D&O Greentech

D & O GREEN TECHNOLOGIES BERHAD

(Company No. 645371-V)

ANNUAL REPORT

2016

PRODUCT RANGES

• LIGHT EMITTING DIODES •

• OPTOS RELATED PRODUCTS •

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting ("13th AGM") of D & O Green Technologies Berhad ("D&O" or "the Company") will be held at Mersawa & Meranti Room, Level LG, Eastin Hotel Kuala Lumpur, 13, Jalan 16/11, Pusat Dagangan Seksyen 16, 46350 Petaling Jaya, Selangor on Thursday, 25 May 2017 at 10.00 a.m. for the following purposes : -

A G E N D A

1. To receive and consider the Directors' Report and Audited Financial Statements for the year ended 31 December 2016. **(Please refer to Note 1 below)**

2. To re-elect the following Directors who are retiring by rotation pursuant to Article 129 of the Articles of Association of the Company:-

   (i) Dato' Mohammed Azlan Hashim **(Ordinary Resolution 1)**
   (ii) Mr Cheam Dau Peng **(Ordinary Resolution 2)**

3. To approve the payment of Non-Executive Directors' fees of RM145,200 in respect of the financial year ended 31 December 2016. **(Ordinary Resolution 3)**

4. To approve the payment of Non-Executive Directors' fees of RM219,000 in respect of the financial year ending 31 December 2017. **(Ordinary Resolution 4)**

5. To approve the payment of Non-Executive Directors' benefits up to RM25,000 from 1 January 2017 to the 14th Annual General Meeting. **(Ordinary Resolution 5)**

6. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration. **(Ordinary Resolution 6)**

7. Special Business

   By way of Special Business, to consider and if thought fit, to pass the following resolutions, with or without modification, as Ordinary Resolutions:-

   7.1 **Retention of an Independent Director** **(Ordinary Resolution 7)**

   That approval be and is hereby given to Mr Wong Meng Tak, 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.

   7.2 **Authority to Directors pursuant to Section 75 of the Companies Act, 2016** **(Ordinary Resolution 8)**

   "That, subject always to the Companies Act, 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") 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 ten percent (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 Annual General Meeting 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 Malaysia Securities Berhad."

7.3 **Proposed granting of options to Mr Jesper Bjoern Madsen** **(Ordinary Resolution 9)**

"THAT approval be and is hereby given for the Company to offer and to grant to Mr Jesper Bjoern Madsen, being an Independent Non-Executive Director of D&O, options to subscribe for such number of new D&O Shares under the Employees' Share Option Scheme ("ESOS") subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the Bylaws governing and constituting the ESOS."

7.4 **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **(Ordinary Resolution 10)**

"THAT approval and authority be and are hereby given to the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 4 of the Circular to Shareholders dated 27 April 2017 provided that such transactions are undertaken in the ordinary course of business, at arm's length and based on commercial terms and on terms which are not, in the Company's opinion, detrimental to the minority shareholders ("**Proposed Shareholders' Mandate**")

AND THAT such approval shall continue to be in force until:-

(i) the conclusion of the next annual general meeting ("AGM") of the Company following this AGM at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(ii) the expiration of the period within which the next AGM after that date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
(iii) revoked or varied by resolution passed by shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the Thirteenth Annual General Meeting, 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 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 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
TAN PEI CHOO
(MAICSA 7023284)
Company Secretary

Kuala Lumpur
27 April 2017

NOTES:-

1) Item 1 of the Agenda 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 13th AGM is entitled to appoint not more than two (2) 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 13th AGM shall have the same rights as the member to speak at the 13th AGM. Notwithstanding this, a member entitled to attend and vote at the 13th AGM is entitled to appoint any person as his proxy to attend and vote instead of the member at the 13th AGM. There is no restriction as to the qualifications of the proxy.

3) In case of a corporation member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy to attend and vote at the 13th 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.

5) 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 13th 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.

6) 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 No. 15 Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

Abstention from Voting

7) All those Directors of the Company who are shareholders of the Company will abstain from voting on the respective resolutions under Ordinary Resolutions 3, 4 and 5 as applicable, in respect of their direct and/or indirect shareholdings in D&O.

Explanatory Notes on Special Business

(a) Retention of an Independent Director

Ordinary Resolution 7, if passed, will allow Wong Meng Tak to continue in office as an Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:-

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

The Nomination Committee and the Board have assessed the independence of Wong Meng Tak who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and have recommended that he continues to act as an 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.

(b) Authority to Allot Shares pursuant to Section 75 of the Companies Act, 2016

Ordinary Resolution 8, if passed, will give authority to the Directors of the Company, from the date of the Thirteenth Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total ten percent (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 annual general meeting of the Company.

A renewal of this authority is being sought at the Thirteenth Annual General Meeting under the proposed Ordinary Resolution 8.

The Company has not issued any new shares under the general authority which was approved at the last annual general meeting held on 25 May 2016 and which will lapse at the conclusion of the Thirteenth Annual General Meeting, except the allotment of 3,374,700 new ordinary shares to those employees who have exercised their options under the Employees' Share Option Scheme.

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.

(c) Proposed granting of options to Mr Jesper Bjoern Madsen

Ordinary Resolution 9, if passed, approval be and is hereby given for the Company to offer and to grant to Mr Jesper Bjoern Madsen, being an Independent Non-Executive Director of D&O, options to subscribe for such number of new D&O Shares in accordance with the Bylaws of the ESOS.

(d) Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 10, if passed, will provide a new mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are set out in Section 4 of the Circular to Shareholders of the Company dated 27 April 2017 that is despatched together with the Annual Report. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

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 13th AGM of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

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 (b) of the Notice of the 13th AGM.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman
Dato' Mohammed Azlan Hashim

Group Managing Director
Tay Kheng Chiong

Executive Directors
Cheam Dau Peng
Low Tek Beng
(alternate director to Cheam Dau Peng)

Non-Executive Directors
Goh Nan Yang
Wong Meng Tak**
Jesper Bjoern Madsen*
Yeow See Yuen*

AUDIT COMMITTEE

Wong Meng Tak** (Chairman)
Jesper Bjoern Madsen*
Yeow See Yuen*

REMUNERATION COMMITTEE

Goh Nan Yang (Chairman)
Jesper Bjoern Madsen*
Yeow See Yuen*

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Tay Kheng Chiong
Cheam Dau Peng
Goh Nan Yang

NOMINATION COMMITTEE

Wong Meng Tak** (Chairman)
Yeow See Yuen*
Goh Nan Yang

(*) Independent and Non-Executive Director
(**) Senior Independent and Non-Executive Director

COMPANY SECRETARY

Tan Pei Choo (MAICSA 7023284)

PRINCIPAL PLACE OF BUSINESS

Lot 6, Batu Berendam Free
Trade Zone Phase III
75350 Melaka
Tel : 06-283 3566
Fax : 06-284 7988
Email : corp@do.com.my
Website : http://www.do.com.my

REGISTERED OFFICE

No. 15, Bukit Ledang
Off Jalan Duta
50480 Kuala Lumpur
Tel : 03-2094 3268
Fax : 03-2094 3188

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222

REGISTER OF OPTION

Lot 6, Batu Berendam Free
Trade Zone Phase III
75350 Melaka
Tel : 06-283 3566
Fax : 06-284 7988

AUDITORS

Crowe Horwath (AF 1018)
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2788 9999
Fax : 03-2788 9998

