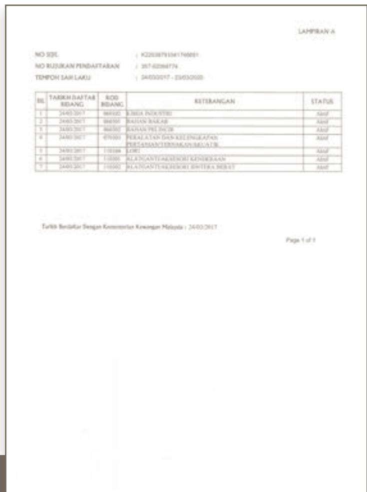
DOSH - PRESURE VESSEL & DISH END - 1

DOSH - PRESURE VESSEL & DISH END - 2



DOSH - PRESURE VESSEL & DISH END - 3

MOF - 1



MOF - 2

INDAH WATER

The Group's Business

CN Asia Corporation Bhd was incorporated in Malaysia on 23 August 1996 as an investment holding company. The main activities of the Group can be categorized under 6 divisions as follows:

1. **Storage Tanks**
   Manufacturing of underground and aboveground storage tanks for the petroleum, logistics and power and general process industries for the local and global market.

2. **Metal Forming**
   Manufacturing of dish heads and provision of plate rolling services for the food and beverage, petrochemical, energy and heavy engineering industries worldwide.

3. **Transportation Equipments / Road Tankers**
   Manufacturing of all types of transportation equipment such as:

   - Co2 Road Tankers
   - Vacuum Tankers
   - Combination Units
   - High Pressure Cleaners and Jetters
   - LPG and Chemical Tankers

4. **Pressure Vessel**
   Provision of engineering, procurement and construction (EPC) services for the following industries:-

   - Petrochemical : carbon and cladded steel pressure vessels and heat exchangers
   - Food and Beverage Plant : stainless steel vessels, sterilizers, and etc
   - Power Generation : supply and erection of flue stacks and heat recovery steam generator (HRSG) pressure vessels
   - Bulking Terminal : API 620,650 bulk vertical storage tanks inclusive of
     - piling works
     - civil foundation
     - laying of pipes
     - pigging and pump system
     - loading station
     - office and warehouse
   - Civil engineering and construction works is carried out in conjunction with the above products.

5. **Heat Treatment**
   Provision of heat treatment services to a varied range of vessel design and fabrication codes, be they ASME, PD, AS etc complete with the necessary heat treatment reports and charts.

6. **Hot Flanging**
   Provision of dish head forming of thickness up to 70mm using hot flanging by our Ribo 32 flanging machine. The pressed head is first heated to a temperature of 900 degree Celsius, taken out from the furnace and then flanged to the required knuckle radius and diameter.

Profile of Directors

DATO' HILMI BIN MOHD NOOR

Dato' Hilmi bin Mohd Noor, a Malaysian, male, aged 75, is an Independent Non-Executive Chairman of the Company. He was appointed to the Board on 1 January 1999 as a Non-Executive Chairman and was redesignated as an Independent Non-Executive Chairman on 28 November 2012. He is the Chairman of the Nomination Committee and a member of the Audit Committee. He graduated with a Bachelor of Arts (Hons.) degree from the University of Malaya in 1966 and obtained his MBA from Marshall University, USA. In addition, he is presently a member of the Chartered Institute of Purchasing and Supply (United Kingdom). Upon graduation, he joined the Ministry of Finance where he held various positions until 1986 when he was appointed the Deputy Director General of the Economic Planning Unit, Prime Minister's Department. From 1989 to 1994, he served as Secretary General, Ministry of Energy, Telecommunications and Post, and later as Secretary General, Ministry of Rural Development until his retirement in May 1997. Between 1970 and 1997, he served as a Board Member of several companies/organisations such as Lembaga Letrik Negara (Chairman), Tenaga Nasional Berhad (Founder Director), Telekom Malaysia Berhad, Bank Pertanian Malaysia Berhad, Keretapi Tanah Melayu, Lembaga Pelabuhan Bintulu and Heavy Industries Corporation of Malaysia Berhad.

HO CHENG SAN

Ho Cheng San, a Malaysian, male, aged 64, is the Managing Director of the Company and was appointed to the Board on 5 April 1997. He is currently a member of the Remuneration Committee and Chairman of the Option Committee. He obtained his Diploma in Mechanical Engineering in 1978. He has more than 37 years of experiences in the Engineering, Procurement, Construction and Commissioning of Palm Oil Mills, Petrochemical, Food and Beverage Plants and Manufacturing of Process Plant Equipment World wide with Comprehensive after Sales Services and Maintenance of its equipment at its installation.

Mr Ho has been involved in housing and property development and has wide experience in the commercial and industrial property sectors. He is the Chief Executive Officer and one of the founder of Cantik Realty Sdn Bhd and Tai Seng Housing Development Co Sdn Bhd. He has more than 37 years of management experience in the field of marketing and property development.

ANGELINE CHAN KIT FONG

Angeline Chan Kit Fong, a Malaysian, female, aged 45, is an Executive Director of the Company and was appointed to the Board on 16 June 2016. She graduated with a Bachelor of Business majored in Accounting from the University of Southern Queensland in Australia.

Ms. Chan joined the Company's subsidiary company, Chip Ngai Engineering Works Sdn Bhd ("CNEW") as a Purchasing Manager cum MIS Manager from 2001 to 2005, as Human Resource and Administration Manager since 2006 and as an Executive Director of CNEW since May 2016.

CHONG YING CHOY

Chong Ying Choy, a Malaysian, male, aged 62, is an Independent Non-Executive Director of the Company and was appointed to the Board on 5 April 1997. He is the Chairman of the Audit Committee as well as the Remuneration Committee and is a member of the Nomination Committee and the Option Committee. He has been an associate member of the Institute of Chartered Secretaries And Administrators since 1982, a fellow of the Chartered Association of Certified Accountants since 1987, a member of the Malaysian Association of Certified Public Accountants since 1988, member of Certified Practicing Accountant, Australia and associate member of Chartered Tax Institute of Malaysia since 2008. He is also a chartered accountant having been registered with the Malaysian Institute of Accountants since 1982. He has many years of experience in auditing, taxation and financial advisory. From 1980 to 1988, he was attached with a firm of public accountants, Hanafiah Raslan & Mohamad. Thereafter, he set up his own practice under the name of Y C Chong & Co. He is also an independent Director of VGX Limited, a company listed on National Stock Exchange of Australia.

Profile of Directors
(cont'd)

LEE KING LOON

Lee King Loon, a Malaysian, male, aged 46, is an Independent Non-Executive Director of the Company and was appointed to the Board on 16 June 2016. He is also appointed as the member of Audit Committee , Remuneration Committee and Nomination Committee on 16 June 2016. He graduated with a Bachelor Degree in Commerce from the University of Western Australia.

Mr. Lee started his career at KPMG (formerly known as KPMG Peat Marwick) in 1992 and qualified as a full member of the Malaysian Institute of Accountants (MIA) and CPA Australia. While with KPMG, he was involved in the audits of multinationals and public companies listed on Bursa Malaysia. Mr. Lee joined Crowe Horwath (formerly known as Horwath) – Kuala Lumpur Office in year 2000 and had led several engagements as the reporting accountants for corporate exercises undertaken by the listed companies. Mr. Lee had conducted surprise audits on stockbroking firms pursuant to the requirements of Bursa Malaysia and operational reviews on a fund management company for the purposes of reporting to the Securities Commission. He had also provided independent advisory services to the shareholders of various public listed companies, including Lion Corporation Berhad and Dutaland Berhad(formerly known as Mycom Berhad), in relation to a vast variety of corporate exercises. He has extensive experience in conducting financial due diligence reviews and valuations having been engaged by large corporate clients and private equity firms to undertake such assignments. Mr. Lee was a principal at Crowe Horwath in 2004 and an Executive Director of Crowe Horwath Advisory Sdn Bhd in 2008.

He was appointed as Chief Financial Officer and Director of CSF Group plc since March 2010. He has been involved in the formulation of financial strategies to facilitate the expansion of the Group's business. In September 2013, Mr. Lee was appointed as a director of Salihin Capital Sdn Bhd, a company that holds a Capital Markets Services Licence to provide corporate finance advisory.

ARIFFIN BIN KHALID

Ariffin bin Khalid, a Malaysian, male, aged 72, is an Non-Independent Non-Executive Director of the Company and was appointed to the Board on 16 June 2016. He graduated with a Bachelor of Science (Hons.) degree in Mechanical Engineering from the University of Nottingham, United Kingdom in 1968 and obtained his Professional Engineering status from Lembaga Jurutera Malaysia in 1974. He was also a Fellow of the Institute of Petroleum (United Kingdom) from 1969 to 2000. Upon graduation in 1968, he held the position of L.P.Gas Engineer in Shell Malaysia Trading and progressed in other positions such as Construction and Maintenance Engineer, Depot Manager, Distribution Operations Manager Sabah and Sarawak, Lubricant Marketing Manager, Quality Manager and General Manager (Distribution Operations). He was promoted to serve in Shell Companies in Malaysia in 1994 as Team Member (Re-Engineering Project), Adviser (Business improvement) and Chief Adviser of Corporate Affairs, until his retirement at the end of 1999. After his retirement from Shell, he worked as Chief Executive Officer and Director of Rotary-MEC and as an Environmental and Oil and Gas Consultant.

Encik Ariffin has served as Chairman of the National Industrial Standardisation Committee 'Y' (Quality Management & Quality Assurance-ISO 9000). He was awarded the "Anugerah untuk Penglibatan Dalam Pembangunan Malaysian Standards (MS) Dan Aktiviti Standardisasi Antarabangsa" from the Minister of Sains,Teknologi Dan Inovasi" in a Ceremony held on 22nd November 2012. He has also held the position of Hon. Treasurer, International Erosion Control Association (Malaysian Chapter) from 2001-2011.

Prior to this, Encik Ariffin was the General Manager of one of the Company's subsidiaries, Asia Tank Container (Malaysia) Sdn Bhd, from 2005 to 2009. He was appointed as Executive Director of the Company in February 2005 and was subsequently re-designated to Non-Independent Non-Executive Director in August 2009 till his resignation in August 2012.

Note:

1. Saved as disclosed, other particulars of the above directors are as follow:-

Name of Director	Family Relationships with any Director / Major Shareholder	Convictions For Offences within the past five (5) years other than Traffic Offences	Directorship in Other Public Companies and Listed Issuers
Dato' Hilmi bin Mohd Noor	None	None	None
Ho Cheng San	Spouse of Angeline Chan Kit Fong	None	None
Chong Ying Choy	None	None	Yes
Angeline Chan Kit Fong	Spouse of Ho Cheng San	None	None
Lee King Loon	None	None	Yes
Ariffin bin Khalid	None	None	None

2. Other than disclosed in the financial statements of this Annual Report, the above directors have no other conflict of interest with the Group.

Profile of Key Senior Management

The disclosure on the particulars of the Key Senior Management of the Group is made in compliance with the requirements under Appendix 9C of Bursa Securities MMLR:-

Name / Position	Age / Gender / Nationality	Qualification	Work Experience
Ho Cheng San Managing Director	64/ Male/ Malaysian	• Diploma in Mechanical Engineering	• Joined in January 1970 and has more than 37 years of experiences in the engineering, procurement, construction and commissioning of various industries
Angeline Chan Kit Fong Executive Director	45/ Female/ Malaysian	• Bachelor of Business, University of Southern Queensland, Australia	• Joined in May 2001 and has held various positions in CN Asia with wide exposure in marketing division of the Group
Ir. Lee Lam Engineering Manager / Head of Engineering	69/ Male/ Malaysian	• Bachelor of Engineering (Hons.) degree in Mechanical Engineering, University Malaya • Professional Engineer	• Joined in December 1999, headed various operation department in the Group, and has more than 30 years of experiences in the design and manufacture of pressure vessels and road tankers
Lim Paik Goot Financial Controller	47/ Female/ Malaysian	• Bachelor of Accountancy (Hons.), University Utara Malaysia • Master in Business Administration, University Putra Malaysia • Member of Malaysia Institute of Accountants	• Joined in May 1997 and has more than 20 years of experiences in the finance, accounting and corporate advisory
Qua Hock Guan Business Development Manager	71/ Male/ Malaysian	• Diploma in Management, Malaysia Institute of Management	• Joined in February 2007 and has vast experience in Marketing and Business Development and has 37 years in Exxon Mobil in marketing, training, marketing planning and procurement
Loi Liong Hui Head of Production	42/ Male/ Malaysian	• Diploma in Mechanical Engineering, Federal Institute of Technology	• Joined in October 2008 and has more than 20 years of experience in oil and gas industry in quality assurance, quality control and project management

Saved as disclosed for Mr. Ho Cheng San and Ms Angeline Chan Kit Fong in their respective profile of directors, the above Key Senior Management members have no family relationship with any Director and/or major shareholder of the Company, have no other conflict of interest with the Group and have not been convicted of any offences, other than traffic offences, within the past five (5) years.

Management Discussion and Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

The Group's revenue is derived mainly from manufacturing business which consists of manufacturing of tanks and related products, specialised engineering works and fabrication works. Major products and services under the Group's manufacturing business include manufacturing of Liquefied petroleum gas ("LPG") vessels, tanks, road tankers and pressure vessels as well as the provision of metal forming services.

The Group currently operates in a manufacturing plant located in Selangor.

Local revenue accounted for approximately 67.1% of the Group's revenue for FYE 2016. Whereas, contributions from other countries made up to 32.9% of the Group's revenue in FYE 2016.

The primary group of customers the Group serves is in oil and gas and petrochemical industries. In addition, the Group also serves customers from other industries including sewerage, civil and structural steel construction, power generation and food and beverage.

In our effort to further improve our revenue and profitability, our Group plans to expand our business operation as follows:

(a) To grow existing business as well as to provide addition services;
(b) To undertake M&E projects, installation works, fieldworks with civil and structural construction works;
(c) To continue expanding contribution from export market; and
(d) To continue increasing marketing activities.

In addition, the Group had begun its cost reduction initiatives early 2016. The cost reduction initiatives are inclusive of optimising use of raw materials and reducing reliance of subcontractors. Moving forward, the Group will continue practicing and shall place emphasis on these cost reduction initiatives in order to manage costs better and reduce wastage of raw materials, thereby leading to higher profit margins for the Group.

PERFORMANCE REVIEW

For the FYE 2016, the Group's revenue grew by RM5.64 million to RM18.75 million in FYE 2016 on the back of the increased orders for LPG vessels. LPG vessels and tanks were major revenue contributors, collectively accounting for 70.6% of the Group's revenue in FYE 2016.

The Group recorded gross profit of RM4.98 million and gross profit margin of 26.6% in FYE 2016. Gross profit margin has improved significantly from a gross loss margin of 10.1% in FYE 2015 to a gross profit margin of 26.6% in FYE 2016 as a result of cost reduction measures implemented during the year.

The Group's profit before tax increased by RM29.39 million from a loss before tax of RM6.28 million in the previous year to a profit before tax of RM23.10 million, mainly attributable to the gain on disposal of properties amounted to RM22.17 million coupled with higher revenue and gross profit.

During the FYE 2016, the Group has disposed 2 parcels of leasehold land together with buildings and amenities erected thereon for a total cash consideration of RM36.68 million. This enabled the Group to unlock capital resources from being tied up in long-term assets to strengthen its financial position and allow the Group to better focus on its core businesses.

In addition, the disposal of properties in FYE 2016 had reduced the gearing and improved current ratio, return on equity ratio and liquidity of the Group.

As at 31 December 2016, the Group's total borrowings decreased from RM12.28 million as at 31 December 2015 to RM1.62 million mainly due to substantial payment of bank borrowings by utilising part of the proceeds from the Disposals. As a result, the Group's gearing decreased from 0.71 times to 0.04 times.

The disposal of properties and the increased in operating cash flow had contributed to the significant improvement in the Group's liquidity in FYE 2016. As such, the Group reduces the utilisation of bank overdrafts and bankers' acceptance in its effort to save cost.

For FYE 2016, deferred tax assets were recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Management Discussion and Analysis
(cont'd)

The Group's inventory turnover period as at 31 December 2016 had decreased from 99 days as at 31 December 2015 to 74 days mainly due to lower work-in-progress stocks as most jobs were completed and delivered in FYE 2016.

In FYE 2016, the Group recorded a lower trade receivables turnover period of 21 days as a result of tighter credit control measures adopted.

The Group's basic earnings per ordinary share is 48.58 sen as compared to basic loss per share of 13.85 sen in FYE 2015. Our net assets per share has increased to 86.80 sen in FYE 2016 from 38.05 sen in FYE 2015.

ANTICIPATED OR KNOWN RISKS

While the external environment may continue to remain challenging, with the volatile commodity prices, currency fluctuations and geo-political uncertainties, the Malaysian economy will experience sustained growth with the primary driver being domestic demand. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. This led to a challenging operating landscape for the Group.

However, the Malaysian Ringgit weakened significantly against the U.S. Dollar compared with other emerging market currencies, have given us a competitive advantage over our global competitors in global market.

MOVING FORWARD

The Group is cautiously optimistic as we look ahead. Our focus remains on our core competencies and exercising prudent financial management. While the Group is well positioned to tap into opportunities for growth, we are also conscious of the challenges posed by the volatile global economy. The Group's solid fundamentals are in place to keep us on track. With our business expansion plan and cost reduction initiatives, CN Asia will remain resilient amidst a challenging environment. We will continue to enhance our operational efficiencies and pursue opportunities for growth in order to deliver sustainable results to our shareholders.