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

Sector : Technology

Stock code : 7204

Stock name : D&O

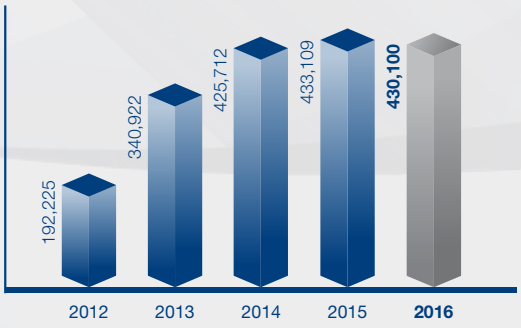
CORPORATE STRUCTURE

FIVE-YEAR FINANCIAL HIGHLIGHTS

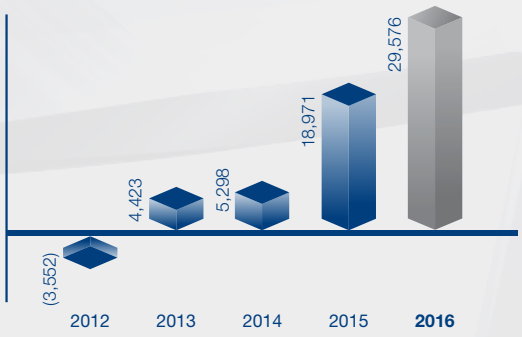
The financial results for the year 2012 to 2016 were based on the audited financial statements of the Group for the respective financial year under review.

	Group 2012 RM'000	Group 2013 RM'000	Group 2014 RM'000	Group 2015 RM'000	Group 2016 RM'000
Total Revenue	192,225	340,922	425,712	433,109	430,100
(Loss)/Profit Before Tax	(3,552)	4,423	5,298	18,971	29,576
(Loss)/Profit After Tax	(3,784)	3,232	3,716	17,560	21,063
(Loss)/Profit Attributable to Owners of the Company	(5,819)	401	733	10,225	11,273
Equity Attributable to Owners of the Company	130,994	123,560	134,053	185,205	197,303
Weighted Average Number of Share In Issue ('000)	975,613	975,613	976,026	979,348	988,147
Net (Loss)/Earnings Per Share (EPS) (Sen)	(0.60)	0.04	0.08	1.04	1.14

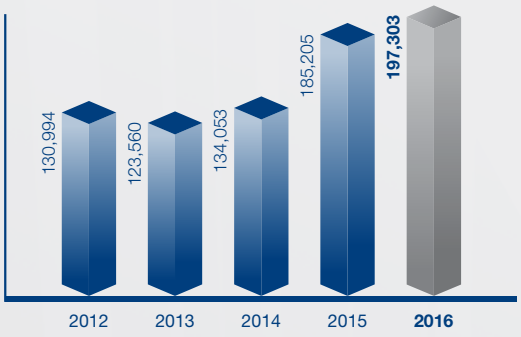
REVENUE
(RM'000)



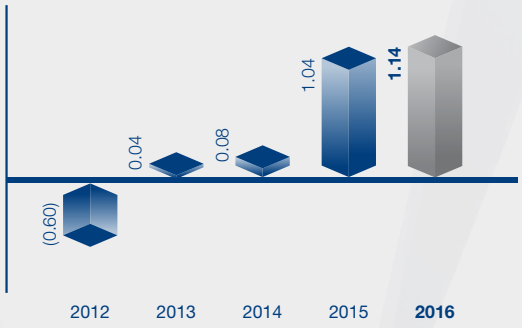
(LOSS)/PROFIT BEFORE TAX
(RM'000)



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



NET (LOSS)/EARNINGS PER SHARE (EPS)
(SEN)



MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of D & O Green Technologies Berhad ("D&O"), I take pleasure in presenting the management discussion and analysis of D&O Group for the year ended 31 December 2016.

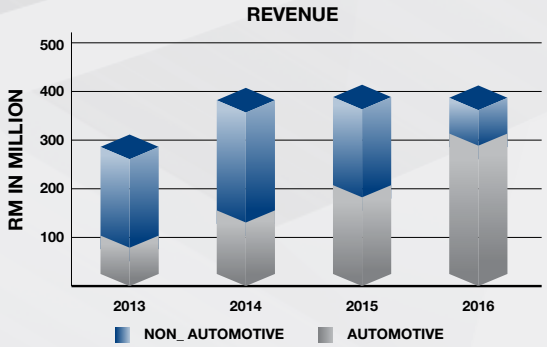
Overview of operations

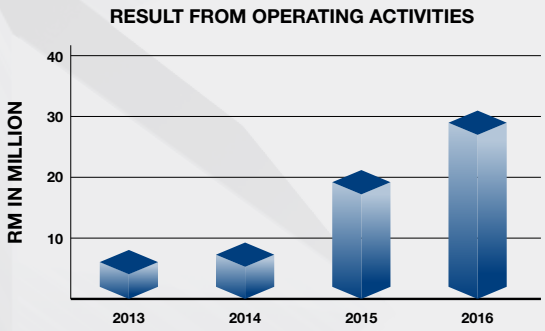
D&O through its principal operating subsidiary Dominant Opto Technologies Sdn Bhd ("Dominant"), is a world leading independent packaging company, offering packaging solutions for LED and other customer specific packages for a diverse range of optoelectronic applications under the "DOMINANT" brand. Located at the Batu Berendam Free Trade Zone in Melaka, Dominant's state-of-the-art manufacturing facility produces LEDs that are AEC-Q101 qualified, a world class automotive quality standards.

Our mission statement is: "To provide design innovation and high quality opto-semiconductor products that contribute towards a greener world". At Dominant, we pride ourselves as a TQM (Total Quality Management) company that places a high emphasis on product and service quality, while staying ahead of global competition through continuous investments in research and development capabilities. Today, our environmentally friendly LED products are sold around the world through a global network of sales and after sale service offices in the key automotive markets, including China, the US, Japan, Europe, Korea and India. R&D expense amounted to RM16 million in 2016 (3.7% of sales), representing a 3-fold increase from five years ago.

Business rationalisation

Three years ago, Dominant decided to gradually exit the highly competitive and less profitable LED markets for general lighting and LED TV to focus on its core competency in the automotive segment. While the sales volume and growth potential for the former two markets are tremendous, investment and commercial risks are disproportionately high in these segments given the razor-thin margins, high capital requirements and steep price erosion curve. Management believed the business rationalization, whilst painful in the short term, would generate superior long term shareholder returns. At the peak in 2014, the non-automotive segment accounted for 50% of group turnover. Its contribution has since declined to 13% in 2016. The transformation has yielded very positive results. Operating profit grew at a 61% compounded annual growth rate from RM8 million in 2013 to RM32 million in 2016 on the back of a slower 9.5% compound annual growth rate in revenue from RM328 million in 2013 to RM430 million in 2016.





Automotive LED market

Based on research data from Grand View Research, Inc, report titled "Automotive lighting market to grow at 12% CAGR from 2015 to 2022", Automotive LED market is estimated to demonstrate considerable growth at a Compounded Annual Growth Rate ("CAGR") of over 12.0% from 2015 to 2022, buoyed by rising global car sales volume and increasing adoption of LED as the preferred lighting technology for both the interior and exterior lighting due to its efficiency, durability, flexibility and cost effectiveness. Dominant has been a beneficiary of that burgeoning trend. Over the years, Dominant has built itself to become a trusted and reliable partner for the major global auto makers. Our market position has gradually gained traction, enabling Dominant to grow at faster pace than the industry average. Automotive sales has grown at a compound rate of 28.5% per annum from RM176 million in 2013 to RM372 million in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

2016 Financial Performance Review

The robust 35% revenue growth registered by the automotive segment from RM276.2 million in 2015 to RM372.4 million in 2016 underpinned the Group's improved overall financial performance for the year under review. While Group turnover fell marginally by 1% to RM430 million led by the 63% decline in the non-automotive segment from RM156.9 million to RM57.7 million, the Group recorded a 57% increase in pre-tax profit to RM30 million (2015: RM19 million). The improved earnings were achieved through a favorable change in the sales mix, a weaker Malaysia Ringgit when compared to the major export currencies (namely the US Dollar, Euro and Chinese Renminbi) and increased manufacturing efficiencies resulting from the rationalization of production capacities and processes. These factors collectively contributed to the significant gross margin expansion from 19% in 2015 to 23% in 2016. During the year, contribution from the automotive segment continued to increase from 64% in 2015 to 87% in 2016 of Group turnover, a trend that is expected to continue to bode well for future earnings.

Profit after tax grew at a slower pace of 20% to RM21 million in 2016 after factoring in a RM6.8 million deferred tax provision. The deferred tax provision was made in anticipation of the future income tax payable following the expiry of Dominant's pioneer status in March 2017.

Balance sheet

D&O Group's balance sheet remained healthy. Net gearing of the Group at less than 2% remained low, albeit a tad higher than 0.6% at the end of 2015. Property, plant and equipment rose 17.8% to RM153.7 million on higher capex.

Trade receivable turnover rose from 51 days to 79 days due to the generally longer credit terms of 60-90 days offered to automotive customers, compared to 30-60 days for non-automotive customers. Inventory turnover days increased to 129 days compared to 112 days a year ago owing to increased buffer stocks maintained for automotive customers.

Net assets per share attributable to owners of the company increased from 18.77 cents to 19.95 cents in the current financial year.

Cash flow

Net cash from operating activities rose sharply from a negative RM8.9 million in 2015 to a positive RM45.5 million in 2016 on better operating profit (before changes in working capital) from RM31.6 million to RM68 million.

During the year, the Group spent a total of RM54.6 million on capex to expand production capacities, improve machine efficiencies and quality control, and on equipment conversion. These investments are necessary to cope with the strong demand growth from the automotive customers and sharpen Dominant's competitive edge in order to stay ahead of the market.

The Group also repaid some short term borrowing in 2016 to reduce its interest expense by RM0.7 million. Consequently, cash holding declined RM17 million to RM43.3 million while total borrowing fell from RM61.9 million to RM48.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Prospects and risks

The Group enters 2017 with a strong business focus, a cohesive management team and a specialised automotive LED market. Despite the global risks posed by an escalating geopolitical tension around the world, a rising interest rate environment and possible regressive trade policies of developed nations, management maintains an optimistic outlook for the Group in 2017. We believe with a widening and deepening product portfolio catering for the automotive industry and improving track record as a high quality and trusted supplier to global car makers, the Group is well poised to further strengthen its market position in the burgeoning automotive LED sector.

With the rationalization of manufacturing equipment and processes and the transition of the sale mix to a pure automotive player almost complete by 4Q 2016, management is optimistic the Group will be able to capitalize on its strengths and improving demand to deliver sustainable earnings growth in 2017.

Virtually all the Group sales are exported. While the Group has been a net beneficiary of the weakness of the Malaysia Ringgit against its export currencies, any reversal of the trend will have a negative impact on margins. In the automotive sector, product quality and reliability are of utmost importance. In mitigating the risk, the Group has adopted a total quality management framework and continuously invested in quality control systems. The Group has also taken up product liability insurance to protect itself in case of any unfortunate eventuality.

Tay Kheng Chiong
Group Managing Director
27 April 2017

CORPORATE SOCIAL RESPONSIBILITIES

D&O Group is committed in undertaking Corporate Social Responsibility (CSR) practice and support sustainable long term growth that impact the society and environment in positive manners. The Group continues to honour that commitment by conducting its business in a responsible and ethical manner while observing all applicable laws and regulations.

Environmental Responsibility

Group's Commitment

a) Meeting all applicable legal environmental regulations and other requirements
b) Promote green process and products
c) Promote recycling
d) Reduce environmental hazards
e) Continuous environmental improvement process

D&O's subsidiary, Dominant Opto Technologies Sdn Bhd, is an ISO14001:2004 Environment Management System certified company. Besides manufacturing processes, the Group also promotes the use of green technologies and energy saving concept, emphasizing the use of LED. LED provides many environmental advantages.

Energy Efficient

LED are more efficient than traditional lighting such as fluorescent and incandescent lights. Energy use in LED will be mainly converting into light than wasted as heat. LED also draws much lesser power than traditional lighting which directly reduces the demand from power plants and decreases greenhouse gas emissions.

No Toxic Elements

LED contains no toxic elements compare to fluorescent strip lights which contain noxious chemicals such as mercury. This will helps to protect the environment from further toxic waste.

Life span

A longer life span compare traditional lighting reduces the requirement for frequent replacements. Hence fewer resources are needed for manufacturing processes, packaging materials and transportation.

Community Service

In line with our pledge to assist the needy group of community, we support organizations that cultivate meaningful community services and encourage our employees to participate, whether as volunteers or donors. During the year, Management had initiated few programs that involve our employees' participation to provide voluntary work and donation to a group of selected charities such as Pusat Penjagaan Orang Kurang Upaya Kasih Sayang and Bloomers Training House Sdn Bhd – A Training Home for Down Syndrome Community.

CORPORATE SOCIAL RESPONSIBILITIES

(cont'd)

Workplace

During the year, the Group has organized various inter-department sports activities for its employees and has also worked hand in hand with Perbadanan Kemajuan Negeri Melaka ("PKNM") to organise various inter-company sports activities such as Futsal Tournament, Badminton Tournament, Bowling Tournament and Mini Karnival Sukan Industri 2016, thus promoting a healthy and balanced work-life.

In order to improve the safety of our valued employees, the Group has installed a covered walkway from the main entrance of the factory to the entrance of production area. Safety barriers have also been constructed to ensure the walkway is not accessible by vehicles.

To further enhance our employees' knowledge and core competence, Training Department has continued to organise various trainings involving internal and external trainers covering topics suitable for various departments.

Marketplace

In order to encourage fair competition and create ethical business environment, D&O Group has completed the implementation of anti-bribery and corruption and anti-trust policy. Audit will be conducted by independent party periodically to ensure strict compliance to the policy. We strongly believe the enforcement of these policies will create value to all stakeholders and contribute towards the Group sustainability.

PROFILE OF DIRECTORS

DATO' MOHAMMED AZLAN HASHIM

Non-Independent and Non-Executive Chairman
Malaysian, Male

Dato' Mohammed Azlan Hashim, aged 60, was appointed as the Non-Independent Non-Executive Chairman of D&O on 16 September 2004. Dato' Azlan is also the Chairman of SILK Holdings Berhad, Scomi Group Berhad, Labuan IBFC Inc Sdn. Bhd and Universiti Malaysia Terengganu. He is also a Deputy Chairman of IHH Healthcare Berhad.

He also serves as a board member of, amongst others, Khazanah Nasional Berhad, Labuan Financial Services Authority and Chairman of Kumpulan Wang Persaraan (Diperbadankan) Investment Panel.

He has extensive experience in the corporate sector, including financial services and investment. Positions that he has held include that of Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Group.