DIVIDEND

The Board does not propose any dividend for the financial year ended 31 December 2016.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere appreciation to our valued shareholders, customers, suppliers, bankers, advisors, business associates, management, staff at all levels, the relevant authorities and government agencies for their continued support, commitment, contribution and confidence in the Group.

Last but not least, I would like to place on record my appreciation and thanks for the valued counsel and continued support I have received from the Chairman and my fellow Board members for the past year.

HO CHENG SAN
Managing Director

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Chong Ying Choy	*(Chairman)*	*(Independent Non-Executive Director)*
Dato' Hilmi bin Mohd. Noor	*(Member)*	*(Independent Non-Executive Chairman)*
Lee King Loon *(appointed w.e.f 16/6/2016)*	*(Member)*	*(Independent Non-Executive Director)*
Yoong Nim Chee *(resigned w.e.f 20/4/2016)*	*(Member)*	*(Independent Non-Executive Director)*

MEETINGS

There were six (6) Audit Committee meetings held during the financial year ended 31 December 2016. Details of the members' attendances are as follows:-

Name of Directors	Designation	Attendence on Meeting	Percentage (%)
Chong Ying Choy	Chairman	6/6	100
Dato' Hilmi bin Mohd Noor	Member	6/6	100
Lee King Loon (appointed w.e.f 16/6/2016)	Member	3/3	100
Yoong Nim Chee (resigned w.e.f 20/4/2016)	Member	2/2	100

Upon invitation by the Committee, the Group Financial Controller attended all these meetings and the outsourced internal auditors, Messrs. Lefis Consulting Sdn Bhd, attended the first, third and sixth Audit Committee Meetings. The previous external auditors, Messrs. Kreston John & Gan were invited to attend the first and second Audit Committee Meetings whereas the current external auditors, Messrs Siew Boon Yeong & Associates were invited to attend the sixth Audit Committee Meeting during the year.

SUMMARY OF ACTIVITIES

A summary of the main activities carried out by the audit committee during the financial year included the following:-

- Reviewed the quarterly unaudited financial results of the Group and ensure compliance with approved accounting standards, other legal and regulatory requirements prior to recommending to the Board for approval.
- Reviewed and considered the audit planning memorandum of the external auditors for recommendation to the Board's approval.
- Reviewed the management letters and the audit reports of the external auditors.
- Reviewed the annual audited financial statements of the Group and recommended to the Board for approval.
- Reviewed letters from Bursa Securities, discussed and considered reply to Bursa Securities' query.
- Reviewed deliberated internal audit reports and monitored / followed up on remedial actions as recommended by the Internal Auditors.
- Reviewed internal audit plan and considered the proposed audit fees of the Internal Auditors and the re-appointment of the Internal Auditors for recommendation to the Board for their approval.
- Discussed and considered the resignation of internal auditors
- Reviewed and considered the appointment of internal auditors
- Reviewed the letter of resignation of external auditors
- Reviewed the letter of nomination of external auditors
- Discussed and considered the audit fees with the External Auditors for the financial year ended 31 December 2016.
- Reviewed the terms of reference of audit committee, remuneration committee, nomination committee and risk management committee and recommended to the Board for approval prior to upload to Company's website.
- Reviewed the risk management report on key risk profiles and risk management activities.
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and recommended to the Board for approval prior to the inclusion in the company's annual report.

Audit Committee Report
(cont'd)

INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is outsourced to an independent professional consulting firm, Messrs. Lefis Consulting Sdn Bhd ("Lefis") who reports administratively to the Managing Director and functionally to the Audit Committee. The professional fees paid to the outsourced Internal Auditors during the financial year ended 31 December 2016 was amounted to RM12,500 (2015:RM18,500). The scope of internal audit covers the examination and evaluation of the adequacy and effectiveness of the Group's system of internal control, the efficiency of operations and the quality of performance in carrying out assigned responsibilities. The Internal Auditors' primary function is to submit audit reports that highlight risk and control weaknesses and provide suitable recommendations for improvement to reassure senior management and the Audit Committee on the state of internal control of the Group. The activities of the internal audit function during the financial year are summarised as follows:-

- Prepared the annual internal audit plan for approval by the Audit Committee.
- Reviewed and assessed the internal audit area over the past five (5) years to ensure adequacy of the scope, functions, competency and resources of the internal audit functions.
- Performed internal audit reviews to evaluate the adequacy of the internal control system on the overall control environment within the Group.
- Performed risk based audits on the repair and maintenance to ensure adequacy of policies and procedures, preventive maintenance, competency and resources of the repair and maintenance function of the Group. Undertook investigation and special reviews on issue arising from the audits and / or requested by the management and / or Audit Committee and issued reports accordingly to the management and / or Audit Committee.
- Reviewed current system and key risk areas covering business process and reported the significant risk management control to the Audit Committee on a quarterly basis to ensure proper internal controls are embedded in these processes.
- Discussed, reviewed and updated the risk profile of the Group to ensure high risk areas are being monitored and managed.

Lefis has resigned as internal auditors with effect from 22 November 2016 as the firm transferred its internal audit functions to other firm of consulting. Lefis informed that there is no other matter which needs to be brought to the attention of the Board and Shareholders of the Company.

Further details on the internal audit functions are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Statement on Corporate Governance

The Board of Directors of CN Asia Corporation Bhd (the "Board") is pleased to report on the manner in which the Group has applied the principles and extent of compliance with the best practices of corporate governance as set out in the Malaysian Code On Corporate Governance 2012 (the "Code") and pursuant to paragraph 15.25 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad. ("Bursa Securities").

The Board recognizes that the practice of high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to safeguard the interests of the shareholders and to enhance shareholders' value.

The Board is of the view that it has complied with the Code, except for the recommendations on the tenure of its independent directors that should not exceed a cumulative term of nine years. However, the definitions of independent directors under the MMLR have been complied with.

1. Establish Clear Roles And Responsibilities

1.1 Establish clear functions for the Board and Management

Currently, the Board has six (6) members, comprising an Independent Non-Executive Chairman, a Managing Director, an Executive Director, two (2) Non-Executive Independent Directors and a Non-Executive Non-Independent Director.

The Board leads the overall performance of the Group. The Board assumes the following responsibilities for the Group:-

- determining strategic planning and direction of the Group;
- overseeing the overall conduct of the Group's business;
- identifying principal risk and ensuring the implementation of systems to manage risks;
- developing succession planning;
- reviewing the adequacy and integrity of the Group's internal control systems and management information systems;
- establishing goals for management; and
- monitoring the achievement of these goals.

As part of its initiative for effective discharge of its leadership role and enhancement of accountability, the Board has delegated specific powers to the Chairman, Board Committees, the Managing Director and the Executive Director.

There is a clear division of responsibilities between the Board members to ensure that there is a balance of power and authority as well as enhance accountability of each member. The Board Charter which set out the role, composition and responsibilities of the Board, is currently being adopted by the Board. The objectives of this Charter are to ensure that all Board members are aware of their duties and responsibilities as member of the Board and that the relevant legislations and the principles and practices of good Corporate Governance are applied in discharging their duties and responsibilities.

Dato' Hilmi, the Chairman of the Board, an Independent Director, is able to provide strong leadership leading the Board's priority more objectively. The Chairman is primary responsible for running the Board and lead the discussion at the Board level. The Managing Director, with the assistance and support from the Executive Director and key senior management, is responsible for managing the day-to-day management of the Company and the Group, implementing the Board's policies and decisions to achieve the short term and long term objectives as well as coordinating the development and implementation of business and corporate strategies.

The Non-Executive Directors with a variety of industry-specific knowledge and technical as well as commercial experience bring to bear objective and independent judgment to the decision making of the Board in order to provide an efficient check and balance for the Executive Directors.

The Board has established the following Board Committees to assist the Board in discharging its duties with specific terms of reference that were drawn up in accordance with best practices in the Code and function principally to assist the Board in the execution of its duties and responsibilities-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

Statement on Corporate Governance
(cont'd)

Notwithstanding the delegation of specific powers, the Board remains its full responsibility for the direction and control of the Group to safeguard the interests of the shareholders and to enhance shareholders' value.

1.2 Clear roles and responsibilities of the Board

The vital responsibilities of the Board are to lead the Group towards its mission by providing entrepreneur leadership and direction as well as management oversight.

The Board is always guided by the Board Charter of which the Board's roles, responsibilities and authorities are defined and practiced to ensure the maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term value creation with proper social and environmental considerations. The authorisation procedures for key processes are stated in the Group's policies and procedure.

The Board is taking all steps to ensure the uplifting of the status of PN17 position as imposed by the listing rules, regularization plan has been submitted by the corporate advisor, namely, M&A and pending the approval from Bursa Securities.

1.3 Formalise Ethical Standards through a Code of Conduct

The Code of Ethics and Conduct ("COE") has been put in place for all Directors and employees of the Group as a guide in discharging their duties and responsibilities by demonstrating good judgment and honesty as well as loyalty and ethics in the conduct of its business that are aligned with best practices and applicable laws, rules and regulations.

All employees are also encouraged to disclose genuine concerns about any possible violations and improprieties in matters related to financial reporting, compliances and other malpractices committed within the organization as outlined in the Whistleblowing Policy.

This COE has been adopted and will be reviewed periodically by the Board and is available in the Company's website at www.cnasia.com.

1.4 Strategies Promoting Sustainability

The Board is fully committed to the highest standards of integrity, transparency and accountability in the conduct of the Group's business and operations to ensure business sustainability through their conducts, individually or collectively, focusing on the key principles of serving with integrity and competency, avoiding conflict of interest and preserving confidentiality and privacy.

In order to promote sustainability of the Group's businesses, one of the business strategies adopted by the Board is to ensure the environmental, social and governance aspects of the businesses undertaken are well taken care of. The Group upheld the principle to maintain effective Corporate Social Responsibility practice continuously in order to contribute positively to the socio-economic development of the communities, to promote environmental friendly business practices and to uphold good governance practice and has detailed it in the Statement on Corporate Social Responsibilities.

1.5 Access to information and advice

All members of the Board have full and unlimited access to the advice and services of the Company Secretary, key senior management and where necessary, external independent professional advisers may be engaged, with approval from the Board or the Board Committees, at the Company's expense to enable the Board to discharge their duties. The agenda and Board papers for consideration are circulated to all Directors prior to the Board Meetings to enable the Directors to obtain and access further information and clarification in order to be well informed of the matters before the Meetings.

The Board is updated with the new amendments and updates on the regularisations from the authorities from time-to-time as and when occurred by circulating through emails, briefing and hard copy, whichever deemed appropriate and applicable.

In addition, the Board is notified of any corporate announcements released to Bursa Securities and is also kept informed of the requirements and updates issued by the various regulatory authorities through the Company Secretary.

Statement on Corporate Governance
(cont'd)

1.6 Suitably qualified and competent company secretaries

The Board is assisted by a professional qualified competent Company Secretary, who is a member of the Malaysian Institute of Accountant, in the discharge of its functions with her attendance on all Board and Board's Committee meetings and advises the Board on the Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and Key Senior Management. The Company Secretary is also entrusted to record the Board's deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board and committees Meetings are distributed to the Directors prior to the Meetings for their perusal before confirmation of the minutes at the commencement of the following Board and Committees Meetings.

The Board has full and unlimited access to the Company Secretary who is available at all times to provide the Directors with the appropriate advice and services.

The Company Secretary attended at all board meetings to record deliberations, issues discussed and conclusions in discharging her duties and responsibilities and also advises the Board on issues relating to the relevant rules and regulations that govern the Company.

1.7 Board Charter

The Board is guided by its Term of Reference ("Charter") which set out the roles and responsibilities of the Board. The Charter has been adopted and will be reviewed periodically by the Board to ensure it is kept up-to-date with changes in regulations and best practice and ensure its effectiveness and relevance to the Board's objective. The Board Charter is available in the Company's website at www.cnasia.com.

2. Strengthen Composition

Currently, the Board has six (6) members of which 50% of the members are independent directors and the members are as below:-

Directors	Designation	Independent
Dato' Hilmi bin Mohd Noor	Independent Non-Executive Chairman	Yes
Ho Cheng San	Managing Director	No
Angeline Chan Kit Fong *(appointed on 16/6/16)*	Executive Director	No
Ir. Lee Lam *(resigned on 4/7/16)*	Executive Director	No
Chong Ying Choy	Independent Non-Executive Director	Yes
Lee King Loon *(appointed on 16/6/16)*	Independent Non-Executive Director	Yes
Ariffin bin Khalid *(appointed on 16/6/16)*	Non-Independent Non-Executive Director	No
Yoong Nim Chee *(resigned on 20/4/16)*	Independent Non-Executive Director	Yes
Roy Ho Yew Kee *(resigned on 15/6/16)*	Independent Non-Executive Director	Yes

Together, the Directors with their different backgrounds and specialisation, collectively bring with them a wide range of business, management, financial and technical experiences. The profile of each Director is set out on pages 12 to 13 of this Annual Report.

Statement on Corporate Governance
(cont'd)

2.1 Nomination Committee

The Nomination Committee comprises of all independent Non-Executive Directors. The Nomination Committee is responsible for proposing new nominees for the Board appointments and assessing directors on an annual basis, the contribution of each individual director and the overall effectiveness of the Board. In making these recommendations, the Nomination Committee will consider the required mix of skills and experience of each member. The final decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

The members of the Nomination Committee are:-

Name of Directors	Designation	Attendance of Meeting	Percentage (%)
Dato' Hilmi bin Mohd Noor	Chairman	2/2	100
Chong Ying Choy	Member	2/2	100
Lee King Loon *(appointed on 16/6/16)*	Member	1/1	100
Yoong Nim Chee *(resigned on 20/4/16)*	Member	N/A	N/A

There were two (2) Nomination Committee Meetings held during the financial year ended 31 December 2016 with full attendance from the then members of the nomination committee and the details of attendance is stipulated in the table above. The following were deliberated during the Nomination Committee Meetings held during the year under review:-

- Reviewed, considered and evaluated the curriculum vitae, background, experience and suitability of the candidates to be nominated as directors prior nominating them to the Board for appointment;
- assessed the effectiveness of the Board, the Board Committees and the contribution of each Director;
- reviewed the size and composition of the Board of Directors as well as the Audit, Nomination and Remuneration Committees;
- discussed the annual retirement by rotation and re-election of Directors at the forthcoming Annual General Meeting ("AGM") and recommended the same for re-appointment/ re-election by the shareholders; and
- assessed the directors' continuing training program and derived the training needs for the Board to ensure the Board is keep abreast with the updated information and changes in the relevant legislations, principles and practices of good Corporate Governance are applied, to assist the Board in discharging their duties and responsibilities.

2.2 Assessment of the Board, Committee and Directors

The Nomination Committee is tasked by the Board to amongst others, identify, assess and recommend to the Board suitably qualified candidates for appointment to the Board and Board Committees, re-election and re-appointment of Directors, and review the independence of Independent Directors, considering the Board's succession planning and training programmes as well as performing formal assessment of the effectiveness of individual Directors and the annual appraisal of the Executive Directors' performance based on the selected performance criteria. In addition, the Committee is also tasked to review the required mix skills, experience and other qualities, including core competences of the members of the Board.

During the Nomination Committee meetings held during the financial year, an evaluation was carried out through a set of questionnaires with the answers collated, summarised and reported to the Board by the Chairman. The Board, through the recent review and assessment of the Nomination Committee, confidently believe that the size and composition of the Board is appropriate, balance and that there is appropriate mix of skills, experience and expertise as well as core competency to discharge its duties effectively. In addition, the Committee would also look into the development of a set of criteria for use in the recruitment process to be deliberated and adopted in due course.

The Terms of Reference of the Nomination Committee is being reviewed, updated and adopted by the Board during the sixth (6th) Board Meeting held during the financial year.

Statement on Corporate Governance
(cont'd)

The current criteria for annual assessment of Directors are as outlined in the Director's Evaluation Form. The effectiveness of the Board is assessed in the areas of Board size, mix of composition, conduct of Board meeting, Boardroom activities and Directors' skills set matrix. The Board Committees are assessed based on their roles and scope of work, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their duties.

In the case of individual Directors, self-assessment is carried out to evaluate their contribution, performance and competencies, such as ability to give constructive suggestions, provide logical and honest opinion on issues deliberated, demonstrate objectivity and integrity in decision making process, offer practical and realistic advice and demonstrate willingness to devote time and effort to the Board and Board Committees. In the case of Independent Non- Executive Directors, they are also assessed on the level of their independence and ability to defend stand through constructive deliberation where necessary. In addition, the Directors are also being assessed on their calibre and personality in discharging their duties and responsibility as a member of the Board.

In accordance with the Company's Articles of Association, newly appointed Directors shall hold office until the next following annual general meeting and shall then be eligible for re-election by shareholders in the next Annual General Meeting subsequent to their appointment. The Articles also provide that one third of the Board are required to retire at every annual general meeting and be subject to re-election by shareholders and all directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for election are disclosed in various sections of the Annual Report.

The Company Secretaries will ensure that all necessary information is obtained, as well as all legal and regulatory obligations are met before the re-appointments are made.

2.3 Remuneration Committee

The Remuneration Committee comprises a majority of Non-Executive Directors, is responsible for making recommendations to the Board on remuneration packages and benefits extended to the Managing Director and Executive Director and to review their remuneration packages on an annual basis. Remuneration package of Non-Executive Directors will be a matter to be decided by the Board as a whole with the Directors concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration. Fees payable to Non-Executive Directors is determined by the Board with the approval from shareholders at the Annual General Meeting.

The members of the Remuneration Committee are:-

Name of Directors	Designation	Attendance of Meeting	Percentage (%)
Chong Ying Choy	Chairman	1/1	100
Dato' Hilmi bin Mohd Noor	Member	1/1	100
Lee King Loon *(appointed on 16/6/16)*	Member	N/A	N/A
Yoong Nim Chee *(resigned on 20/4/16)*	Member	1/1	100

During the financial year, there was one (1) Remuneration Committee Meeting held to review the performance and remuneration package for Executive and Non-Executive Directors which was attended by all committee members. The remuneration package of the Managing Director and Executive Director were approved by the Board with recommendation from the Remuneration Committee.

The Remuneration Committee is responsible to recommend the remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully taking into consideration all relevant factors including the functions, workload and responsibilities involved. In establishing the remuneration packages and benefits for the Managing Director and Executive Director, the Remuneration Committee has regarded the packages offered by comparable companies, and may obtain independent advice, where necessary. The remuneration of the Managing Director and the Executive Director comprises a fixed salary and allowance approved by the Board, which is in line with the Group's performance, overall policy on compensation and benefits with due consideration to compensation levels. The Board as a whole determines the remuneration of Non-Executive Directors.

Statement on Corporate Governance
(cont'd)

The aggregate Directors' remuneration paid or payable to all directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2016 are as follows:-

(a) Received from the Company

Directorate	Fees RM	Salaries RM	Other emoluments RM	Total RM
Executive	25,000	-	-	25,000
Non-Executive	103,000	-	-	103,000
Total	128,000	-	-	128,000

(b) Received on Group Basis

Directorate	Fees RM	Salaries RM	Other emoluments RM	Total RM
Executive	25,000	523,950	189,024	737,974
Non-Executive	115,000	-	-	115,000
Total	140,000	523,950	189,024	852,974

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows:-

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Below RM50,000	-	6
RM100,001-RM150,000	2	-
RM500,001-RM550,000	1	-
Total	3	6

2.4 Gender Diversity Policy

The Board is supportive to the gender diversity in the boardroom as recommended by the Code. In considering Board appointment, the Board believes in and provides equal opportunity to candidates who have the necessary skills, experience, commitment (including time commitment), core competencies and other qualities regardless of gender, ethnicity and age. During the financial year, a female director, Madam Angeline Chan Kit Fong, is appointed as Executive Director of the Company.

3. Reinforce Independence

The Board is in compliance with paragraph 15.02 of the MMLR, which requires that at least two Directors or one-third of the Board of Directors of the Company, whichever is the higher, are Independent Directors.

In order to ensure independent and objective judgment are brought to the Board's deliberation by genuine independency of the independent directors and to ensure conflict of interest or undue influence from interested parties is well taken care of, the Board is committed to ensure the independence of the independent directors are assessed by Nominating Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision.

Statement on Corporate Governance
(cont'd)

3.1 Assessment of Independence Directors

The Board, through the Nomination Committee, assesses the Independent Directors annually where the evaluation took into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. The then Board, through an assessment carried out by the Nomination Committee, was satisfied with the level of independence demonstrated by the Independent Non- Executive Directors.

In addition, the three (3) Independent Non-Executive Directors are not employees and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Non-Executive Directors' judgement.

3.2 Tenure of Independent Directors

The Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director re-designated as Non-Independent Director. In the event the Board intends to retain the Director as Independent after the Independent Director has served a cumulative term of nine (9) years, the Board must justify the decision and seek for shareholders' approval at the Annual General Meeting.

The Board recognizes the importance of independence and objective in its decision making process. Nevertheless, the Board is of the view that Independent Directors of the Company, namely, Dato' Hilmi bin Mohd Noor and Mr. Chong Ying Choy, who have served as Independent Directors for a cumulative tenure exceeding nine (9) years, have over the time developed increased insight into the Company of which their experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board. Thus, the Board has agreed with the recommendation from Nomination Committee to retain both Dato' Hilmi bin Mohd Noor and Mr. Chong Ying Choy as Independent Directors after due consideration of their experience and contribution to the Board. The Board will continuously review and evaluate independent director annually, through its Nomination Committee, as recommended by the Code.

3.3 Division of roles and responsibilities between Chairman and Group Managing Director

The positions of Chairman and Managing Directors are held by two (2) different individuals in line with the recommendations of the Code. The distinct and separate roles of the Chairman and Managing Director promote accountability and facilitate division of responsibilities between them. The Independent Non-Executive Chairman leads the Board in the oversight of management whereas the Managing Director focuses on the day-to-day operations and management of the Group.

3.4 Composition of the Board

The present Board composition is in compliance with Recommendation 3.5 of the Code of which the Chairman is an Independent Non-Executive Director. The Independent Non-Executive Directors provide check and balance for the effective and efficient functioning of the Board.

4. Foster Commitment

4.1 Time commitment and directorship in other companies

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when necessary.

Statement on Corporate Governance
(cont'd)

During the financial year ended 31 December 2016, the Board held six (6) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions, remuneration of the Executive Directors, recommendation for re-election/re-appointment of Directors at annual general meeting and the direction of the Group. The details of the attendance of each member of the Board at the Board Meetings as follows:-

Name of Directors	Attendance of Meeting	Percentage (%)
Dato' Hilmi bin Mohd Noor	6/6	100
Ho Cheng San	6/6	100
Angeline Chan Kit Fong *(appointed on 16/6/16)*	3/3	100
Ir. Lee Lam *(resigned on 4/7/16)*	3/3	100
Chong Ying Choy	6/6	100
Lee King Loon *(appointed on 16/6/16)*	3/3	100
Ariffin bin Khalid *(appointed on 16/6/16)*	2/3	67
Yoong Nim Chee *(resigned on 20/4/16)*	2/2	100
Roy Ho Yew Kee *(resigned on 15/6/16)*	3/3	100

All of the Directors are in compliance with the provision of the MMLR on the restriction of not holding more than five (5) directorships in listed issuers. The Directors' directorship in other listed issuers are disclosed in their respective profile. The Directors must notify the Board in a timely manner before accepting an invitation to serve on the board of another public company taking into consideration any actual or apparent conflicts of interest and impairments to independence as well as time and energy necessary to satisfy the requirements of Board and Committees memberships in the other public listed company.

4.2 Directors' Training

At the date of this report, all Directors, including the newly appointed directors during the financial year, have successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. The Board, through the Nomination Committee, has undertaken an assessment of the training needs of each director and the Directors will continue to undergo relevant training programmes, seminars, workshops, talks and conferences to keep abreast with new regulatory developments and relevant changes in business environment on a continuous basis in compliance with paragraph 15.08 of the MMLR of Bursa Securities.

During the financial year ended 31 December 2016, the Directors have attended seminars and trainings as follows:-

Director	Seminar and Training Programmes	Date
Dato' Hilmi bin Mohd Noor Ho Cheng San Ariffin bin Khalid	Amendments to MMLR of Bursa Securities and Current Cases of Directors' Duties	15 November 2016
Angeline Chan Kit Fong	MAP for Directors of Public Listed Companies	7 & 8 September 2016
	Amendments to MMLR of Bursa Securities and Current Cases of Directors' Duties	15 November 2016
Chong Ying Choy	Audit of Inventories	5 May 2016
	National Tax Conference 2016	9 & 10 August 2016
	Practical Audit Simulation for Adopting ISA and MPERS	12, 13 & 14 October 2016
	Preparing for the Structural Shift in Company Law	19 October 2016
	National Tax Seminar	27 October 2016
	Amendments to MMLR of Bursa Securities and Current Cases of Directors' Duties	15 November 2016
Lee King Loon	Corporate Strategy and Strategic Choices	11 August 2016
	MAP for Directors of Public Listed Companies	7 & 8 September 2016
	Amendments to MMLR of Bursa Securities and Current Cases of Directors' Duties	15 November 2016

Statement on Corporate Governance
(cont'd)

The Directors are encouraged to attend other relevant training programmes to enhance the insight of their business, improve their technical knowledge and professionalism in discharging their duties as Directors of the Company. The relevant trainings, briefing, seminars and conferences, covering topics on governance, risk management, accounting, general management and investor relations were circulated by the Joint Company Secretaries to the Board members for consideration in the aim to keep themselves updated on changes to the legislations and regulations affecting the Group.

In addition, the Directors are updated by the Company Secretaries on any changes to the statutory, corporate and regulatory requirement relating to Directors' duties and responsibilities or the discharge of their duties as Directors as and when occurred. The external auditors also have briefed the Board on the changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

5. Uphold Integrity In Financial Reporting

5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced, clear and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results to shareholders as well as the Chairman Statement in the annual report. The Board is assisted by the Audit Committee to ensure accuracy and adequacy of all information for disclosure.

A statement by the Directors of their responsibilities in respect of the audited financial statements is set out on page 30 of this Annual Report.

5.2 Assessment of suitability and independence of external auditors

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

The key features underlying the relationship between the Audit Committee and the external auditors are outlined in the Audit Committee's terms of reference made available in the Company's website at www.cnasia.com whereas a summary of the works of the Audit Committee during the financial year is set out in the Audit Committee Report detailed on pages 17 to 18 of this Annual Report.

The external auditors of the Company fulfil an essential role on behalf of Company in giving an assurance to the shareholders and others, of the reliability of the financial statements of the Company. It is the obligation of the external auditors to bring to the attention of the Board, the Audit Committee and the Company management any significant deficiency in the Company's systems of reporting, internal control and compliance with approved accounting standards as well as legal and regulatory requirements. The external auditors of the Company are invited to attend at least one (1) meeting of the Audit Committee a year in the absence of the Executive Directors and management.

During the financial year ended 31 December 2016, there was one (1) session held at the sixth (6th) Audit Committee Meeting between the Committee members and the external auditors in the absence of the non-independent Director, Executive Directors and management.

The Audit Committee discusses the nature and scope of audit, reporting obligations and audit schedule with the external auditors prior commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to the appointment and reappointment, resignation or dismissal of external auditors. During the financial year, the Company has undergone two (2) Extraordinary General Meetings held on 13 January 2016 and 1 November 2016 respectively in relation to the Proposed Change of Auditors of the Company. The removal, resignation and appointment of external auditors were deliberated in the Board and Committee Meeting.

Statement on Corporate Governance
(cont'd)

In view of the severe change of external auditors, the Board has decided to carry out an assessment of suitability and independence of the external auditors through a performance and independence checklist. The checklist included inter-alia, the calibre of the external audit firm, the external auditors' quality of service and processes, audit team, independence and objectivity, audit scope and planning, audit fees, non-audit services provided by external auditors to the Group and audit communications. The views and issues in respect of the performance of the external auditors will be gathered from the finance team of the Company as part of the assessment procedure.

The external auditors have confirmed to the Board that they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of relevant professional and regulatory requirements. The Board has received written declaration from the external auditors of their independence throughout the term of their engagement in accordance with the terms of the relevant professional and regulatory requirements including the bye-laws of the Malaysian Institute of Accountants.

The Audit Committee and the Board will look into policy governing the circumstance under which contracts for provision of non-audit services could be entered into by the external auditors.

6. Recognise And Manage Risks

6.1 Sound framework to manage risks

The Statement on Risk Management and Internal Control set out on pages 33 to 36 of this Annual Report provides an overview of the Group's state of internal controls and risk management.

6.2 Internal audit function

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with the internal procedures and guidelines. The Group has outsourced the activities and function of the internal audit to an independent professional firm that reports administratively to the Managing Director and functionally to the Audit Committee. The internal audit plan outlining audit coverage and scope of work is presented to the Audit Committee for consideration and approval annually. Upon completion of each cycle of audit, Internal Audit Reports encompassing audit findings together with recommendations and management response are presented at the meetings of the Audit Committee. Head of departments and functional line management are tasked to ensure management action plans are implemented within the agreed time frame with the Internal Audit undertaking regular follow-up audits to monitor the status of compliance.

Details of the Company's internal control framework are set out under the Statement on Risk Management and Internal Control in this Annual Report.

7. Ensure Timely And High Quality Disclosure

7.1 Corporate disclosure policy and procedure

The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information.

The Board has formalize its Corporate Disclosure Policy and Procedure ("CDPP") which set out the requirements for disclosure including the quality of disclosure to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. This CDPP provides a good framework for compliance with the disclosure policies under the MMLR of Bursa Securities.

The CDPP has been reviewed and adopted by the Board and the CDPP is made available in the Company's website at www.cnasia.com.

Statement on Corporate Governance
(cont'd)

7.2 Leverage on information technology for effective dissemination of information

The Company's corporate website at www.cnasia.com continues to provide information relating to its businesses, financial performance, operations and corporate development through annual reports, quarterly reports, circulars and various announcements on a timely manner.

8. Strengthen Relationship Between the Company And Shareholders

The Board acknowledges the need for shareholders to be informed of the developments and performance of the Company and the Group. The distribution of annual report, announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. The notice of Meeting is sent at least twenty-one (21) days before the meeting date. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

The principal forum for dialogue with shareholders remains at the Annual General Meeting ("AGM"). Shareholders are encouraged to ask questions and seek clarification at the AGM of the Company on both the resolutions being proposed and the Group's business and performance. Alternatively, shareholders can seek additional information and divert queries to the Company through the Group's website: www.cnasia.com which was being updated and enhanced from time-to-time to include corporate financial as well as non-financial information. The Share Registrar is available to attend to matters relating to shareholders' interest.

The Company recognises the importance of accountability to its shareholders and investors through proper communication. The Board acknowledges that shareholders should be informed of all material business matters that may affect the Group's performance. The Board will ensure timely release of quarterly financial results to Bursa Securities, other information and corporate actions taken by the Company that warrants an announcement to Bursa Securities under the MMLR to provide shareholders with a current overview of the Group's performance and development of other corporate affairs.

This Statement on Corporate Governance was approved by the Board of Directors at a meeting held on 5 April 2017.

Statement of Directors' Responsibilities

The Directors are responsible for the preparation of the financial statements of the Group that give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the financial year then ended in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards, the Companies Act, 1965 in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements, the Directors have:-

- adopted appropriate accounting policies and applied these accounting policies consistently;
- made judgements and estimates that are prudent and reasonable; and
- prepared the financial statements on a going concern basis, unless they consider that to be inappropriate.

The Directors have the responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure the financial statements comply with the provisions of the Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This Statement of Directors' Responsibilities was approved by the Board of Directors at a meeting held on 5 April 2017.

Statement on Corporate Social Responsibility

The Board of Directors acknowledges that Corporate Social Responsibility ("CSR") is the basis for building positive relationship towards the community, environment, its employees, customers, suppliers, shareholders and other stakeholders. Therefore, the continuance practice of CSR activities is strongly encouraged to ensure that people within and outside the Group benefited from the existence of the organization.

At present, the Group continues to focus on improving the health and safety as well as welfare of the employees and workers within the organization. The Group's Health, Safety, Security and Environment ("HSSE") committee has been actively promoting health & safety activities in order to provide a safe and healthy work environment for its employees.

Various CSR activities carried out during the financial year ended 31 December 2016 are as follows:-

a) Community

- Offer practical or industrial training to undergraduates from local colleges, universities and institution.
- Contribution in the form of books to libraries of local universities.
- Organise community recycling and "gotong-royong" program around the factory compound.

b) Employees' welfare

- Regular training, seminar, in-home trainings in various relevant fields were being conducted to enhance the employees' technical competency, productivity, leadership and management qualities.
- The Company recognizes loyalty of its staff and award its long service staff a special gift at its annual gathering dinner held at the beginning of the year.
- Regular gathering events are being organized by the event committee to celebrate festive seasons of each race and promote harmony work environment in the Company.
- Organise occasions for regular meet-ups between management and staff to foster better working relationships.

c) Health, Safety, Security and Environment ("HSSE")

The HSSE committee is chaired by the Managing Director and it regularly reviews the Group's HSSE policies to ensure a safe and healthy work environment for its employees.

HSSE matters are also being scrutinised through internal audits review and recommendations were duly endorsed and implemented by the Management. The HSSE Committee is committed to ensure the continuous compliance of all safety measures at all time.

The HSSE committee has carried out the following activities to ensure its objectives are being fulfilled:-

- Regularly equip and replenish appropriate Personal Protection Equipment ("PPE") for workers.
- First Aid Drill and regular briefing for workers on health and safety procedures.
- Organize fire safety talk to create awareness and prevention among employees.
- Spring cleaning within the factory compound was carried out to ensure clean and healthy work environment for its employees.
- Continuous training and supervision were provided to all levels of employees to promote a safe and healthy work-environment in compliance with legislative requirements.
- Reward the employees who are fully comply with the HSSE rules.

This Statement on Corporate Social Responsibility was approved by the Board of Directors at a meeting held on 5 April 2017.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

The utilisation of proceeds from the Proposed Disposals of RM36,682,500 as at 31 March 2017 are as follows:-

	As per Circular RM'000	Actual Utilisation RM'000	Deviation RM'000	Balance Unutilised RM'000
Real property gain tax	1,100	(1,351)	251	-
Repayment of bank borrowings	11,786	(11,786)	-	-
Relocation and construction costs	6,000	-	-	6,000
Pledge to secure banking facilities	5,000	(5,000)	-	-
Working capital	11,797	(5,720)	(323)	5,754
To defray estimated expenses for the Proposed Disposals	1,000	(1,072)	72	-
	36,683	(24,929)	-	11,754

2. NON-AUDIT FEES

The amount of audit fees and non-audit fees paid / payable to the external auditors of the Group during the financial year ended 31 December 2016 are as follows:

Paid By	Audit Fees (RM)	Non-Audit Fees (RM)*
Company	32,000	5,000
Group	70,000	5,000

* This is in respect of fees paid to the previous external auditors of the Group, namely Messrs Kreston John & Gan.