Dato' Azlan holds a Bachelor of Economics (Monash) and qualified as a Chartered Accountant (Australia). He is a Fellow Member of the Institute of Chartered Accountants, Australia, Member of The Malaysian Institute of Accountants, Fellow Member of Malaysian Institute of Directors, Fellow Member of the Institute of Chartered Secretaries and Administrators and Honorary Member of The Institute of Internal Auditors, Malaysia.

Dato' Azlan has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

TAY KHENG CHIONG

Group Managing Director
Malaysian, Male

Tay Kheng Chiong, aged 53, was appointed as the Group Managing Director of D&O on 16 September 2004. He is a member of the Employees' Share Option Scheme Committee.

Mr Tay graduated from the University of Sunderland, England with a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics in 1989. Upon graduation, he joined a multinational semiconductor company in 1989 as a Development Engineer and was promoted to Director of Manufacturing in 1999. In 1999, he obtained a Masters of Business Administration from the University of Stratchclyde, Scotland. He is a registered Chartered Engineer with the Institution of Electrical Engineers, United Kingdom. He has more than 25 years of experience in the opto semiconductor industry. With his sound technical background and vast experience in the opto semiconductor industry, his forte lies in the management of the overall operations, business development and strategic direction of the D&O Group.

Mr Tay is also a director of Mega First Corporation Berhad ("MFCB"), a company listed on Main Board of Bursa Malaysia.

Mr Tay has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

PROFILE OF DIRECTORS
(cont'd)

CHEAM DAU PENG

Executive Director
Malaysian, Male

Cheam Dau Peng, aged 64, was appointed as an Executive Director of D&O on 16 September 2004. Mr Cheam is a member of Employees' Share Option Committee.

Mr Cheam started his career as a Production Supervisor with a multinational semiconductor company immediately after he completed his secondary school education. Backed by more than twenty (20) years of experience in the semiconductor industry, he has vast hands-on experience in plant operations. Mr Cheam has been playing an active role in the growth and expansion of the D&O Group since 2001.

He has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

GOH NAN YANG

Non-Independent and Non-Executive Director
Malaysian, Male

Goh Nan Yang, aged 54, was appointed as a Non-Independent Non-Executive Director of D&O on 16 September 2004. He is the Chairman of the Remuneration Committee and also members of the Employees' Share Option Scheme Committee and Nomination Committee.

Mr Goh graduated from the University of Toledo with a Bachelor of Science (Honours) degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990's, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures.

Mr Goh also sits in the board of MFCB. He holds directorships in several private limited companies in Malaysia and overseas as well.

Mr Goh is deemed to be interested in various transactions between D&O Group and MFCB Group by virtue of his common directorships and deemed substantial shareholding in D&O and MFCB.

Mr Goh is the brother-in-law of Madam Lim Yam Chiew. Madam Lim is a deemed substantial shareholder of the Company.

He has attended four out of five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

PROFILE OF DIRECTORS
(cont'd)

YEOW SEE YUEN

Independent and Non-Executive Director
Malaysian, Male

Yeow See Yuen, aged 49, was appointed as an Independent Non-Executive Director of D&O on 4 February 2009. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr Yeow holds a first class honours degree in Accountancy from the National University of Singapore. He started his career with Cooper & Lybrand in Singapore in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy.

Mr Yeow is presently an Independent Non-Executive Director of MFCB and holds directorships in several private limited companies incorporated in Malaysia and overseas.

Mr Yeow has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

WONG MENG TAK

Independent and Non-Executive Director
Malaysian, Male

Wong Meng Tak, aged 69, was appointed as an Independent Non-Executive Director of D&O on 16 September 2004 and appointed as the Senior Independent and Non-Executive Director on 8 April 2013. Mr Wong is the Chairman of the Audit Committee and Nomination Committee.

Mr Wong obtained a Bachelor of Arts (Honours) degree majoring in Economics from the University of Malaya in 1971. He began his career in 1971 with The Hongkong And Shanghai Banking Corporation Ltd. Malaysia and held various positions within the bank. In 2002, he retired from the Bank as Senior Manager of Regional Credit.

He has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

PROFILE OF DIRECTORS

(cont'd)

JESPER BJOERN MADSEN

Independent and Non-Executive Director
Danish, Male

Jesper Bjoern Madsen, aged 63, was appointed as an Independent Non-Executive Director of D&O on 21 August 2014. He is members of Audit Committee and Remuneration Committee of D&O.

Mr Madsen obtained a Master degree in Law from Copenhagen University, Denmark and later studied Scottish/English Law at the University of Edinburgh, Scotland.

Mr Madsen has been working with the Carlsberg A/S Group for over 20 years. He was the senior vice president of Carlsberg Breweries A/S with responsibility for Asia, among other markets. Mr. Madsen was during his tenure as the said senior president also a non-executive chairman, non-executive vice chairman or non-executive director in a number of Carlsberg's subsidiaries in Asia. He has vast experience in overseas investments and markets.

He has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

LOW TEK BENG

(alternate director to Cheam Dau Peng)
Malaysian, Male

Low Tek Beng, aged 46 joined the Board on 16 September 2004 as the alternate Director to Cheam Dau Peng.

Mr Low obtained his first class honours Bachelor of Mechatronic degree from the University of Leeds, United Kingdom in 1994. He began his career in that same year with a multinational semiconductor company as a Product Development Engineer and was subsequently promoted to Product Development Manager before he left the company in 2000.

Mr Low currently is the Chief Operation Officer in Dominant Opto Technologies Sdn. Bhd., subsidiary of D&O.

Mr. Low did not attend any board meetings of the Company as his principal Mr. Cheam Dau Peng has attended all Board meetings held during the year ended 31 December 2016.

Please refer to page 149 of this Annual Report for his securities holding.

Notes:

- *Save as disclosed above, none of the Directors holds directorship in public companies and other listed issuers.*
- *Save as disclosed above, none of the Directors have any family relationship with any Director and/or major shareholder of the Company.*
- *None of the Directors of the Company has been convicted of any offence within the past five (5) years other than traffic offence, if any.*
- *The Group has entered into recurrent related party transactions and/or related party transactions with parties in which the Directors of the Company, namely Tay Kheng Chiong, Cheam Dau Peng, Goh Nan Yang, and Low Tek Beng have direct or indirect interest in the transactions presented in page 146 and Note 35 in the accompanying Financial Statements. Save as disclosed above, none of the other Directors have any conflict of interest within the Group.*

PROFILE OF SENIOR KEY MANAGEMENT

SIAY SAY FEI
Vice President Quality Assurance
Malaysian, Male

Siay Say Fei, aged 47, was appointed as Vice President Quality Assurance of Dominant Opto Technologies Sdn. Bhd on 1st July 2015. Mr Siay graduated from the Queen's University of Belfast, United Kingdom with Master of Science in Manufacturing Systems Engineering in 1994.

He began his career with SIEMENS Component Sdn Bhd in 1994 as Process Engineer. In 1997 - March 2001, he joined ON Semiconductor Corporation (Formerly A Division Of Motorola) as Project Management and Total Productive Maintenance Manager, he was involved in phase in New Product Introduction to production. Subsequently he joined Dominant Semiconductors Sdn. Bhd. on 1st April 2001 as Senior QA & Purchasing Manager, he has more than 20 years of experience in the Semiconductor industry.

LEE HAN YUNG
Group Financial Controller
Malaysian, Male

Lee Han Yung, aged 37, was appointed as Group Financial Controller in March 2010. He is responsible for the overall finance and accounting matters of D&O Group, including assisting Group Managing Director to execute Risk Management Policy and implementation of internal controls.