3. MATERIAL CONTRACTS OR LOANS INVOLVING DIRECTORS OR MAJOR SHAREHOLDERS

There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interests during the financial year. There were no contracts relating to loans entered into by the Company and its subsidiaries which involve the Directors' and major shareholders' interest during the financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS STATEMENT

The Company did not incur any significant recurrent related party transactions of a revenue / trading nature during the financial year ended 31 December 2016. The details of related party transactions are disclosed in Note 32 to the accompanying Financial Statements.

Statement on Risk Management and Internal Control

The Board is pleased to present the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26 (b) of the MMLR of Bursa Securities.

Board Responsibility

The Board acknowledges its responsibilities for maintaining a sound system of internal control and an effective risk management and in order to safeguard shareholders' investments and the Group's assets and for reviewing its adequacy and integrity of these systems. However, in view of the limitations that are inherent in any systems of risk management and internal control, the system adopted by the Group is designed to manage rather than to eliminate the risks that may impede the achievement of the Group's business objectives. Thus it can only provide reasonable and not absolute assurance against material misstatement, financial loses or fraud.

Accordingly, the Statement on Risk Management and Internal Control that has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities and that the Board confirmed that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group in its achievement of objectives and strategies.

Risk Management Framework

Risk management is a firmly embedded process for identifying, evaluating, prioritizing and reporting the major business risks within the Group with the objective of maintaining a sound system of internal control. Regular reviews, evaluation and update of the risk profile and the corresponding action plans have been reported to the Board. The Board through its Audit Committee will continue its effort to further enhance its risk management practices to ensure that the Group's assets and shareholders' interest are well protected and shareholders' value is enhanced.

The Board delegates the risk management function to the Risk Management Committee ("RMC") of which the members of the RMC comprises of the key management staff of the Group. Currently, the RMC is reporting to the Managing Director and Audit Committee. The RMC is administrated by an independent consulting firm, to achieve its risk management objectives. The RMC members amongst others are employees and key management staff who are representative from each department within the Group, including Finance, Human Resources and Administration, Sales and Marketing, Engineering and Operations which also include the Quality Assurance, Production and Project Departments. These members are knowledgeable on risk governance and the method of managing the risks faced in the context of their respective division within the Group.

The RMC maintain and monitor the Group's risk management. In order to attain this objective, the Group has:-

- adopted a structured and systematic risk assessment, monitoring and reporting framework; and
- enhanced the culture of risk awareness in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring by the various departments within the Group.

The Group adopted risk management framework which consists of the combinations of the core elements to provide the definition of business risk assessment which includes the process of identification, evaluation, mitigation, monitoring and reviewing of risks. The RMC is overall responsible for maintaining, monitoring and evaluating the effectiveness of the risk management system of the Group as an on-going process.

Hence, the Group has in place the necessary implementation, reviewing and reporting processes of its risk profile to cultivate the appropriate discipline and control to continuously improvising its risk management capabilities among the respective risk owner.

During the financial year ended 31 December 2016, there was one (1) RMC Meeting held and the following activities were carried during the meeting:-

- reviewed and updated the organization chart of the RMC;
- reviewed the risk management framework of the Group;
- reviewed the terms of reference for RMC prior obtaining Board's approval;
- reviewed, discussed and updated the Group's risk profile of the respective division; and
- reviewed and deliberated the draft report on Risk Management and Internal Control review conducted by another firm of consulting, GovernanceAdvisory.com Sdn Bhd ("GA")

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

Internal Control Process

The Group's system of internal control comprises the following key elements:-

- Organization structure with clear lines of roles and responsibilities including delegation of duties are well-defined to ensure enhancement of the Group's performance.
- Delegations of authority including authorization limits at appropriate levels of management are clearly defined to ensure accountabilities and responsibilities.
- Documented standard operating procedures and policies are regularly reviewed and revised to meet operational needs and made available and accessible by all employees.
- Systematic and regular audits are carried out to ensure compliance of the ISO 9001:2008 Quality Management Systems of its subsidiary company, Chip Ngai Engineering Works Sdn Bhd.
- Centralised human resource function that sets out the policies for recruitment, training and appraisal of the employees within the Group.
- The outsourced internal auditor assists the Audit Committee in discharging its duties in maintaining and monitoring the internal control systems within the Group.
- Regular Board and Audit Committee Meetings are carried out to review and assess the overall performance and internal controls of the Group.
- Adequate reports are generated on a consistent basis for review on the operational and financial performance of the Group.
- Scheduled and ad-hoc operation and management meetings were held and attended by the Managing Director, Executive Director and head of departments to discuss and resolve business and operational issues.
- Training and development programs are conducted to ensure the staff are competent in carrying out their duties and responsibilities to achieve the Group's objectives.

Internal Audit Function

The Group's internal audit functions have been outsourced to an independent consulting firm to review and evaluate the adequacy and effectiveness of the Group's systems of internal control and risk management processes. Periodic reviews of the Group's business processes and visits to the Group's active business operations based on the Internal Audit Plan as approved by the Audit Committee. The audit findings and recommendations were reported to the Audit Committee and communicated to the management for remedial actions.

The outsourced internal audit function provides the Audit Committee with periodic internal audit reports identifying risks and internal control gaps of existing state of internal control, highlighting observations and providing recommendations with management action plans to improve the system of internal control. Regular follow-up audits were carried out to ensure that the remedial actions in respect of internal control deficiencies, as highlighted in the internal audit reports, have been adequately addressed by the management.

The Internal Audit Plan is approved by the Audit Committee and audit reports and the status of the audit plan are presented to the Audit Committee. Internal audits are carried out on a risk based approach, in line with the Group's objectives and policies, taking into consideration input from the senior management and the Board. Significant findings and recommendations for improvements are highlighted to the Audit Committee, with periodic follow-up and reviews of action plans.

During the financial year under review, the outsourced Internal Auditors conducted a review and assessment on the adequacy of the internal controls in the repair and maintenance procedure of the Maintenance Department within the Group. Besides, follow up reviews on previous audits were conducted to ensure on the implementation of recommendations and issues arising from the previous audit reviews in particular on the procurement of major raw materials.

The Internal Auditors also carried out the process of updating the risk profile of the Group on the risk areas of the respective department using a risk-rating matrix based on the magnitude of impact and likelihood of occurrence of a risk. The results of the risk assessment are used to determine the gross risk rating of each risk. Personal interview and face-to-face discussion were carried out by the Internal Auditors with the respective departmental heads to understand, review and discuss the proposed actions to be taken in managing as well as mitigating the risks.

The costs incurred for the internal audit functions for the financial year ended 31 December 2016 amounted to RM12,500.

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

Assessment on Company's Internal Control Functions

The Company had on 24 November 2015 received a letter from Bursa Securities requesting the Audit Committee to undertake an assessment and review of the area of internal audit in the Company pursuant to Paragraph 15.12 of the MMLR. The Company Secretary, together with the management and the outsourced internal auditors, conducted the assessments which encompassed the background of internal audit functions, the assessment of effective of internal control within the Group, through the audits conducted by the outsourced internal auditors and pursuant to the MMLR requirements. The report was tabled for deliberation and discussion in the Audit Committee Meetings held during the financial year.

Based on the review, the Audit Committee and the Board are of the opinion that the internal control system of the Group is adequate and independent as the key component of operations of the Group are present and functioning.

Effectiveness of Internal Control

The review and assurance of the system of internal control is an on-going process. It is continuously reviewed by the Internal Auditors and Audit Committee and weaknesses and incidents of non-compliance with policies and procedures are highlighted to the management for improvement actions to achieve business objectives.

In conjunction with the regularisation plan undertook by the Company, the Company appointed another firm of consulting, GovernanceAdvisory.com Sdn Bhd ("GA"), to review the risk management and internal control systems of the Group. Based on findings from GA, the Group had made considerable progress in establishing risk assessment within the Group and weaknesses identified in the application of control procedures were rectified immediately. It was concluded in GA's report that the key risk management and internal control practice of the Group are found satisfactory.

Weaknesses In Risk Management and Internal Controls That Result In Material Losses

The Board remains committed towards establishing a robust system of risk management and internal control and is of the opinion that there were no material losses, contingencies or uncertainties that would require disclosure in the Group's annual report during the year resulting from weaknesses in risk management and internal control. Management continues to take measures to strengthen the control environment.

Assurance from Management

The Board has received assurance from the Managing Director and the Financial Controller that the Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company, during the financial year under review and up to date of this Statement.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to Paragraph 15.23 of the MMLR of Bursa Securities and the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement intended to be included the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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

Conclusion

The Board believes that the above frameworks are considered appropriate for the Group's business operations to provide reasonable assurance of their integrity of the Group's risk management and systems of internal control and that the risks are at the acceptable level throughout the Group's business operations. There were no material losses incurred during the financial year under review as a result of weaknesses in the Group's risk management and system of internal control.

The Board is of the view that the system of risk management and internal controls in place are satisfactory to protect the Group's interest and that of its stakeholders, particularly on enhancing shareholders value.

The Board together with the management will continue to take preventive measures and appropriate actions in order to strengthen the Group's control environment.

FINANCIAL STATEMENTS

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and providing management services. The principal activities of the subsidiary companies are as set out in Note 6 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(loss) after taxation attributable to:		
Owners of the Company	22,046,941	(276,851)

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the disposal of leasehold land and buildings which has resulted in gain on disposal of approximately RM22.18 million as disclosed in Notes 5 and 27 to the financial statements.

DIVIDEND

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issue of shares and debentures by the Company during the financial year.

OPTIONS

No option has been granted during the financial year to any person to take up any unissued shares of the Company.

Directors' Report
(cont'd)

DIRECTORS

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

Dato' Hilmi Bin Mohd Noor	
Ho Cheng San	
Chong Ying Choy	
Angeline Chan Kit Fong	(Appointed on 16.06.2016)
Ariffin Bin Khalid	(Appointed on 16.06.2016)
Lee King Loon	(Appointed on 16.06.2016)
Yoong Nim Chee	(Resigned on 20.04.2016)
Roy Ho Yew Kee	(Resigned on 15.06.2016)
Lee Lam	(Resigned on 04.07.2016)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares in the Company and its related companies during the financial year are as follows:

	---------------- No. of Ordinary Shares of RM1.00 each -----------------			
	As at 01.01.2016/ Appointment	**Bought**	**Sold**	**As at 31.12.2016**
Direct interests				
Ho Cheng San	16,093,535	-	-	16,093,535
Angeline Chan Kit Fong	562,950	-	-	562,950
Indirect interests				
Ho Cheng San *#	3,182,709	-	-	3,182,709
Angeline Chan Kit Fong *#	18,713,294	-	-	18,713,294

* *Deemed interest by virtue of substantial shareholdings in CN Asia Engineering Sdn. Bhd.*
\# *Deemed interest by virtue of shares held by spouse.*

By virtue of their interests in the shares of the Company, Mr. Ho Cheng San and Madam Angeline Chan Kit Fong are deemed to have interests in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit *(other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 30 to the financial statements, or the fixed salary of a full-time employee of the Company)* 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, other than certain directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report
(cont'd)

DISCLOSURE ON PN17

On 29 May 2015, the Company announced that it became an Affected Listed Issuer pursuant to Paragraph 2.1(e) of Practice Note No.17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). As a result, the Company is required to submit a Regularisation Plan to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe.

As at the date of this report, the Regularisation Plan submitted by the Company is pending approval from Bursa Securities.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was necessary; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render them necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements or the values attributed to current assets misleading; and

(b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and in the Company.

No contingent or other liability of the Group and 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, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

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 which would render any amount stated in the financial statements misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 35 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

The significant events subsequent to the financial year are disclosed in Note 36 to the financial statements.

Directors' Report
(cont'd)

AUDITORS

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

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

HO CHENG SAN
Director

ANGELINE CHAN KIT FONG
Director

Kuala Lumpur,
Date: 5 April 2017

Statement by Directors

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

In the opinion of the directors, the financial statements set out on pages 48 to 101 are 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 exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results and cash flows of the Group and of the Company for the year ended on that date.

The information set out on page 102 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in Kuala Lumpur on 5 April 2017

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

HO CHENG SAN

ANGELINE CHAN KIT FONG

Statutory Declaration

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

I, Ho Cheng San, being the director primarily responsible for the financial management of CN Asia Corporation Bhd, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 48 to 101 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.

Subscribed and solemnly
declared in Kuala Lumpur on 5 April 2017

HO CHENG SAN

Before me

KAPT. (B) JASNI BIN YUSOFF (W465)
Commissioner for Oaths

Independent Auditors' Report

to the Members of CN Asia Corporation Bhd (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CN Asia Corporation Bhd, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other 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 48 to 101.

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 their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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.

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 for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditors' Report

to the Members of CN Asia Corporation Bhd (Incorporated in Malaysia)
(cont'd)

Risk area and rationale	Our response
Going concern The Company is an Affected Listed Issuer pursuant to Paragraph 2.1(e) of Practice Note No. 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As at 31 December 2016, the Group has accumulated losses of approximately RM9.75 million. The Group's financial statements are prepared on a going concern basis. The directors' assessment of the Group's ability to continue as a going concern can be highly judgemental. We have identified going concern as a significant risk requiring special audit consideration.	Our audit procedures included, amongst others:- - evaluated the directors' assessment of the Group's ability to continue as a going concern by reviewing the profit and cash flow forecasts and projections of the Group for the financial year ending 31 December 2017; - evaluated and challenged the appropriateness of the directors' bases and assumptions in the profit and cash flow forecasts and projections, especially on the projected revenue; and - reviewed the supporting documents especially the letters of offer and acceptances between the Group and the customers. Furthermore, as part of the Company's regularisation plan, the Company had engaged another firm of Chartered Accountants to review the profit and cash flow forecasts for the financial year ending 31 December 2017 of the Group. Based on our enquiry, we noted that the firm had stated that nothing has come to their attention which causes them to believe that the assumptions made by the directors do not provide a reasonable basis for the preparation of the consolidated profit and cash flow forecasts.
Property, plant and equipment ***(Note 5 to the financial statements)*** **Gain on disposal of leasehold land and buildings** ***(Note 27 to the financial statements)*** During the financial year, the Group disposed off two (2) parcels of leasehold land together with buildings annexed on the leasehold land with a net carrying amount of approximately RM13.44 million for a total cash consideration, net of disposal expenses, of approximately RM35.61 million. As a result of the disposal, the Group recorded a gain on disposal of approximately RM22.17 million. The disposal of the leasehold land and buildings resulting in a gain of approximately RM22.17 million are significant to our audit. We have identified these areas as key audit matters requiring special audit consideration.	Our audit procedures included, amongst others:- - reviewed the various agreements, correspondences and documentations from purchaser, lawyers, tax authority and royal customs in relation to the disposal of the leasehold land and buildings; - computed the gain on disposal including the impact of the real property gains tax to ensure arithmetic accuracy of the transactions; and - checked the proceeds from disposal to ensure the recoverability and completeness of the transactions.

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 auditors' report thereon.

Independent Auditors' Report

to the Members of CN Asia Corporation Bhd (Incorporated in Malaysia)
(cont'd)

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 the 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 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.

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 of 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 and on 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.

Independent Auditors' Report

to the Members of CN Asia Corporation Bhd (Incorporated in Malaysia)
(cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and the auditors' report of the subsidiary company of which we have not acted as auditors, which are included in Note 6 to the financial statements, being the accounts that have been included in the consolidated accounts.

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

(d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 102 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.

Independent Auditors' Report

to the Members of CN Asia Corporation Bhd (Incorporated in Malaysia)
(cont'd)

Other Matters

(a) The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were audited by another firm of Chartered Accountants whose report dated 15 April 2016 expressed a qualified opinion.

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

SIEW BOON YEONG & ASSOCIATES
AF: 0660
Chartered Accountants

DATO' SIEW BOON YEONG
01321/07/2018 J
Chartered Accountant

Kuala Lumpur,
Date: 5 April 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	11,944,717	26,162,703	-	-
Investment in subsidiary companies	6	-	-	14,416,461	14,416,461
Investment in an associate	7	-	16,062	-	-
Other investment	8	-	-	-	-
Intangible assets	9	-	-	-	-
Deferred tax assets	10	685,000	-	-	-
		12,629,717	26,178,765	14,416,461	14,416,461
CURRENT ASSETS					
Inventories	11	2,777,681	3,914,573	-	-
Trade receivables	12	1,083,302	2,036,502	-	-
Amount owing by contract customers	13	-	707,831	-	-
Other receivables, deposits and prepayments	14	726,658	278,065	255,846	1,000
Amount owing by subsidiary companies	15	-	-	26,249,466	14,942,446
Current tax asset		5,658	5,658	5,658	5,658
Fixed deposits with licenced banks	16	25,800,000	-	-	-
Cash and bank balances		2,950,678	421,374	26,355	5,187
		33,343,977	7,364,003	26,537,325	14,954,291
TOTAL ASSETS		45,973,694	33,542,768	40,953,786	29,370,752
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	45,382,500	45,382,500	45,382,500	45,382,500
Share premium	18	3,491,965	3,491,965	3,491,965	3,491,965
Foreign exchange translation reserve	19	266,248	187,492	-	-
Accumulated losses		(9,748,911)	(31,795,852)	(19,840,830)	(19,563,979)
Total equity attributable to owners of the Company		39,391,802	17,266,105	29,033,635	29,310,486
TOTAL EQUITY		39,391,802	17,266,105	29,033,635	29,310,486
LIABILITIES					
NON-CURRENT LIABILITIES					
Finance lease liabilities	20	298,547	395,744	-	-
CURRENT LIABILITIES					
Trade payables	21	1,772,100	2,027,887	-	-
Other payables and accruals	22	2,797,573	1,940,399	70,396	60,266
Amount owing to a subsidiary company	15	-	-	11,849,755	-
Amount owing to an associate	23	-	34,000	-	-
Finance lease liabilities	20	97,197	92,757	-	-
Short-term borrowings	24	1,225,000	11,785,876	-	-
Current tax liabilities		391,475	-	-	-
		6,283,345	15,880,919	11,920,151	60,266
TOTAL LIABILITIES		6,581,892	16,276,663	11,920,151	60,266
TOTAL EQUITY AND LIABILITIES		45,973,694	33,542,768	40,953,786	29,370,752

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

Statements Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
REVENUE	25	18,745,524	13,113,741	60,000	60,000
COST OF SALES		(13,767,366)	(14,437,518)	-	-
		4,978,158	(1,323,777)	60,000	60,000
OTHER INCOME		22,203,776	85,506	-	-
SELLING AND DISTRIBUTION EXPENSES		(144,790)	(77,875)	-	-
ADMINISTRATIVE EXPENSES		(3,217,697)	(3,641,408)	(250,987)	(288,567)
OTHER OPERATING EXPENSES		(132,316)	(578,086)	(85,864)	-
		23,687,131	(5,535,640)	(276,851)	(228,567)
FINANCE COSTS	26	(582,757)	(735,035)	-	-
SHARE OF LOSS IN AN ASSOCIATE		-	(13,780)	-	-
PROFIT/(LOSS) BEFORE TAX	27	23,104,374	(6,284,455)	(276,851)	(228,567)
TAX EXPENSE	28	(1,057,433)	-	-	-
PROFIT/(LOSS) AFTER TAX		22,046,941	(6,284,455)	(276,851)	(228,567)
OTHER COMPREHENSIVE INCOME, NET OF TAX, THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
Foreign currency translation differences		78,756	85,363	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR		22,125,697	(6,199,092)	(276,851)	(228,567)
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:					
Owners of the Company		22,046,941	(6,284,455)		
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) ATTRIBUTABLE TO:					
Owners of the Company		22,125,697	(6,199,092)		
EARNINGS/(LOSS) PER SHARE					
- Basic (Sen)	29	48.58	(13.85)		
- Diluted (Sen)	29	48.58	(13.85)		

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

Statements of Changes in Equity

for the year ended 31 December 2016

	<---------------- Attributable to owners of the Company				-------------->
		<------- Non-distributable	------->	Distributable	
	Share capital	**Share premium**	**Foreign currency translation reserve**	**Accumulated losses**	**Total equity**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
Balance at 1 January 2015	45,382,500	3,491,965	102,129	(25,511,397)	23,465,197
Loss after tax	-	-	-	(6,284,455)	(6,284,455)
Other comprehensive income:					
Foreign currency translation differences	-	-	85,363	-	85,363
Total comprehensive income/ (expense) for the year	-	-	85,363	(6,284,455)	(6,199,092)
Balance at 31 December 2015/ 1 January 2016	45,382,500	3,491,965	187,492	(31,795,852)	17,266,105
Profit after tax	-	-	-	22,046,941	22,046,941
Other comprehensive income:					
Foreign currency translation differences	-	-	78,756	-	78,756
Total comprehensive income for the year	-	-	78,756	22,046,941	22,125,697
Balance at 31 December 2016	45,382,500	3,491,965	266,248	(9,748,911)	39,391,802

	Share capital	**Non-distributable Share premium**	**Distributable Accumulated losses**	**Total equity**
	RM	**RM**	**RM**	**RM**
Company				
Balance at 1 January 2015	45,382,500	3,491,965	(19,335,412)	29,539,053
Loss after tax/Total comprehensive expense for the year	-	-	(228,567)	(228,567)
Balance at 31 December 2015/1 January 2016	45,382,500	3,491,965	(19,563,979)	29,310,486
Loss after tax/Total comprehensive expense for the year	-	-	(276,851)	(276,851)
Balance at 31 December 2016	45,382,500	3,491,965	(19,840,830)	29,033,635

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

Statements of Cash Flows

for the year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		23,104,374	(6,284,455)	(276,851)	(228,567)
Adjustments for:					
Depreciation of property, plant and equipment		893,423	1,076,589	-	-
Development cost written off		-	158,637	-	-
(Gain)/loss on disposal of property, plant and equipment		(22,177,196)	173,430	-	-
Goodwill written off		-	76,609	-	-
Loss/(gain) on foreign exchange - unrealised		3,837	(1,199)	-	-
Gain on partial disposal of investment in an associate		(21,419)	-	-	-
Inventories written off		-	4,991	-	-
Interest expenses		582,757	735,035	-	-
Interest income		(5,163)	(1,265)	-	-
Property, plant and equipment written off		374	83,815	-	-
Reversal of impairment loss on trade receivables		-	(1,800)	-	-
Share of loss in associate		-	13,780	-	-
Operating profit/(loss) before working capital changes		2,380,987	(3,965,833)	(276,851)	(228,567)
Decrease in inventories		1,136,892	74,185	-	-
Decrease in amount due from contract customers		707,831	1,230,491	-	-
Decrease/(increase) in receivables		508,014	1,878,583	(254,846)	69,533
Increase/(decrease) in payables		613,156	1,449,436	10,130	(40,483)
Cash generated from/(used in) operations		5,346,880	666,862	(521,567)	(199,517)
Interest paid		(582,757)	(735,035)	-	-
Net cash generated from/(used in) operating activities (carried down)		4,764,123	(68,173)	(521,567)	(199,517)

Statements of Cash Flows

for the year ended 31 December 2016
(cont'd)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Net cash generated from/(used in) operating activities (brought down)		4,764,123	(68,173)	(521,567)	(199,517)
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance from subsidiary companies		-	-	542,735	198,385
Interest received		5,163	1,265	-	-
Purchase of property, plant and equipment		(21,739)	(56,864)	-	-
Proceeds from disposal of property, plant and equipment		35,613,457	68,800	-	-
Proceeds from partial disposal of investment in an assoicate		37,481	-	-	-
Real property gain tax paid		(1,350,958)	-	-	-
Net cash generated from investing activities		34,283,404	13,201	542,735	198,385
CASH FLOWS FROM FINANCING ACTIVITIES					
(Placement)/withdrawal of pledged fixed deposits		(9,500,000)	231,289	-	-
Repayment of bankers' acceptance		(5,384,000)	(664,000)	-	-
Repayment of finance lease liabilities		(92,757)	(97,607)	-	-
Repayment to an associate		(34,000)	(21,800)	-	-
Net cash used in financing activities		(15,010,757)	(552,118)	-	-
Net increase/(decrease) in cash and cash cash equivalents		24,036,770	(607,090)	21,168	(1,132)
Effect of change in foreign exchange differences		(30,590)	65,065	-	-
Cash and cash equivalents at beginning of year		(4,755,502)	(4,213,477)	5,187	6,319
Cash and cash equivalents at end of year		19,250,678	(4,755,502)	26,355	5,187
CASH AND CASH EQUIVALENTS COMPRISE:					
Fixed deposit with licenced banks		25,800,000	-	-	-
Cash and bank balances		2,950,678	421,374	26,355	5,187
Bank overdrafts	24	-	(5,176,876)	-	-
		28,750,678	(4,755,502)	26,355	5,187
Less: Fixed deposits pledged as securities		(9,500,000)	-	-	-
		19,250,678	(4,755,502)	26,355	5,187

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

Notes to the Financial Statements

31 December 2016

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are investment holding and providing management services. The principal activities of the subsidiary companies are as set out in Note 6. There were no significant changes in the nature of these activities during the financial year.

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

The address of the registered office and principal place of business of the Company is at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Company is an Affected Listed Issuer pursuant to Paragraph 2.1(e) of Practice Note No. 17 of the Main Market Listing Requirements of Bursa Securities. During the current financial year, the Group recorded profit after tax amounting to RM22,046,941 (2015: loss after tax of RM6,284,455). As of 31 December 2016, the Group's current assets exceeded its current liabilities by RM27,060,632 (2015: current liabilities exceeded current assets by RM8,516,916) and the Group's accumulated losses amounting to RM9,748,911 (2015: RM31,795,852). Furthermore, the Group's generated operating cash inflows amounting to RM4,764,123 (2015: operating cash outflows of RM68,173) during the financial year ended 31 December 2016. These indicate the Group's ability to continue as a going concern. Premise of the financial position, result and cash flows of the Group for the financial year ended 31 December 2016, the financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

As at the date of this report, the Regularisation Plan submitted by the Company is pending approval from Bursa Securities.

On 1 January 2016, the Group and the Company adopted the following MFRSs and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for the annual periods beginning on or after 1 January 2016:

MFRS 14 - Regulatory Deferral Accounts

Amendments to MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative

Amendments to MFRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 Property, Plant and Equipment - Agriculture: Bearer Plants

Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements

Amendments to MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception

Notes to the Financial Statements
31 December 2016
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Amendments to MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 141 Agriculture - Agriculture: Bearer plants

Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of the above MFRS and Amendments to MFRSs did not have any material impacts to the financial statements of the Group and of the Company.

MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretation that have been issued but are not yet effective

The Group and the Company have not adopted the following MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but not yet effective:

MFRSs/Amendments to MFRSs/IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Loses	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2017, 1 January 2018
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 – Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 - Leases	1 January 2019
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of these standards and amendments that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Group and of the Company except as discussed below:

Notes to the Financial Statements

31 December 2016
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretation that have been issued but are not yet effective (cont'd)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on expected credit loss model and replace the MFRS 139 Financial Instruments: Recognition and Measurement incurred loss model.

MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group and the Company do not expect a significant change to the measurement basis arising from the adoption of the new classification and measurement model under MFRS 9. Loans and receivables that are currently accounted for using amortised cost will continue to be accounted for using amortised cost model under MFRS 9.

MFRS 9 requires the Group and the Company to record expected credit losses on loans and receivables, either on 12-months or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on trade receivables. Upon application of the expected credit losses loss model, the Group and the Company expect a significant impact on to equity due to unsecured nature of the loans and receivables, but the Group and the Company will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group and the Company plan to adopt the new standard on the required effective date without restating comparative information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group and the Company expect the following impact upon adoption of MFRS 15:

Variable consideration

Some contracts with customers provide a right to return, trade discounts or volume rebates. Currently, the Group and the Company recognise revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group and the Company defer revenue recognition until uncertainty resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception. MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group and the Company continue to assess individual contract to determine the estimated variable consideration and related constraint. The Group and the Company expect that application of the constraint may result in more revenue being deferred than is under the current MFRS.

Notes to the Financial Statements

31 December 2016
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretation that have been issued but are not yet effective (cont'd)

Right of return

The Group and the Company currently recognise provision for the net margin arising from expected returns. Under MFRS 15, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The Group and the Company expect to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under MFRS 15.

The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective approach. The Group and the Company are currently performing a detailed analysis under MFRS 15 to determine their election of the practical expedients and to quantify the transition adjustments on their financial statements.

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 15 also applied.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Functional And Foreign Currency

Functional and presentation currency

Items included in the financial statements are measured using the currency best reflects the economic substance of the underlying events and circumstances relevant to the Company (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company.

Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve ("FETR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FETR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currencies of the Company and its foreign subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Functional And Foreign Currency (cont'd)

Foreign currency transactions and balances (cont'd)

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within other income.

All exchange differences are taken to profit or loss.

(b) Basis Of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies 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.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) Acquisition method of accounting for non-common control business combinations

Acquisition of subsidiary companies is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

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

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements
31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis Of Consolidation (cont'd)

(ii) Non-controlling interest

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated of financial position, separately from equity attributable to owners of the Company.

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

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in statements of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiary companies exceeds the cost of the business combinations, the excess is recognised as income immediately in statements of profit or loss and other comprehensive income.

(d) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

The leasehold land and buildings are depreciated over the lease period of 86 to 99 years.

Capital work-in-progress represents plant under installation and is stated at cost. It is not depreciated until such time when the asset is available for use.

All other property, plant and equipment are depreciated on a reducing balance method. Depreciation on property, plant and equipment is charged to profit or loss and over their estimated useful lives at the following annual rates:

	%
Furniture, fittings and equipment	5 - 10
Motor vehicles	20
Plant and machinery	5 - 10

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the statements of profit or loss and other comprehensive income in determining profit from operations.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

In the Company's statement of financial position, investment in subsidiary companies is stated at cost less any impairment, unless the investment is classified as held for sale. The impairment loss is recognised in the profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to statements of profit or loss and other comprehensive income.

(f) Investment In Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated statements of profit or loss and other comprehensive income. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's share of losses in associates equals or exceeds its interest in the associates, including any long-term interest that, in substance, form part of the Group's net investment in the associates, the Group does not recognised further losses, unless it has incurred obligations or made payments on behalf of the associates.

(g) Research And Development Costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use of sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably by the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

(h) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments (cont'd)

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *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 asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's and the Company's rights to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables*

  Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's rights to receive payments is established.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

- *Available-for-sale Financial Assets (cont'd)*

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

- *Financial Liabilities at Fair Value Through Profit or Loss*

  Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges or a derivative that is a financial guarantee contract.

- *Other Financial Liabilities*

  Other financial liabilities are non-derivatives financial liabilities. Other liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

Derecognition

A financial asset is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 equity is recognised in profit or loss.

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

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

(i) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment (cont'd)

(i) Impairment of Financial Assets (cont'd)

An impairment loss in respect of held-to-maturity investments and loans and receivables is recognised in profit or loss and 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.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

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 unquoted equity instruments carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's share of net assets or 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.

(ii) Impairment of Non-financial Assets

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is charged to the statements of profit or loss and other comprehensive income immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the statements of profit or loss and other comprehensive income immediately, unless the asset is carried at its revalued amount.

A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of profit or loss and other comprehensive income, a reversal of that impairment loss is recognised as income in the statements of profit or loss and other comprehensive income.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost necessary to make the sale. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(k) Amount Owing From/To Contract Customers

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the reporting date. The stage of completion is determined based on proportion of contract costs incurred to-date over the estimated total contract costs.

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

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

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to contract customers.

(l) Leased Assets

Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Leased Assets (cont'd)

Operating lease

Leases, where the Group and the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(m) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group and of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(n) Provisions For Liabilities

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(o) Related Parties

A party is related to an entity if:

(i) directly, or indirectly through one or more intermediaries, the party:

a. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiary companies and fellow subsidiary companies);
b. has an interest in the entity that gives it significant influence over the entity; or
c. has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venture;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Related Parties (cont'd)

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity/the Group either directly or indirectly. The key management personnel includes all the directors of the Company and directors of the subsidiary companies, members of senior management and chief executive officer of the Company as well as members of senior management and chief executive officers of major subsidiary companies of the Group.

(p) Revenue Recognition

(i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue from sale of goods and services is recognised upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.

(ii) Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on proportion of total contract costs incurred to-date over the total estimated contract costs.

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

(iv) Rental income is accounted for in straight line basis over leased terms.

(v) Management fees are recognised when the services are rendered.

(q) Tax Expense

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Tax Expense (cont'd)

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

Deferred tax is recognised in the statements of profit or loss and other comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(r) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the year in which the associated services are rendered by employees. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Employee entitlement to annual leave is recognised when it accrues to employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

(ii) Defined Contribution Plan

The Company's and its subsidiary companies' contributions to defined contribution plans regulated and managed by the government, are charged to the statements of profit or loss and other comprehensive income in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further financial obligations.

(s) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(t) Cash And Cash Equivalents

Cash and cash equivalents consists of cash in hand, bank balances, demand deposits and short term highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(u) Earnings Per Ordinary Share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the 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 and share options granted to employees.

Notes to the Financial Statements

31 December 2016
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Operating Segments

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 makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. An operating segment may engage in business activities for which it has yet to earn revenues.

(w) Fair Value Measurement

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

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

Level 1:	fair value is derived from quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.
Level 2:	fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.
Level 3:	fair value is estimated using unobservable inputs for the financial assets and liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Depreciation of Property, Plant and Equipment

The estimates for residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements

31 December 2016

(cont'd)

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

(b) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit ("CGU") to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(c) Impairment of Loans and Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(d) Construction Contracts

The Group recognises construction contracts revenue and expenses in statements of profit or loss and other comprehensive income based on stage of completion method. Revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group assesses the profitability of on-going construction contracts and the order backlog at least monthly, using project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

(e) Write Down of Inventories

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

(f) Tax Expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company and its subsidiary companies recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Impairment of Investment in Subsidiary Companies

The carrying value of investment in subsidiary companies is reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements

31 December 2016
(cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

	Leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
Group							
Cost							
At 1 January 2015	7,162,083	7,228,000	2,201,284	1,170,970	34,284,942	694,938	52,742,217
Additions	-	-	48,064	-	8,800	-	56,864
Disposals/written off	-	-	(366,593)	-	(1,527,756)	-	(1,894,349)
Reclassification	521,286	120,000	53,652	-	-	(694,938)	-
Foreign currency translation	-	-	-	-	62,315	-	62,315
At 31 December 2015/1 January 2016	7,683,369	7,348,000	1,936,407	1,170,970	32,828,301	-	50,967,047
Additions	-	-	21,739	-	-	-	21,739
Disposals/written off	(7,683,369)	(7,348,000)	(1,380)	(51,460)	-	-	(15,084,209)
Foreign currency translation	-	-	-	-	(10,769)	-	(10,769)
At 31 December 2016	-	-	1,956,766	1,119,510	32,817,532	-	35,893,808
Accumulated depreciation							
At 1 January 2015	749,523	602,334	1,430,457	446,549	21,367,571	-	24,596,434
Charge for the year	83,280	86,047	73,654	144,884	688,724	-	1,076,589
Disposals/written off	-	-	(283,861)	-	(633,633)	-	(917,494)
Foreign currency translation	-	-	-	-	48,815	-	48,815
At 31 December 2015/ 1 January 2016	832,803	688,381	1,220,250	591,433	21,471,477	-	24,804,344
Charge for the year	37,558	36,511	66,277	115,887	637,190	-	893,423
Disposals/written off	(870,361)	(724,892)	(1,006)	(51,315)	-	-	(1,647,574)
Foreign currency translation	-	-	-	-	(101,102)	-	(101,102)
At 31 December 2016	-	-	1,285,521	656,005	22,007,565	-	23,949,091

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

The details of property, plant and equipment are as follows (cont'd):

	Leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
Group							
Net carrying amount							
At 31 December 2016	-	-	671,245	463,505	10,809,967	-	11,944,717
At 31 December 2015	6,850,566	6,659,619	716,157	579,537	11,356,824	-	26,162,703

The net carrying amount of property, plant and equipment of the Group includes motor vehicles held under finance lease agreements amounting to RM456,815 (2015: RM571,019).