Mr. Lee holds a first class honours degree in Accountancy from Multimedia University. He joined Omega Semiconductor Sdn Bhd in 2004 as an Accounts Executive and subsequently promoted to Financial Controller in 2007. He has over 10 years experience in finance and accounting especially in the semiconductor industry.

VISHALINI SANKARAN
Senior Human Resource Manager
Malaysian, Female

Vishalini Sankaran, aged 40, was appointed as the Senior Human Resource Manager with a sub division of responsibility over the plant's security department on 1st December 2015. Ms. Vishalini graduated with a Bachelors of Science Honors Degree majoring in Psychology from Upper Iowa University, United States of America. She further pursued her Masters in Managerial Psychology from HELP University and is a member of the American Psychology Association (APA).

Vishalini Sankaran was the outgoing Vice President of Malaysian Employer's Federation (MEF) Negeri Sembilan branch before relocating to Melaka. Her 17 years career spans from being the HR and Training Manager at the Shangrila Hotels & Resorts, Senior HR Manager at Johnson Matthey Sdn Bhd and finally with Dominant Opto Technologies Sdn. Bhd. People Development being her forte, she is a certified master trainer for all the Development Dimension International (DDI) programs as well as honored the Blue Sapphire Trainer under the Certified Hospitality Trainer establishment.

Notes:

- *None of the Senior Key Management of the Group holds any directorship in public companies and listed issuers, have any family relationship with any director and/or major shareholder of the company, nor any personal interest in any business arrangement involving the Group.*
- *None of the Senior Key Management of the Group has been convicted of any offence within the past five (5) years other than traffic offence, if any.*

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of D & O Green Technologies Berhad ("D&O" or "the Company") is committed to ensure that good corporate governance practices are applied throughout the Company and its subsidiaries ("the Group") and form the foundation of corporate sustainability pursued by the Group in its long term shareholders' value creation. Hence, the Board fully supports the principles and recommendations of good corporate governance practices as promulgated by the Malaysian Code of Corporate Governance 2012 ("the Code").

This disclosure statement sets out the manner in which the Company has applied the principles and recommendations of the Code and the extent of compliance with the principles and recommendations of the Code advocated therein in accordance with paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

SECTION 1: THE BOARD

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance measurement and monitoring, enterprise risk management, standards of conduct and critical business issues and decisions. The Board comprises directors who are entrepreneurs and experienced professionals in the fields of business management, legal, economics, accountancy and engineering. All these different skills put together enable the Board to effectively lead and control the Company.

Board Charter

The Board Charter outlines the duties and responsibilities of directors, including the roles and responsibilities of the Board, the Chairman of the Board and the Executive Directors (including the Group Managing Director) as well as the duties of the Board Committees. Such charter sets out the purpose, the Board's strategic intent, authorities and terms of reference.

The Board Charter also acts as a source of reference and primary induction literature in providing insights to Board members and senior management.

The Board Charter is available for reference at www.do.com.my and will be periodically reviewed.

Establish clear roles and responsibilities

It is the responsibilities of the Board to lead the Group towards its vision and mission and is responsible for the success of the Group by providing entrepreneur leadership and direction as well as management oversight. On the other hand, the Group Managing Directors and Executive Directors are delegated with the authorities and responsibilities to ensure proper execution of strategies as well as effective and efficient operation throughout the Group. Nevertheless, the Board is always guided by the Board Charter 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. With oversight and guidance from the Board, the Management including the Group Managing Director is responsible for day-to-day business operations and ensuring its effectiveness and efficiency and compliance with relevant laws and regulations with the authorities. The authorisation procedures for key processes are stated in the Group's policies and procedure.

The Board has approved the Group's charter and policies, whereas the board of each subsidiaries of the Group is responsible on respective operating procedures which are in line with the Group's charter and policies.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 1: THE BOARD (CONT'D)

The Board is assuming the following, amongst other roles and responsibilities, broad categories of roles and responsibilities:-

1) Establishing and reviewing the vision and the strategic direction of the Group

- The Board has in place a strategy planning and review process, whereby the Group Managing Director presents to the Board the recommended business strategies, including capacity expansion and planned capital expenditure, during the financial year for the Board's deliberation and decision with any concern on the strategies and actions proposed are discussed during the Board's meetings to ensure the best outcome. The strategy planning and review process are supported by reports and updates from Group Managing Director focus on the specific business environment and future business/technology trend as well as factors affecting the performance and strategies of the Group.

2) Overseeing the conduct of the business of the Group and to evaluate whether the business is being properly managed

- On quarterly basis, the Operational and Financial Performance Report is presented by the Group Managing Director and the Group Financial Controller to the Board, including but not limited to special project roadmap, headcount analysis, key performance indicators, financial performance of key operating subsidiaries, sales trend by major applications, inventory management, delivery performance, debt financing analysis, cash flow projections and planned capital expenditure.

  In addition to the Group Managing Director's report, the Group Financial Controller presents the comparison of actual against budget financial performance and debtors ageing on quarterly basis to the Audit Committee for their review and subsequent reporting to the Board. Upon identification of key business and financial issues by the Senior Management and the Board members, such issues are deliberated by the Board to ensure that the issues in question are properly managed and adequately addressed.

3) Identifying principal risks faced by the Group and ensuring the implementation of appropriate controls and systems to monitor and manage these risks

- The Board are kept informed on the emergence and changes of the key risks faced by the Group and the steps taken to manage these risks by the Management. Further details on such process are disclosed in the Statement of Risk Management and Internal Control on pages 44 to 49.

4) Succession planning including appointing, training, determining the compensation, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors

- The Board, through the Nominating and Remuneration Committee, are tasked with duty of the succession planning of the Group, which includes the appointment, training requirement, determination of compensation and assessing the performance of the board and board committees as a whole and individual directors, including Group Financial Controller. Further details on the role and responsibilities of the Nominating and Remuneration Committee are disclosed in pages 24 to 28 of this statement.

  The Management had identified successor for key personnel within the Group and tabled to the Board for review and decision. The Board, together with the Group Managing Director and the Senior Management, put in place informal structure and practice to ensure key roles within the Group are supported by competent and calibre second-in-line to reduce the impact of abrupt departure of key personnel to the minimum possible.

SECTION 1: THE BOARD (CONT'D)

5) Overseeing the development and implementation of a shareholders' communication policy for the Company

- The Board ensures the shareholders and stakeholders are kept inform on material events through the announcement made through Bursa Malaysia Securities Berhad. Formal Corporate Disclosure Policy are established and adopted by the Board and the Management in ensuring communication that are timely, factual, accurate and complete.

  The principles adopted by the Board on corporate disclosure are transparency and accountability, compliance with relevant laws and regulations, confidential and timely disclosure as well as fair and equitable access to information. Proper governance structure and processes are established within the Corporate Disclosure Policy to guide the proper disclosure of material information with confidentiality preservation within the requirements of the Board.

6) Reviewing the adequacy and the integrity of internal control systems and management information systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.

- The Internal Audit function of the Group is outsourced to independent professional firm that review the system of internal control for the group based on approved internal audit plan and report its findings to the Audit Committee. Further detail on the Group Internal Audit function are disclosed in the Statement of Risk Management and Internal Control on pages 44 to 49.

Aside from the six core responsibilities listed above, significant matters required deliberation and approval from the Board is clearly defined by the Board in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meeting.