Notes to the Financial Statements

31 December 2016
(cont'd)

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2016	**2015**
	RM	**RM**
Unquoted shares in Malaysia, at cost		
At 1 January/31 December	28,298,215	28,298,215
Less: Accumulated impairment losses		
At 1 January/31 December	(13,881,754)	(13,881,754)
Net carrying value	14,416,461	14,416,461

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation	Effective equity interest 2016 %	2015 %	Principal activities
Direct holding:				
Asia Tank Containers (Malaysia) Sdn. Bhd.	Malaysia	100	100	Dormant
Chip Ngai Engineering Works Sdn. Bhd. ("CNEW")	Malaysia	100	100	Manufacturing of tanks and related products, specialized engineering and fabrication works
CN Asia Capital Sdn. Bhd.	Malaysia	100	100	Dormant
Douwin Sdn. Bhd. ("DSB")	Malaysia	100	100	Investment holding
Indirect holding:				
Held through CNEW				
Zhuhai CN Engineering Works Co., Ltd. *	People's Republic of China	100	100	Manufacturing and trading of tanks for specialised industries

* Subsidiary company not audited by Siew Boon Yeong & Associates. The financial statements of the company however were reviewed by Siew Boon Yeong & Associates for consolidation purpose.

7. INVESTMENT IN AN ASSOCIATE

	Group	
	2016	**2015**
	RM	**RM**
Unquoted shares in Malaysia, at cost	159,301	159,301
Less: Disposal	(94,280)	-
	65,021	159,301
Share of post-acquisition reserve	(65,021)	(143,239)
	-	16,062

Notes to the Financial Statements

31 December 2016
(cont'd)

7. INVESTMENT IN AN ASSOCIATE (CONT'D)

(a) Details of the associate is as follows:

Name of the associate	Country of incorporation	Effective equity interest 2016 %	Effective equity interest 2015 %	Principal activities
PICN Engineering Sdn. Bhd.*	Malaysia	20 #	49	Fabrication and trading of tanks for specialised industries

* Associate not audited by Siew Boon Yeong & Associates.
\# Transferred to Other Investment as disclosed in Note 8.

(b) The following table summarises the financial information of the associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate:

	Group 2016 RM	Group 2015 RM
As at 31 December		
Non-current assets	-	24
Current assets	-	34,757
Current liabilities	-	(2,000)
Net assets	-	32,781
Year ended 31 December		
Loss after tax, representing total comprehensive expense for the year	-	(28,122)
Included in total comprehensive income/(expense) is:		
Revenue	-	-
Reconcile of net assets to carrying amount:		
As at 31 December		
Group's share of net assets	-	16,062
Group's share of results:		
Year ended 31 December		
Group's share of total comprehensive expense	-	(13,780)

In the previous financial year, the associate does not have any significant restriction on its ability to transfer fund to the Company.

Notes to the Financial Statements

31 December 2016
(cont'd)

8. OTHER INVESTMENT

	Group 2016 RM	Group 2015 RM
Unquoted shares in Malaysia		
At 1 January	-	-
Add: Transfer from investment in an associate (Note 7)	-	-
At 31 December	-	-

Investment in unquoted shares of the Group is designated as available-for-sale financial asset and is stated at fair value.

9. INTANGIBLE ASSETS

Group	Goodwill RM	Development costs RM	Total RM
Cost			
At 1 January 2015	136,136	409,378	545,514
Written off	(136,136)	-	(136,136)
At 31 December 2015/1 January 2016	-	409,378	409,378
Written off	-	(409,378)	(409,378)
At 31 December 2016	-	-	-
Accumulated amortisation and impairment losses			
At 1 January 2015	59,527	409,378	468,905
Written off	(59,527)	-	(59,527)
At 31 December 2015/1 January 2016	-	409,378	409,378
Written off	-	(409,378)	(409,378)
At 31 December 2016	-	-	-
Net carrying value			
At 31 December 2015/2016	-	-	-

(i) Goodwill on consolidation

Goodwill acquired in the business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the synergies of the combination.

(ii) Development costs

In previous years, the directors were of the opinion that the future economic benefits of the development costs can be determined with reasonable certainty and accordingly have capitalised these costs.

Notes to the Financial Statements

31 December 2016
(cont'd)

10. DEFERRED TAX ASSETS

	Group 2016 RM	Group 2015 RM
Balance at 1 January	-	-
Transfer to statements of profit or loss and other comprehensive income *(Note 28)*	685,000	-
Balance at 31 December	685,000	-

The Group has recognised deferred tax assets as it is probable that its existing business would generate sufficient taxable profits in the future against which the unutilised capital allowances and unabsorbed business losses can be utilised.

11. INVENTORIES

	Group 2016 RM	Group 2015 RM
At cost:		
Raw materials	460,803	450,834
Work-in-progress	1,095,447	2,214,440
Finished goods	949,329	950,797
Consumables	272,102	298,502
	2,777,681	3,914,573

The Group's cost of inventories recognised as an expense during the financial year amounted to RM7,558,408 (2015: RM5,282,390).

The Group's cost of inventories written off and recognised as an expense in the previous financial year amounted to RM4,991.

12. TRADE RECEIVABLES

	Group 2016 RM	Group 2015 RM
Trade receivables	1,194,711	2,147,911
Less: Accumulated impairment losses	(111,409)	(111,409)
	1,083,302	2,036,502

The credit terms of trade receivables ranged from cash on delivery to 60 days (2015: cash on delivery to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements

31 December 2016
(cont'd)

12. TRADE RECEIVABLES (CONT'D)

Movements in the accumulated impairment losses (individually impaired) are as follows:

	Group	
	2016	**2015**
	RM	**RM**
At 1 January	111,409	113,209
Less: Reversal	-	(1,800)
At 31 December	111,409	111,409

13. AMOUNT OWING BY CONTRACT CUSTOMERS

	Group	
	2016	**2015**
	RM	**RM**
Aggregate costs incurred to date	2,607,134	2,607,134
Add: Attributable profits	(129,134)	170,697
	2,478,000	2,777,831
Less: Progress billings	(2,478,000)	(2,070,000)
	-	707,831
Represented by:		
Amount owing by contract customers	-	707,831

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Other receivables	310,237	72,845	-	-
Deposits	124,627	138,457	1,000	1,000
Prepayments	291,794	66,763	254,846	-
	726,658	278,065	255,846	1,000

Notes to the Financial Statements

31 December 2016

(cont'd)

15. AMOUNT OWING BY SUBSIDIARY COMPANIES/TO A SUBSIDIARY COMPANY

	Company	
	2016	**2015**
	RM	**RM**
Amount owing by subsidiary companies		
- non-trade	30,982,060	19,675,040
Less: Accumulated impairment losses	(4,732,594)	(4,732,594)
	26,249,466	14,942,446
Amount owing to a subsidiary company		
- non-trade	11,849,755	-

The amount owing by/to subsidiary companies are non-trade in nature, unsecured, interest-free and repayable on demand.

Movements in the accumulated impairment losses (individually impaired) are as follows:

	Company	
	2016	**2015**
	RM	**RM**
At 1 January/31 December	4,732,594	4,732,594

16. FIXED DEPOSITS WITH LICENCED BANKS

Group

The fixed deposits with licenced banks earn effective interest at rates ranging from 2.95% to 4.10% (2015: Nil) per annum.

Included in fixed deposits with licenced banks is an amount of RM9,500,000 (2015: Nil) being fixed deposits pledged for banking facilities granted to the Group.

17. SHARE CAPITAL

	Group and Company			
	2016	**2015**	**2016**	**2015**
	Number of ordinary shares		**RM**	**RM**
Ordinary shares of RM1.00 each:				
Authorised	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid	45,382,500	45,382,500	45,382,500	45,382,500

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

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18. SHARE PREMIUM

	Group and Company 2016 RM	2015 RM
Non-distributable:		
At 1 January/31 December	3,491,965	3,491,965

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965.

19. FOREIGN EXCHANGE TRANSLATION RESERVE

Group

Non-distributable

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and is not distributable by way of dividends.

20. FINANCE LEASE LIABILITIES

	Group 2016 RM	2015 RM
Minimum lease payments:		
- not later than one year	112,164	112,164
- later than one year and not later than two years	112,164	112,164
- later than two years and not later than five year	204,836	309,349
- later than five years	-	7,651
	429,164	541,328
Less: Future interest charges	(33,420)	(52,827)
Present value of financial lease liabilities	395,744	488,501
Repayable as follows:		
Non-current liablities		
- later than one year and not later than two years	101,635	97,197
- later than two years and not later than five years	196,912	290,948
- later than five years	-	7,599
	298,547	395,744
Current liabities		
- not later than one year	97,197	92,757
	395,744	488,501

The finance lease liabilities of the Group bear interest at rates ranging from 4.55% to 4.70% (2015: 4.55% to 4.70%) per annum.

Notes to the Financial Statements

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21. TRADE PAYABLES

Group

The normal trade credit terms granted to the Group ranged from 30 to 90 days (2015: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Other payables	2,569,924	1,762,320	27,396	38,006
Accruals	227,649	178,079	43,000	22,260
	2,797,573	1,940,399	70,396	60,266

23. AMOUNT OWING TO AN ASSOCIATE

Group

This amount owing is non-trade in nature, unsecured, interest free and repayable on demand.

24. SHORT TERM BORROWINGS

	Group	
	2016	**2015**
	RM	**RM**
Secured:		
- Bankers' acceptances	1,117,000	5,974,000
- Bank overdrafts	-	4,981,314
	1,117,000	10,955,314
Unsecured:		
- Bankers' acceptances	108,000	635,000
- Bank overdrafts	-	195,562
	108,000	830,562
	1,225,000	11,785,876

As at 31 December 2016, the bankers' acceptances of the Group are secured by the pledged of RM9,500,000 fixed deposits of CNEW.

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24. SHORT TERM BORROWINGS (CONT'D)

As at 31 December 2015, the bankers' acceptances and bank overdrafts of the Group were secured by the following:

(a) First party legal charge over leasehold land and buildings owned by CNEW;
(b) Third party charge over leasehold land owned by DSB;
(c) Negative pledged over assets owned by CNEW;
(d) Specific debenture over properties and fixture and fittings attached to the properties owned by CNEW; and
(e) Corporate guarantee by the Company.

The above borrowings bear interest at rates ranging from 3.76% to 9.35% (2015: 3.50% to 9.35%) per annum.

25. REVENUE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Sale of goods	18,745,524	13,000,591	-	-
Contract revenue	-	99,544	-	-
Tank rental revenue	-	13,606	-	-
Management fees	-	-	60,000	60,000
	18,745,524	13,113,741	60,000	60,000

26. FINANCE COSTS

	Group	
	2016	**2015**
	RM	**RM**
Interest expenses on:-		
Bankers' acceptances	247,048	345,104
Bank overdrafts	316,302	365,894
Finance lease liabilities	19,407	24,037
	582,757	735,035

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27. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before tax is stated after charging:				
Auditors' remuneration				
- current year's provision	70,000	56,000	32,000	21,000
- other services	-	5,631	-	-
Depreciation of property, plant and equipment	893,423	1,076,589	-	-
Development cost written off	-	158,637	-	-
Goodwill written off	-	76,609	-	-
Inventories written off	-	4,991	-	-
Loss on disposal of property, plant and equipment	-	173,430	-	-
Loss on foreign exchange:				
- realised	110,811	28,724	-	-
- unrealised	3,837	-	-	-
Property, plant and equipment written off	374	83,815	-	-
Rental of premises	443,025	512,300	-	-
Rental of empty cylinder	2,408	5,166	-	-
Rental of plant and machinery	(2,234)	3,948	-	-
Staff costs *(Note 30)*	3,784,279	4,350,618	128,000	109,420
and crediting:				
Gain on foreign exchange				
- unrealised	-	1,199	-	-
Gain on disposal of property, plant and equipment	22,177,196	-	-	-
Gain on partial disposal of investment in an associate	21,419	-	-	-
Interest income	5,163	1,265	-	-
Reversal of impairment loss on trade receivables	-	1,800	-	-

28. TAX EXPENSE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Malaysia income tax:				
- current year's provision	-	-	-	-
Deferred tax assets (Note 10)	(685,000)	-	-	-
	(685,000)	-	-	-
Real property gains tax	1,742,433	-	-	-
	1,057,433	-	-	-

Notes to the Financial Statements

31 December 2016
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28. TAX EXPENSE (CONT'D)

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory income tax rate to tax expense at the effective income tax rate is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(loss) before tax	23,104,374	(6,284,455)	(276,851)	(228,567)
Tax expense at Malaysian statutory tax rate of 24% (2015: 25%)	5,545,050	(1,571,114)	(66,444)	(57,142)
▪ Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	136,737	188,534	66,444	57,142
- income not subject to corporation tax	(5,347,608)	-	-	-
- deferred tax assets not recognised during the year	-	1,382,580	-	-
- utilisation of deferred tax assets not recognised in prior years	(1,019,179)	-	-	-
	(6,230,050)	1,571,114	66,444	57,142
▪ Real property gains tax	1,742,433	-	-	-
	1,057,433	-	-	-

The amounts of temporary differences for which no deferred tax assets have been recognised in the Group's statements of financial position are as follows:

	Group	
	2016 RM	2015 RM
Excess of capital allowances claimed over depreciation on property, plant and equipment	(11,306,479)	(18,672,500)
Unutilised business losses	24,948,163	25,033,600
Unutilised reinvestment allowances	8,907,000	8,907,000
Unabsorbed capital allowances	4,811,851	6,901,000

Notes to the Financial Statements

31 December 2016
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29. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The basic earnings/(loss) per ordinary share as at 31 December 2016 is arrived at by dividing the Group's profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares outstanding and calculated as follows:

	Group	
	2016	**2015**
Profit/(loss) attributable to owners of the Company (RM)	22,046,941	(6,284,455)
Weighted average number of ordinary shares at 31 December	45,382,500	45,382,500
Basic earnings/(loss) per share (Sen)	48.58	(13.85)

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is same as per the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

30. STAFF COSTS

The staff costs recognised in statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries and wages	3,335,351	3,934,909	-	-
Defined contribution plan	260,737	267,886	-	-
Other employee benefits	188,191	147,823	128,000	109,420
	3,784,279	4,350,618	128,000	109,420

Included in staff costs are directors' remuneration who are the key management personnel of the Group and the Company:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Directors' remuneration				
- fees	140,000	109,420	128,000	109,420
- other emoluments	712,974	833,863	-	-
	852,974	943,283	128,000	109,420

31. CONTINGENT LIABILITIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Secured				
- Corporate guarantee issued to bank for credit facilities granted to a subsidiary company	-	-	-	11,022,414
- Bank guarantee issued in favour of third parties	47,000	67,100	-	-
Unsecured				
- Corporate guarantee issued to bank for credit facilities granted to a subsidiary company	-	-	116,000	830,562
- Bank guarantee issued in favour of third parties	8,000	-	-	-
	55,000	67,100	116,000	11,852,976

32. RELATED PARTY DISCLOSURE

(a) Identities of related parties

(i) The Group has a controlling related party relationships with its subsidiary companies;

(ii) Companies in which certain directors is also the directors and the controlling shareholders; and

(iii) The directors who are the key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:

(i) Transactions between the Group and the Company with the related parties

	Group	
	2016	**2015**
	RM	**RM**
With related parties		
Rental of premises	396,000	432,000

	Company	
	2016	**2015**
	RM	**RM**
With a subsidiary company		
Management fee charged to a subsidiary company	60,000	60,000

Notes to the Financial Statements

31 December 2016
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32. RELATED PARTY DISCLOSURE (CONT'D)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year (cont'd):

(ii) Key management compensation

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Short term employee benefits *(Note 30)*	852,974	943,283	128,000	109,420

33. FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Financial Risk Management Policies

The Group's and the Company's policies in respect of the major areas of treasury activity are as follows:

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) *Foreign Currency Risk (cont'd)*

The Group's exposure to foreign currencies is as follows:

Group 2016	Brunei Dollar (BND) RM	Chinese Renminbi (RMB) RM	Euro (EUR) RM	India Rupee (IRD) RM	Singapore Dollar (SGD) RM	United States Dollar (USD) RM	Total RM
Financial Assets							
Trade receivables	83,337	-	-	-	170,690	-	254,027
Other receivables and deposits	-	-	-	-	-	313,611	313,611
Cash and bank balances	-	39,862	214,688	-	-	436,524	691,074
	83,337	39,862	214,688	-	170,690	750,135	1,258,712
Financial Liabilities							
Trade payables	-	-	88,471	790	4,959	759	94,979
Other payables and accruals	-	-	-	-	10,472	-	10,472
	-	-	88,471	790	15,431	759	105,451
Net financial assets/(liabilities)	83,337	39,862	126,217	(790)	155,259	749,376	1,153,261
Less: Net financial assets denominated in the respective entities' functional currencies	-	(39,862)	-	-	-	-	(39,862)
Foreign currencies exposures	83,337	-	126,217	(790)	155,259	749,376	1,113,399

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Foreign Currency Risk (cont'd)

Group 2015	Brunei Dollar (BND) RM	Chinese Renminbi (RMB) RM	Euro (EUR) RM	Seychelles Rupee (SCR) RM	Singapore Dollar (SGD) RM	United States Dollar (USD) RM	Total RM
Financial Assets							
Trade receivables	109,410	-	-	-	-	-	109,410
Other receivables and deposits	-	-	25,501	-	-	5,921	31,422
Cash and bank balances	-	40,851	839	60,396	-	286,938	389,024
	109,410	40,851	26,340	60,396	-	292,859	529,856
Financial Liabilities							
Trade payables	75,988	-	93,796	-	942	7,084	177,810
Other payables and accruals	85,869	19,013	-	-	222,035	140,397	467,314
	161,857	19,013	93,796	-	222,977	147,481	645,124
Net financial (liabilities)/assets	(52,447)	21,838	(67,456)	60,396	(222,977)	145,378	(115,268)
Less: Net financial assets denominated in the respective entities' functional currencies	-	(21,838)	-	-	-	-	(21,838)
Foreign currencies exposures	(52,447)	-	(67,456)	60,396	(222,977)	145,378	(137,106)

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33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Foreign Currency Risk (cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	Group	
	2016	**2015**
	RM	**RM**
	Increase/ (Decrease)	**Increase/ (Decrease)**
Effects on profit after taxation/equity		
Strengthened by 10%		
- BND	6,333	(3,933)
- EUR	9,592	(5,059)
- IRD	(60)	-
- SCR	-	4,530
- SGD	11,799	(16,723)
- USD	56,953	(6,659)
Weakened by 10%		
- BND	(6,333)	3,933
- EUR	(9,592)	5,059
- IRD	60	-
- SCR	-	(4,530)
- SGD	(11,799)	16,723
- USD	(56,953)	6,659

(ii) Interest Rate Risk

The Group's and the Company's exposure to interest rate risk arises mainly from its deposits placed with licenced banks and interest bearing financial liabilities. The Group and the Company manage their interest bearing deposits placements by placing such balances on varying maturities and interest rate returns. The Group's and the Company's policy in dealing with interest bearing financial liabilities is to obtain the financing with the most favourable interest rates in the market.

Fair Value Sensitivity Analysis For Fixed Rate Instrument

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(ii) Interest Rate Risk (cont'd)

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:

	Group	
	2016	**2015**
	RM	**RM**
Effects on profit after tax/equity		
Increase of 100 basis points	(5,828)	(7,350)
Decrease of 100 basis points	5,828	7,350

(iii) Credit Risk

The Group's and the Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

The Group and the Company manage their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The Company only provides advances to subsidiary companies. For other financial assets (including cash and bank balances and fixed deposits with licenced bank), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties and financial institutions.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit Risk Concentration Profile

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amount owing by 3 (2015: 5) major customers constituting approximately 54% (2015: 80%) of the outstanding trade receivables of the Group at reporting date.

Exposure to Credit Risk

The Group's and the Company's exposures to credit risk arise mainly from trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of these financial assets in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Credit Risk (cont'd)

Ageing Analysis

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

Group	**Gross amount RM**	**Individually impairment RM**	**Carrying amount RM**
2016			
Not past due	204,474	-	204,474
Past due but not impaired:			
- less than 1 month	342,030	-	342,030
- between 1 to 2 months	214,027	-	214,027
- more than 2 months	434,180	(111,409)	322,771
	1,194,711	(111,409)	1,083,302
2015			
Not past due	834,459	-	834,459
Past due but not impaired:			
- less than 1 month	374,746	-	374,746
- between 1 to 2 months	383,117	-	383,117
- more than 2 months	555,589	(111,409)	444,180
	2,147,911	(111,409)	2,036,502

Trade receivables that are neither past due nor impaired are regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

At the end of the reporting period, trade receivables that are individually impaired were those that have defaulted in payments. These receivables are not secured by any collateral or credit enhancement.

Financial guarantee

Risk management objectives, policies and process for managing the risk

In the previous financial year, the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiary companies.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM116,000 (2015:RM11,852,976) representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period.

Notes to the Financial Statements

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(cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Credit Risk (cont'd)

Financial guarantee (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

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

(iv) Liquidity Risk

The Group's and the Company's exposures to liquidity risk arise mainly from general funding and business activities. The Group and the Company practise risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iv) Liquidity Risk (cont'd)

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group	Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	Over 5 Years RM	Total RM
2016								
Non-derivative financial liabilities								
Trade payables	-	1,772,100	1,772,100	1,772,100	-	-	-	1,772,100
Other payables and accruals	-	2,797,573	2,797,573	2,797,573	-	-	-	2,797,573
Finance lease liabilities	4.55 - 4.70	395,744	429,164	112,164	112,164	204,836	-	429,164
Short term borrowings	3.76 - 9.35	1,225,000	1,225,000	1,225,000	-	-	-	1,225,000
		6,190,417	6,223,837	5,906,837	112,164	204,836	-	6,223,837
2015								
Non-derivative financial liabilities								
Trade payables	-	2,027,887	2,027,887	2,027,887	-	-	-	2,027,887
Other payables and accruals	-	1,940,399	1,940,399	1,940,399	-	-	-	1,940,399
Amount owing to an associate	-	34,000	34,000	34,000	-	-	-	34,000
Finance lease liabilities	4.55 - 4.70	488,501	541,328	112,164	112,164	309,349	7,651	541,328
Short term borrowings	3.50 - 9.35	11,785,876	11,785,876	11,785,876	-	-	-	11,785,876
		16,276,663	16,329,490	15,900,326	112,164	309,349	7,651	16,329,490

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31 December 2016
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33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iv) Liquidity Risk (cont'd)

Company	Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Total RM
2016					
Non-derivative financial liabilities					
Other payables and accruals	-	70,396	70,396	70,396	70,396
Amount owing to a subsidiary company	-	11,849,755	11,849,755	11,849,755	11,849,755
		11,920,151	11,920,151	11,920,151	11,920,151
2015					
Non-derivative financial liabilities					
Other payables and accruals	-	60,266	60,266	60,266	60,266

(b) Capital Risk Management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as return the capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt for the Group is calculated as bankers' acceptances, finance lease liabilities, trade and other payables and accruals plus amounts owing to an associate less fixed deposits with licenced banks, cash and bank balances and net with bank overdrafts. Net debt for the Company is calculated as other payables and accruals plus amount owing to a subsidiary company less cash and bank balances.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (cont'd)

The debt-to-equity ratios of the Group and of the Company as at the end of the financial year were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade payables	1,772,100	2,027,887	-	-
Other payables and accruals	2,797,573	1,940,399	70,396	60,266
Amount owing to a subsidiary company	-	-	11,849,755	-
Amount owing to an associate	-	34,000	-	-
Finance lease liabilities	395,744	488,501	-	-
Bankers' acceptances	1,225,000	6,609,000	-	-
	6,190,417	11,099,787	11,920,151	60,266
Less: Cash and cash equivalents	(19,250,678)	4,755,502	(26,355)	(5,187)
Net debt	(13,060,261)	15,855,289	11,893,796	55,079
Total equity	39,391,802	17,266,105	29,033,635	29,310,486
Debt-to-equity ratio	N/A	0.92	0.41	0.0019

N/A: The cash and bank balances and fixed deposits with licenced banks of the Group are sufficient to settle all the debts outstanding as at the end of the financial year.

There were no changes in the Group's and the Company's approaches to capital management during the financial year.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Financial Assets				
Loans and Receivables				
Trade receivables	1,083,302	2,036,502	-	-
Other receivables and deposits *(Note 14)*	434,864	211,302	1,000	1,000
Amounts owing by subsidiary companies	-	-	26,249,466	14,942,446
Fixed deposits with licensed banks	25,800,000	-	-	-
Cash and bank balances	2,950,678	421,374	26,355	5,187
	30,268,844	2,669,178	26,276,821	14,948,633
Financial Liabilities				
Other Financial Liabilities				
Trade payables	1,772,100	2,027,887	-	-
Other payables and accruals	2,797,573	1,940,399	70,396	60,266
Amount owing to a subsidiary company	-	-	11,849,755	-
Amount owing to an associate	-	34,000	-	-
Finance lease liabilities *(Note 20)*	395,744	488,501	-	-
Short term borrowings	1,225,000	11,785,876	-	-
	6,190,417	16,276,663	11,920,151	60,266

(d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company reported in the financial statements approximated their fair values due to the short term nature, except for non-current portion of finance lease liabilities:

Financial instruments that are not approximately fair value are as follows:

	Group Carrying amount RM	Group Fair value RM
2016		
Financial liabilities		
Finance lease liabilities (non-current portion)	298,547	278,711
2015		
Financial liabilities		
Finance lease liabilities (non-current portion)	395,744	365,183

Notes to the Financial Statements

31 December 2016
(cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values of Financial Instruments (cont'd)

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the end of the financial year.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

The fair value measurement hierarchies used to measure assets and liabilities carried at fair value in the statements of financial position as at 31 December 2016 are as follows:

(i) Level 1: fair value is derived from quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

(ii) Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

(iii) Level 3: fair value is estimated using unobservable inputs for the financial assets and liabilities.

The Group and the Company do not have any financial assets and liabilities carried at fair value nor any financial instruments classified as Level 1, Level 2 and Level 3 as at 31 December 2016.

34. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as the chief operating decision makers in order to allocate resources to segments and to assess performance of the Group. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments as follows:

(a) Manufacturing

Manufacture tanks and related products, engineering works and fabrication works.

(b) Trading

Repairing and renting of transportable containers for hazardous chemicals.

(c) Investment

Investment holdings and comprise companies providing management services and dormant companies.

The Executive Directors assess the performances of the operating segments based on operating profits or losses which is measured differently from those disclosed in the consolidated financial statements.

The Executive Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are at arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements

31 December 2016
(cont'd)

34. OPERATING SEGMENTS (CONT'D)

Business segments

Group *2016*	Manufacturing RM	Trading RM	Investment RM	Eliminations RM	Total RM
Revenue					
External revenue	18,745,524	-	-	-	18,745,524
Inter-segment revenue	-	312,334	60,000	(372,334)	-
External revenue	18,745,524	312,334	60,000	(372,334)	18,745,524
Results					
Segment results	12,304,381	(318,068)	11,695,655	-	23,681,968
Interest income	4,039	-	1,124	-	5,163
Interest expenses	(582,757)	-	-	-	(582,757)
Profit/(loss) before tax	11,725,663	(318,068)	11,696,779	-	23,104,374
Tax expense	(362,161)	-	(695,272)	-	(1,057,433)
Profit/(loss) after tax	11,363,502	(318,068)	11,001,507	-	22,046,941
Assets					
Segment assets	43,448,105	178,889	2,346,700	-	45,973,694
Liabilities					
Segment liabilities	5,633,644	3,543	944,705	-	6,581,892
Other information					
Depreciation	886,607	(6,400)	13,216	-	893,423
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	21,739	-	-	-	21,739

Notes to the Financial Statements

31 December 2016
(cont'd)

34. OPERATING SEGMENTS (CONT'D)

Business segments

Group *2015*	Manufacturing RM	Trading RM	Investment RM	Eliminations RM	Total RM
Revenue					
External revenue	13,100,135	13,606	-	-	13,113,741
Inter-segment revenue	-	-	60,000	(60,000)	-
External revenue	13,100,135	13,606	60,000	(60,000)	13,113,741
Results					
Segment results	(4,936,629)	(178,070)	(422,206)	-	(5,536,905)
Interest income	1,265	-	-	-	1,265
Interest expenses	(735,035)	-	-	-	(735,035)
Share of loss in an associate	-	-	(13,780)	-	(13,780)
Loss before tax	(5,670,399)	(178,070)	(435,986)	-	(6,284,455)
Tax expense	-	-	-	-	-
Loss after tax	(5,670,399)	(178,070)	(435,986)	-	(6,284,455)
Assets					
Segment assets	30,632,110	487,962	2,422,696	-	33,542,768
Liabilities					
Segment liabilities	16,209,854	2,543	64,266	-	16,276,663
Other information					
Depreciation	1,042,170	2,701	31,718	-	1,076,589
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	56,864	-	-	-	56,864

Notes to the Financial Statements

31 December 2016
(cont'd)

34. OPERATING SEGMENTS (CONT'D)

Geographical information

Group *2016*	Malaysia RM	Republic of China RM	Elimination RM	Total RM
Revenue				
External	18,745,524	-	-	18,745,524
Inter-segment revenue	372,334	-	(372,334)	-
	19,117,858	-	(372,334)	18,745,524
Results				
Operating results	23,699,932	(17,964)	-	23,681,968
Interest income	5,163	-	-	5,163
Interest expenses	(582,757)	-	-	(582,757)
Profit/(loss) before tax	23,122,338	(17,964)	-	23,104,374
Tax expense	(1,057,433)	-	-	(1,057,433)
Profit/(loss) after tax	22,064,905	(17,964)	-	22,046,941
Assets				
Segment assets	45,223,605	750,089	-	45,973,694
Liabilities				
Segment liabilities	6,581,892	-	-	6,581,892
Other information				
Depreciation	893,423	-	-	893,423
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	21,739	-	-	21,739

34. OPERATING SEGMENTS (CONT'D)

Geographical information

Group *2015*	Malaysia RM	Republic of China RM	Elimination RM	Total RM
Revenue				
External	13,113,741	-	-	13,113,741
Inter-segment revenue	60,000	-	(60,000)	-
External	13,173,741	-	(60,000)	13,113,741
Results				
Operating results	(5,531,274)	(5,631)	-	(5,536,905)
Interest income	1,265	-	-	1,265
Interest expenses	(735,035)	-	-	(735,035)
Share of loss in associate	(13,780)	-	-	(13,780)
Loss before tax	(6,278,824)	(5,631)	-	(6,284,455)
Tax expense	-	-	-	-
Loss after tax	(6,278,824)	(5,631)	-	(6,284,455)
Assets				
Segment assets	32,870,976	671,791	-	33,542,768
Liabilities				
Segment liabilities	16,257,650	19,013	-	16,276,663
Other information				
Depreciation	1,076,589	-	-	1,076,589
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	56,864	-	-	56,864

Major Customers

Information about major customers

Group

	2016		2015	
Segment	**No. of Customers***	**Revenue RM**	**No. of Customers***	**Revenue RM**
Manufacturing	3	9,064,555	3	6,980,230

* - Revenue from each customer is equal to or more than 10% of the Group's revenue.

Notes to the Financial Statements

31 December 2016
(cont'd)

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 29 April 2016, the Company announced to abort the multiple proposals involving the proposed par value reduction, proposed rights issue with warrants, proposed diversification, proposed acquisitions, proposed employees' share options scheme and proposed increase in authorised share capital.

(b) On 13 May 2016, the Company announced the submission of an application to Bursa Securities seeking its approval for an extension of time of four (4) months up to 28 September 2016 for the submission of the regularisation plan to Bursa Securities.

On 20 June 2016, the Company announced that Bursa Securities has granted the Company an extension of time up to 28 September 2016 to submit the regularisation plan.

On 8 September 2016, the Company announced that an extension of time has been sought from Bursa Securities for an additional five (5) months after 28 September 2016 (i.e. up to 28 February 2017) for the Company to submit a regularisation plan or a waiver from submitting the said plan to the regulatory authorities.

On 29 September 2016, the Company announced that Bursa Securities has granted the Company an extension of time up to 28 February 2017 to submit a regularisation plan to the regulatory authorities.

(c) On 13 June 2016, the Company announced that CNEW and DSB had entered into sale and purchase agreements with a third party for:-

(i) disposal of a parcel of leasehold land measuring approximately 9,669 square metres ("sqm") held under H.S.(M) 20480, PT No. 17040, Tempat Jalan Balakong, Serdang, Mukim and District of Petaling, State of Selangor together with 1-storey steel frame structure annexed with 2-storey office, 1-storey steel frame structure detached factory and a 5-storey office building erected thereon ("Parcel 1") held by CNEW for a cash consideration of RM21,856,200; and

(ii) disposal of a parcel of leasehold land measuring approximately 6,559 sqm held under H.S.(M) 20479, PT No. 17041, Tempat Jalan Balakong, Mukim and District of Petaling, State of Selangor ("Parcel 2") held by DSB for a cash consideration of RM14,826,300.

Concurrently, the following tenancy agreements have been entered into:

(i) tenancy agreement dated 13 June 2016 between CNEW and the third party where CNEW will lease Parcel 1 from the third party for a term of up to 36 months at a monthly rental of RM22,000 per month; and

(ii) tenancy agreement dated 13 June 2016 between DSB and the third party where DSB will lease Parcel 2 from the third party for a term of up to 36 months at a monthly rental of RM8,000 per month.

On 7 December 2016, the Company announced on the completion of the disposal of Parcel 1 and Parcel 2.

36. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

(a) The Companies Act, 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act, 1965.