The Board has delegated specific duties to the Board Committees which operate within a clearly defined Terms of Reference approved by the Board.

The responsibility for the business operation and administration of the Group is delegated by the Board to the Group Managing Director and Executive Directors. The role of Management is to support the Group Managing Director and Executive Directors in the running of the business operation and administration of the Group, in accordance with the delegated authority of the Board.

Please refer to the Board Charter published in www.do.com.my for the matters reserved for the Board.

Composition of the Board

The Board currently has seven (7) members comprising one (1) Non-Independent Non-Executive Chairman, two (2) Executive Directors (including the Group Managing Director), three (3) Independent Non-Executive Directors, and one (1) Non-Independent Non-Executive Director. The profile of each Director is presented on pages 14 to 17 of this Annual Report. The composition of independent non-executive directors is in compliance with the minimum prescribed in the MMLR and the Code to ensure that there is sufficient independent element in the Board to provide the necessary check and balance within the Board.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 1: THE BOARD (CONT'D)

Composition of the Board (cont'd)

It is the responsibility of the Board to ensure that all members of the Board possess the necessary leadership experience, skilled and diverse background, integrity and professionalism to discharge their duties and responsibilities diligently and effectively. It is the Board's responsibility to ensure that the diversity within the Board is preserved so that required mix of knowledge, skills, expertise and experience as well as age, ethnic and gender diversity are brought to the Board. The Board is satisfied that, through the internal procedure for nomination and selection and annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition fairly reflects the investment of minority shareholders in the Company and represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively as well as to ensure that no individual or small groups of individuals dominate the Board's decision-making process. The Board is supporting age, ethnic and gender diversity within the Group including the workplace, with a particular focus on supporting the representation of women and multi races with relevant age group at the Board and senior level of management within the Group shall such potential candidate is available.

Board Meetings

The Board retains full and effective control of the Group. This includes responsibility for determining the Group's overall strategic direction and development as well as control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board for its decision. The Board met at regular interval during the financial year under review in order to discharge its functions and responsibilities effectively.

To carry out its functions and responsibilities, the Board met five (5) times during the financial year ended 31 December 2016 and the attendance of each Director at the Board Meetings is as follows:-

Director	No. of Attendance	No. of Meetings Eligible to Attend
Dato' Mohammed Azlan Hashim	5	5
Tay Kheng Chiong	5	5
Cheam Dau Peng	5	5
Goh Nan Yang	4	5
Wong Meng Tak	5	5
Yeow See Yuen	5	5
Jesper Bjoern Madsen	4	5
Low Tek Beng *(alternate to Cheam Dau Peng)*	N/A	N/A

The Board plans to meet at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions are required to be made between the scheduled meetings. All meetings of the Board are duly recorded in the Board minutes by the Company Secretary. The Company Secretary also attended all the Board Meetings of the Company. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

SECTION 1: THE BOARD (CONT'D)

Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information no later than five (5) days before the meeting to enable them to have sufficient time in obtaining a comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision.

In addition to quantitative information, the directors are also provided with key performance indicators and updates on other areas such as market developments, industry trend, business strategy and risk management.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.

The Directors also have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are adhered to.

Code of Conduct

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.

The Board incorporated the above key principles of expected conducts into the Company's Codes of Ethics and Conduct For Directors to govern the standards of ethics and good conduct expected of Directors. In addition, integrity and ethical value expected from the employees are incorporated in the Employees Handbook whereby the ethical behaviours expected with the customers, suppliers, employees, society and environment are stated. To further enhance the ethical value throughout the Group, formal anti-bribery and corruption policy had been put in place by the Management to reduce the risk of bribery and conflict of interest within the Group.

The Board had established formal Whistle-Blower Policy to foster an environment where integrity and ethical behaviour are maintained so that any officer or employee of the Group can report genuine concerns relating to any malpractice or improper conduct of the Group's businesses. Disclosure can be made in writing to the Audit Committee. Any whistle blowing officer or employee acting in good faith is protected from retaliation for raising such allegations. Procedures are in place for investigations of malpractice or improper conduct reported and appropriate follow-up action to be taken.

Both Codes of Ethics and Conduct For Directors and Whistle-Blower Policy are available for download from the Company's corporate website.

Environment, Social and Governance

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.

A copy of the Environmental and Sustainability Policy can be downloaded from the corporate website of the Company.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 1: THE BOARD (CONT'D)

Company Secretary

The Board is assisted by a professional qualified and competent Company Secretary (who is member of the Malaysian Institute of Chartered Secretaries and Administrators) 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 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 meeting are distributed to the Directors prior to the Board's meeting for their perusal before confirmation of the minutes at the commencement of the following Board's meeting.

All Directors have direct access to the advice and services of the Company Secretaries in discharging their duties effectively.

The Company Secretary attended briefing and updates provided by relevant regulatory bodies or professional firms in order to keep abreast with the latest development in the relevant regulatory requirements, codes or guidance and legislations in order to ensure timely compliance with relevant laws and regulations.

STRENGTHEN COMPOSITION

Board Committees

In discharging its fiduciary duties, the Board has delegated specific duties to four (4) subcommittees (Audit, Remuneration, Nomination and Employees' Share Option Scheme). The Committees have the authority to examine particular issues and report to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All committees have written terms of references and the Board receives reports on their proceedings and deliberations. The Chairman of the respective committees will brief the Board on the matters discussed at the committee meetings and minutes of these meetings are circulated at the Board meetings.

1. Audit Committee

The terms of reference, the number of meetings held and activities carried out during the financial year and the attendance of each member can be found on pages 39 to 43 of the Audit Committee Report.

2. Nominating Committee

The Nominating Committee comprises exclusively of non-executive directors, a majority of whom are independent non-executive directors as required under MMLR. The Nominating Committee is guided by written terms of reference duly approved by the Board with rights, authorities and responsibilities. The Nominating Committee is chaired by Senior Independent Non-Executive Director. The composition of the Nominating Committee is set out in the Corporate Information section of this Annual Report.

The full details of the Nominating Committee's Terms of Reference are published in the Company's website at www.do.com.my.

During the financial year ended 31 December 2016, the Nominating Committee conducted evaluation/review of the performance of the board, the board committees, the skills possessed by each individual director and independence assessment of independent directors based on the processes and evaluation/review criteria as described above. The Nominating Committee reported the results of all the evaluations/reviews to the Board for review and deliberation to enable effective actions (including trainings to be attended) to be formulated and implemented for the proper and effective functioning of the Board and its committees.

SECTION 1: THE BOARD (CONT'D)

2. Nominating Committee (cont'd)

- Appointment to the Board and Re-election of Directors

Appointment of new Directors to the Board or Board Committee is recommended to the Nominating Committee for consideration and approved by the Board in accordance to the formal policy and procedures on nomination and selection of Directors developed by Nominating Committee and approved by the Board. It is the policy of the Board that highly qualified candidates with sufficient and relevant knowledge, skills and competency are sought to serve as members of the Board to effectively discharge its responsibilities and duties and contribute in the governance of the Group while at the same time gender and ethic balance are being upheld within the Board shall such potential candidate is available. In particular, individuals who are nominated and selected by the Board to be a director should:-

a. possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of knowledge, skills, diverse perspectives and backgrounds to its deliberations;
b. possess knowledge, skills and experience to complement and strengthen the knowledge, skills and experience possessed by existing members of the Board to discharge its duties and responsibilities effectively and efficiently; and
c. have the highest ethical standards, a strong sense of professionalism and intense dedication to serve the interests of the stakeholders.