Amongst the key changes introduced under the Companies Act, 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

(i) Removal of the authorised share capital;
(ii) Ordinary shares will cease to have par or nominal value; and
(iii) Share premium account and capital redemption reserve will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

Notes to the Financial Statements

31 December 2016
(cont'd)

36. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR (CONT'D)

(b) On 27 February 2017, the Company announced on the proposed regularisation plan comprising the following:

(i) The business rationalisation plan of the Group which sets out the management's plan for the following:

(a) The disposals of properties held by the Group;

(b) Cost reduction initiatives;

(c) Business expansion plan; and

(ii) The capital reduction exercise to be carried out by the Company, pursuant to Section 116 of the Companies Act, 2016 to reduce the share capital of the Company from RM48,874,465 to RM36,770,519 by the cancellation of the share capital of the Company that has been lost or is unrepresented by available assets to the extent of RM12,103,946 ("Proposed Capital Reduction").

(collectively, the "Proposed Regularisation Plan").

(c) On 28 February 2017, the Company announced that an extension of time has been sought from Bursa Securities for an additional one (1) month up to 28 March 2017 for the Company to submit a regularisation plan to the regulatory authorities.

On 9 March 2017, the Company announced that Bursa Securities has granted the Company an extension of time up to 28 March 2017 to submit a regularisation plan to the regulatory authorities.

On 10 March 2017, the Company announced that the application for the Proposed Regularisation Plan has been submitted to Bursa Securities.

On 31 March 2017, the Company announced that the application for the Proposed Regularisation Plan is pending approval from Bursa Securities.

37. COMPARATIVE FIGURES

The financial statements of the Group and of the Company for the financial year ended 31 December 2015 were audited by another firm of Chartered Accountants. Certain comparative figures have been reclassified in order to conform with the current year's presentation as follows:

	Group	
	As restated 2015 RM	**As previously reported 2015 RM**
Statements of financial position (extract):		
Finance lease liabilities	92,757	-
Short-term borrowings	11,785,876	-
Borrowings	-	11,878,633
Statement of cash flows (extract):		
Cash flows from financing activities	13,201	244,490
Cash flows from investing activities	(552,118)	(783,407)

38. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 5 April 2017 by the Board of Directors.

SUPPLEMENTARY INFORMATION – ON THE DISCLOSURES OF REALISED AND UNREALISED PROFIT OR LOSS

The breakdown of the accumulated losses of the Group and of the Company at the end of the reporting period into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total accumulated losses of the Group and of the Company				
- Realised	(10,618,946)	(24,729,315)	(19,840,830)	(19,563,979)
- Unrealised	688,837	1,199	-	-
	(9,930,109)	(24,728,116)	(19,840,830)	(19,563,979)
Total share of accumulated losses from associate - realised	-	(143,239)	-	-
	(9,930,109)	(24,871,355)	(19,840,830)	(19,563,979)
Less: Consolidated adjustments	181,198	(6,924,497)	-	-
Accumulated losses of the Group and of the Company	(9,748,911)	(31,795,852)	(19,840,830)	(19,563,979)

Analysis of Shareholdings

as at 31 March 2017

Authorised Share Capital	:	RM50,000,000
Issued and Fully Paid-Up Capital	:	RM45,382,500
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One Vote Per RM1.00 Share

Disturbution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1-99	422	21.22	20,063	0.04
100-1,000	124	6.23	75,472	0.17
1,001-10,000	1,197	60.18	3,290,364	7.25
10,001-100,000	199	10.01	6,266,500	13.81
100,001-less than 5% of issued shares	44	2.21	14,288,007	31.48
5% and above of issued shares	3	0.15	21,442,094	47.25
Total	1,989	100.00	45,382,500	100.00

Thirty Largest Shareholders

	Name	No. of Shares Held	% of Issued Capital
1	Ho Cheng San	16,093,535	35.46
2	Charles Ross Mckinnon	2,728,800	6.01
3	CN Asia Engineering Sdn Bhd	2,619,759	5.77
4	Charles Ross Mckinnon	1,450,000	3.20
5	Tengku AB Malek Bin Tengku Mohamed	1,186,900	2.62
6	Oon Kim Woon	1,110,400	2.45
7	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Au Kwan Seng (E-KLC)	747,100	1.65
8	Lee Hui Leong	632,000	1.39
9	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	614,308	1.35
10	Angeline Chan Kit Fong	562,950	1.24
11	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chai Kuet Far (Damansara Utama-CL)	500,200	1.10
12	Yew Siew Choo	451,100	0.99
13	Chong Mong Yuen	389,400	0.86
14	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Khong Cheng Yee	350,000	0.77
15	Lee Wan Hooi	338,600	0.75
16	Goh Chin Chooi	331,000	0.73
17	Ang Pek See	310,000	0.68
18	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Asing)	304,000	0.67
19	Lee Kooi Yin	303,000	0.67
20	Hoo Soot Khing	280,888	0.62

Analysis of Shareholdings

as at 31 March 2017
(cont'd)

	Name	No. of Shares Held	% of Issued Capital
21	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Fong Kiah Yeow (M & A)	266,400	0.59
22	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Teo Hock Chuan (M & A)	250,000	0.55
23	Hoo Shet Wan	241,211	0.53
24	Kew Chin Fah	238,400	0.53
25	Dancomair Engineering Sdn Bhd	228,800	0.50
26	Kew Yuen Cheng	200,000	0.44
27	Kew Chin Fah	199,700	0.44
28	Chan Cheng Choy	191,500	0.42
29	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Wan Hooi (010)	187,700	0.41
30	Leow Chiow Yoke	185,200	0.41
	Total	33,492,851	73.80

Substantial Shareholders

Name		No. of Shares Held		% of Issued Capital	
		Direct	Indirect	Direct	Indirect
1	Ho Cheng San	16,093,535	3,182,709*#	35.46	7.01
2	Charles Ross Mckinnon	4,247,500	-	9.36	-
3	Angeline Chan Kit Fong	562,950	18,713,294*#	1.24	41.23
4	CN Asia Engineering Sdn Bhd	2,619,759	-	5.77	-

* *Deemed interested by virtue of his substantial shareholdings in CN Asia Engineering Sdn Bhd*
\# *Deemed interested by virtue of shares held by spouse*

Directors' Shareholdings

Name	No. of Shares Held		% of Issued Capital	
	Direct	Indirect	Direct	Indirect
Dato' Hilmi bin Mohd Noor	-	-	-	-
Ho Cheng San	16,093,535	3,182,709*#	35.46	7.01
Angeline Chan Kit Fong	562,950	18,713,294*#	1.24	41.23
Chong Ying Choy	-	-	-	-
Lee King Loon	-	-	-	-
Ariffin Bin Khalid	-	-	-	-

* *Deemed interested by virtue of his substantial shareholdings in CN Asia Engineering Sdn Bhd*
\# *Deemed interested by virtue of shares held by spouse*

CN ASIA CORPORATION BHD (399442-A)
(Incorporated In Malaysia)

FORM OF PROXY

(To be completed in block letters)

No. of Shares held	CDS Account No.

*I/We ____

I/C or Passport or Company No. ______________________ of ______________________

____

being a *member/members of the abovenamed Company, hereby appoint :

Full name (in Block Letters)	I/C/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

Full name (in Block Letters)	I/C/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

And/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 21st Annual General Meeting of the Company to be held at Meeting Room 1, Level UG, ibis Styles Kuala Lumpur Cheras, C180 Hotel Sdn Bhd, Jalan C180/1, Dataran C180, 43200 Cheras, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10.00a.m. or immediately following the conclusion or any adjournment thereof, in respect of *my/our shareholding in the manner indicated below:

ORDINARY RESOLUTION		**For**	**Against**
1	To approve payment of directors' fees in respect of the financial year ended 31 December 2016		
2	To re-elect Mr. Ho Cheng San as Director pursuant to Article 84 of the Company's Articles of Association		
3	To re-elect Ms. Angeline Chan Kit Fong as Director pursuant to Article 91 of the Company's Article of Association		
4	To re-elect Mr. Lee King Loon as Director pursuant to Article 91 of the Company's Article of Association		
5	To re-elect En. Ariffin bin Khalid as Director pursuant to Article 91 of the Company's Article of Association		
6	To re-appoint Messrs Siew Boon Yeong & Associates as Auditors and to authorise the Director to fix their remuneration		
7	To retain Dato' Hilmi bin Mohd Noor as Independent Non-Executive Director of the Company		
8	To retain Mr. Chong Ying Choy as Independent Non-Executive Director of the Company		
9	To approve the authority to allot and issue shares pursuant to Section 75 of the Companies Act, 2016		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this .... day of 2017

Tel No. (during office hours)

____
SHAREHOLDER
(If shareholder is a corporation, this form should be executed under common seal)

Notes:

1. *Only depositors whose names appear in the record of depositors as at 18 May 2017 shall be regarded as members and entitled to attend, speak and vote at the meeting.*
2. *A member entitled to attend and vote at the 21st AGM is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but does not need to be a member of the Company. Where a member appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the 21st AGM shall have the same rights as the member to speak at the 21st AGM. Notwithstanding this, a member entitled to attend and vote at the 21st AGM is entitled to appoint any person as his proxy to attend and vote instead of the member at the 21st AGM.*
3. *Where a member of the Company is an authorised nominee as defined under Securities Industry (Central Depositories) Act, 1991, it may be entitled to appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an authorised nominee appoints two (2) proxies to attend and vote at the 21st AGM, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing of the proxies, failing which, the appointment shall be invalid.*
4. *The instrument appointing a proxy in the case of an individual shall be under the hand of the appointor or of his attorney duly authorised or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
5. *The original signed instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Registered Office of the Company at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for holding the meeting or at any adjournment thereof as Paragraph 8.29A(1) of the MMLR of Bursa Securities requires all resolutions set out in the Notice of 21st AGM to be put to vote by poll.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

CN ASIA CORPORATION BHD
Lot 7909, Batu 11,
Jalan Balakong
43300 Seri Kembangaan
Selangor Darul Ehsan

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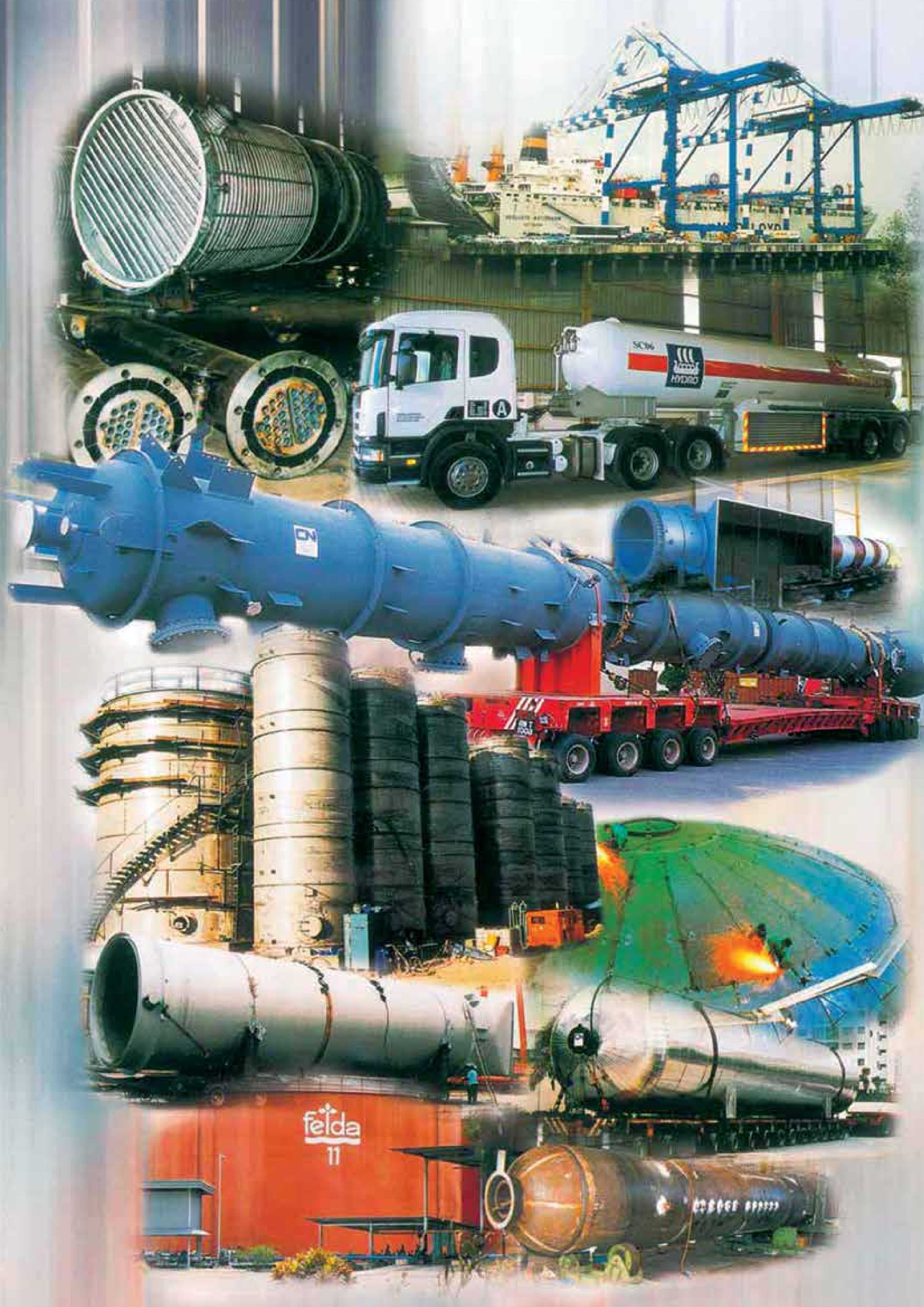
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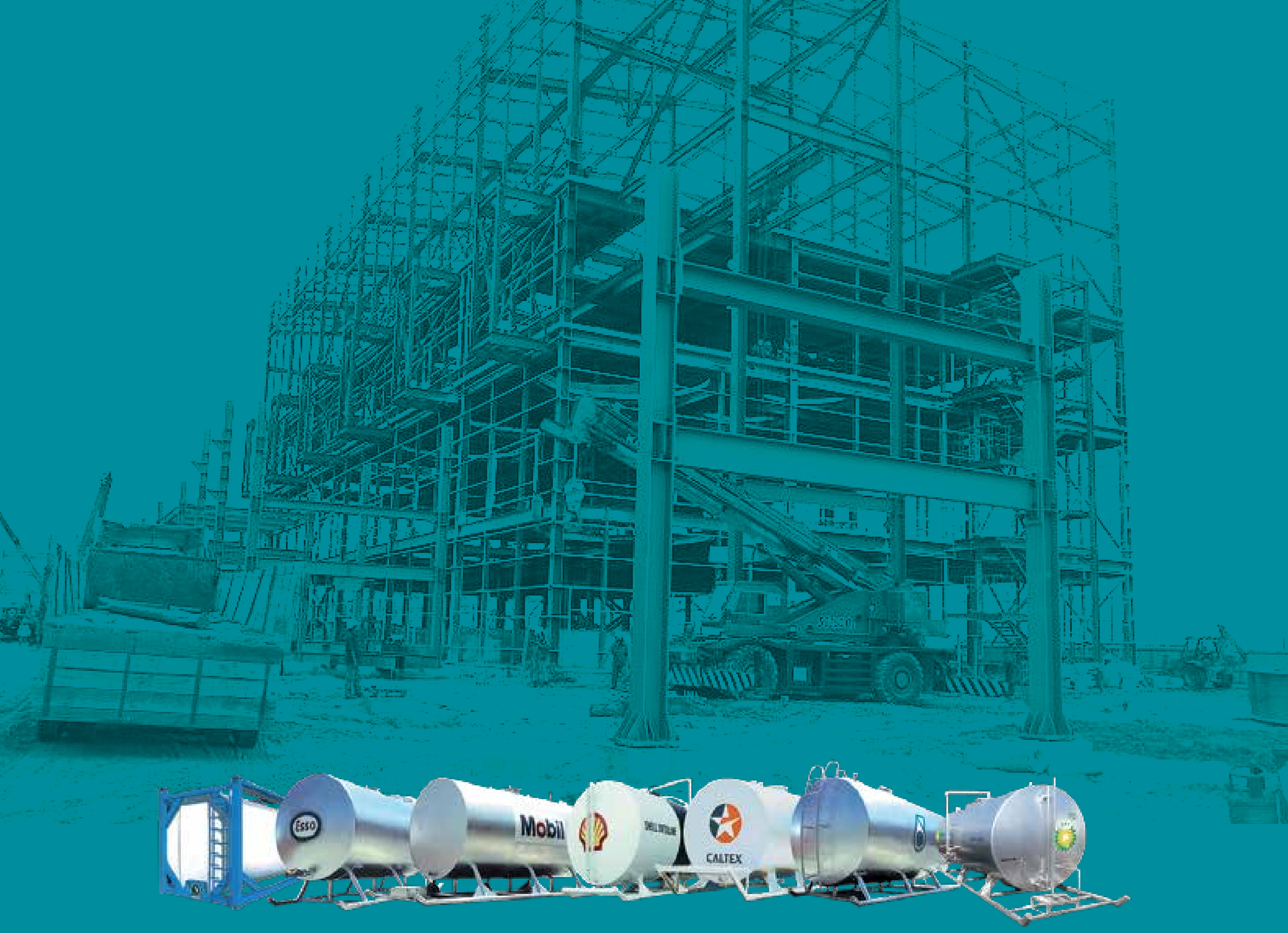

cnasia.com

CN ASIA CORPORATION BHD
(399442-A) (Incorporated In Malaysia)

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