The process for the nomination and selection of Directors per the policy involves identification of potential candidates, evaluation of suitability of candidates based on agreed upon criteria for experience, knowledge, skill and boardroom diversity, meeting up with candidates and background check, final deliberation by Nominating Committee and recommendation to the Board. Nominating Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities under nomination and selection procedure.

The criteria used for the evaluation of candidates for new director as stated in the policy includes the required leadership experience, knowledge and skill sets required of a director in public listed company, personal qualities (including intelligence and wisdom, self-assuredness, interpersonal and communication skills, courage and inquisitiveness), integrity and professionalism, independence of independent director and required ethnic and gender diversity at the Board room. In particular, the Board is supporting gender diversity within the Group, with a particular focus on supporting the representation of women at the Board and at the senior level of management within the Group. Nominating Committee is tasked to look for at least one women representative at the Board and at the senior level of management within the Group as and when such potential candidate and position is available. There was no appointment of new director during the financial year ended 31 December 2016.

All Board members who are newly appointed are subject to retirement at the subsequent Annual General Meeting of the Company. All Directors (including the Group Managing Director) will retire at regular intervals by rotation at least once every three years and shall be eligible for re-election.

- Board Evaluation

The Board, through the Nominating Committee, had established criteria to ensure board composition and diversity with right mix of knowledge, skills and competency for which performance evaluation are to be based upon. The criteria adopted for the board's performance evaluation is based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, which includes board mix and composition, quality of information and decision making and board activities.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 1: THE BOARD (CONT'D)

2. Nominating Committee (cont'd)

- Board Evaluation (cont'd)

In addition, peer review of the performance, knowledge, competency and skills of fellow directors is required to be performed by each director based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, whereby the composition; strategy and entrepreneurship; legal and regulatory requirements; corporate governance, risk management and internal controls; audit, accounting financial reporting and taxation; human capital; sales and marketing; and production and quality control are assessed.

As for the performance evaluation of board committees, the Board assesses the performance of the Audit Committee, Nominating Committee, Remuneration Committee and ESOS Committee based on the recommended evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, which includes committees' composition, contribution to the board's decision making, expertise, appointment as well as timeliness and quality of communication and minutes.

As an important independent element within the Board, members of the Audit Committee are required to perform his/her self-financial literacy evaluation with evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad concentrating on ability and competency on read, analyse and interpret financial statements, cost accounting, budget and management discussion and analysis. For independence assessment, individual independent non-executive directors are required to perform self-assessment of his/her independence on annual basis based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad concentrating on independency and objectivity criteria. Apart from that, the members of the Audit Committee are required to perform the self and peer evaluation of the individual members of the Audit Committee to assess the professionalism, experience, knowledge, skills and understanding of the Group's businesses based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad. Furthermore, an assessment of the effectiveness of the Audit Committee are performed through Audit Committee Evaluation Questionnaire based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad focuses on quality and composition, skills and competencies, meeting administration and conduct as well as the activities carried out by the Audit Committee.

On annual basis, the Company Secretary circulates to each director with the relevant assessment and review forms/ questionnaires in relation to the aforementioned assessments/reviews with sufficient time for all the directors to complete in advance of the meeting of the Nominating Committee and the Board in order for the Company Secretary to collate the assessment/review results for the Nominating Committee to review and report to the Board.

With the above evaluation/review processes, the Board, through the Nominating Committee, reviewed and assessed its required mix of skills and experience and other qualities, including core competencies which directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively. Based on the above assessments, the Board was satisfied with the existing board composition and was of the opinion that all directors and board committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. Other than that, the Board was of the opinion that its present size and composition is optimal based on the Group's operations and that it reflects a fair mix of financial, technical and business experiences that are important to the stewardship of the Group.

In addition, based on the above assessments performed on Audit Committee and its members, the Board was of the opinion that the Audit Committee and its members had carried out their duties in accordance with their terms of reference based on the listing requirements.

SECTION 1: THE BOARD (CONT'D)

3. Remuneration Committee

The Remuneration Committee comprises of three (3) members, all of whom are Non-Executive Directors and is governed by written terms of reference approved by the Board. They are tasked to review and to recommend to the Board the remuneration packages of the Executive Directors. The composition of the Remuneration Committee is set out in the Corporate Information section of this Annual Report.

The rights and authorities of the Remuneration Committee are:

- Have adequate resources required to perform its duties; and
- Have full and unrestricted access to information, records and documents relevant to its activities.

The functions and duties of the Remuneration Committee, as approved by the Board, are:

- To recommend to the Board the remuneration package and other terms of employment of the Executive Directors of the Company;
- To recommend to the Board of the respective subsidiaries on the remuneration packages and other terms of employment of the chief executive officers as the Committee is designated to consider;
- To oversee any major changes in employee remunerations and benefit structures throughout the Group;
- To review the policies governing the remuneration and promotion of senior executive officers of the Group; and
- To engage the service of consultants as the Committee shall deem necessary to fulfill its responsibilities.

The Remuneration Committee held a meeting during the financial year ended 31 December 2016 to review the proposed revision of director fees for Non-Executive Directors, proposed remuneration package of Executive Directors and Senior Management and with such recommended director fees and remuneration packages were submitted to the Board for approval.

- Director's Remuneration

The Board assumes the overall responsibility to establish and implement effective remuneration review practice for the members of the Board in order to attract, retain and motivate directors positively in pursue of the medium to long term objectives of the Group and are reflective of their experience and level of responsibilities. The Board had put in place a formal board remuneration policy for adoption by Remuneration Committee in the review and consideration of proposed remuneration package of the members of the Board. Major components of the remuneration package for executive director and non-executive director are identified for review based on criteria established in the formal policy.

The objectives of the formal board remuneration policy are as follows:

- to enable the Company to attract and retain highly qualified members to enable the Company to provide a well-balanced and competitive directors compensation package.
- to ensure that the interests of Executive Directors are aligned with the business strategy, risk tolerance, values and medium to long-term interests of the Group and is consistent with the "pay-for-performance" principle.
- to promote strong teamwork culture among the Executive Directors.
- to instill transparency and openness in the review and approval of compensation package of the Board's members.

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the non-executive directors and individual non-executive director is abstained from deliberation and approval of his own remuneration.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 1: THE BOARD (CONT'D)

3. Remuneration Committee (cont'd)

A summary of the remuneration of Directors during the financial year ended 31 December 2016, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are disclosed below:-

	Group		
	Salaries, Bonuses & other emoluments RM'000	Benefits-in-kind RM'000	Fees RM'000
Executive Directors*	1,051	–	–
Non-Executive Directors	9	–	145

The number of Directors whose remuneration fall into the following bands are as follows:-

	Group	
Remuneration bands per annum	Executive	Non-Executive
RM50,000 and below	–	5
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	–
RM150,001 to RM200,000	–	–
RM200,001 to RM250,000	1	–
RM250,001 to RM300,000	–	–
RM300,001 to RM350,000	–	–
RM350,001 to RM400,000	1	–
RM400,001 to RM450,000	–	–
RM450,001 to RM500,000	1	–

Detailed disclosure is not made for each director's remuneration as it is the view of the Board that the transparency and accountability are not compromised by the band disclosure as prescribed by the MMLR.

4. Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee was established on 28 June 2011, consists of two (2) executive directors and one (1) non-executive director with the primarily responsibility to administer the new ESOS established expiring on 6 September 2021. The composition of the ESOS Committee is set out in the Corporate Information section of this Annual Report.

The authorities of the ESOS Committee are:

- To obtain advice from expert, advisers, both internal and external;
- To have full and unrestricted access to information to enable the Committee to fulfill its objectives; and
- May for the purpose of administering the ESOS Scheme, do all acts and things, execute all documents and delegate any of its authorities and duties relating to the ESOS Scheme as it may, in its discretion consider to be necessary or desirable for giving effect to the ESOS Scheme.

SECTION 1: THE BOARD (CONT'D)

4. Employees' Share Option Scheme ("ESOS") Committee (cont'd)

The functions of the ESOS Committee are:

- To implement and administer the Scheme in such manner as it shall in its discretion deem fit in accordance with the ESOS Bylaws, including to deal with the issue and allotment of new shares in the Company arising from the exercise of option by grantees;
- To decide on the number of shares to be offered to eligible participants and to make offers to eligible participants in accordance with the ESOS Bylaws;
- To recommend the subscription price of the ESOS to the Board;
- To recommend to the Board where it deems necessary, any amendment, modification, addition or deletion of the ESOS Bylaws;
- To enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate its authorities relating to the Scheme subject to the provisions of the ESOS Bylaws; and
- To take all other actions within the purview of the Committee pursuant to the ESOS Bylaws, for the necessary and effective implementation and administration of the Scheme.

During the financial year, the ESOS Committee reviewed and determined the allocations of new ordinary shares in the Company in relation to the exercise of options granted in accordance with the ESOS Bylaws. The allocations of new ordinary shares in relation to the exercise of the options granted during the financial year were reviewed by the Audit Committee.

Reinforce Independence

The composition of Independent Non-Executive Directors is in compliance with Paragraph 15.02 on Board composition whereby three (3) directors out of total seven (7) members of the Board are Independent Non-Executive 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.

Annual Assessment of Independence

All Independent Non-Executive Directors must be independent from the substantial shareholders of the Company, not being substantial shareholders themselves nor directly associated with any substantial shareholder. During the financial year, all Independent Non-Executive Directors completed independent directors' self-assessment based on prescribed criteria as recommended by the Corporate Governance Guide issued by Bursa Malaysia Berhad on his independence for the Nominating Committee's review and recommendation to the Board in order for the Board to form an opinion on the independency of the Independent Non-Executive Directors. Based on the above assessment performed in 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors, and their ability to bring independent and objective judgement to board deliberations.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 1: THE BOARD (CONT'D)

Tenure of Independent Directors

The policy on independent director as per Board Charter for the group states that the tenure of an independent director should not exceed a cumulative term of nine (9) years with intervals, and upon the completion of the nine (9) years, an Independent Director may continue to serve the Board subject to such Director's re-designation as a Non-Independent Director. Independent Director who has served a cumulative term of nine (9) years may continue to serve the company in that capacity, subject to shareholders' approval and the Board must make a recommendation and provide strong justification to the shareholders in a general meeting.

During the year, based on the independent directors' self-assessment submitted to the Nominating Committee for review and recommendation and subsequent review and deliberation by the Board, the Board concluded that Mr. Wong Meng Tak, being the Independent Non-Executive Director who had served on the Board for cumulative term of more than nine (9) years, remains objective and independent in participating in the deliberations and decision making of the Board and Board Committees he is in. The length of his service on the Board did not interfere with his exercise of independent judgment and he acts in the best interest of the Group, notably as Chairman of both Audit and Nominating Committee. Accordingly, ordinary resolution 7 to retain Mr. Wong Meng Tak as Independent Director is proposed for shareholders' approval at the Thirteenth Annual General Meeting of the Company pursuant to the Recommendation 3.3 of the Codes.

Separation of the Position of the Chairman and the Group Managing Director

To ensure that there is a balance of power and authority within the Board, the position of the Chairman and the Group Managing Director is separated and there is a clear division of responsibility between the Chairman who is non-executive director and the Group Managing Director who is executive director.

The Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the Group Managing Director is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board. In addition, the Chairman represents the Board to the shareholders to ensure orderly conduct and proceedings of general meetings as well as effective two-way communication with the shareholders. On the other hand, the Chairman acts as facilitator at the meetings of the Board to ensure that no board member dominates the discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming. Despite the fact that the Chairman is not an independent director, the Board is of the opinion that the Chairman, being the experienced professional well known in the corporate scene for more than 20 years, is able to provide the leadership role for the Board impartially and objectively and continuously preserve the independence and objective element in the proper conduct of the Board, not to mention the wealth of knowledge and experience that he is able to bring onto the Board.

The detailed role and responsibilities of the Board, Chairman and Executive Directors (including the Group Managing Director) are enshrined in the Board Charter published in www.do.com.my.

FOSTER COMMITMENT

Time Commitment

In order for the Board to operate effectively with each board members contribute based on their respective knowledge and skill sets in the management of the Group, each board members are expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence. To ensure the time commitment from individual Directors and to facilitate planning, individual meeting dates for the following financial year are scheduled during the Board Meeting held at the end of financial year.

SECTION 1: THE BOARD (CONT'D)

Time Commitment (cont'd)

As a mean to ensure sufficient time commitment by each board members, all board members shall notify the Chairman of the Board before accepting any new directorship or significant commitments outside the Company, including an indication of the time that will be spent on the new appointment. The Chairman shall also notify the Board if he or she has any new significant commitments outside the Company.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, none of the Directors must hold directorships at more than five (5) public listed companies.

Directors' Training

All Executive Directors have been with the Company for several years and are familiar with their duties and responsibilities as Directors. In addition, any newly appointed directors will be given briefings and orientation by the Executive Directors and Senior Management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

All the Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities and they are mindful that they should receive appropriate continuous training and to attend seminars and briefings in order to broaden their perspective and to keep abreast with new developments for the furtherance of their duties.

During the financial year ended 31 December 2016, all Directors received regular briefings and updates on the Group's business and operations, as well as being updated on new regulations and statutory requirements. The Board identified the training needs of the members of the Board through the formal peer assessment of skills possessed by individual Directors submitted by the members of the Board and reviewed by Nominating Committee to identify the knowledge and skills required by the Board to discharge its responsibilities.

During the financial year, all members of the Board have attended training(s) that were organized by regulatory bodies or professional organizations. The trainings attended by individual Board member are shown in the following table:-

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Dato' Mohammed Azlan Hashim	Sustainability Reporting	KPMG
	Directors' Training (Companies Bill 2016)	D & O Green Technologies Berhad
	Fung Healthcare Leadership Summit 2016	IDS Medical Systems Group (idsMED)
	KNB Megatrend Forum 2016	Khazanah Nasional Berhad
	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad

CORPORATE GOVERNANCE STATEMENT
(cont'd)

SECTION 1: THE BOARD (CONT'D)

Directors' Training (cont'd)

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Tay Kheng Chiong	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad
Cheam Dau Peng	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad
Goh Nan Yang	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad
Wong Meng Tak	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Audit Committee Workshop E: Understanding Complex Financial Reporting under MFRS/IFRS	Malaysian Institute of Accountants
	Audit Committee Workshop F: The Statement on Risk Management & Internal Control	Malaysian Institute of Accountants
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad
Yeow See Yuen	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad

SECTION 1: THE BOARD (CONT'D)

Directors' Training (cont'd)

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Jesper Bjoern Madsen	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd
	Overview of the Companies Bill, 2016	Mega First Corporation Berhad
Low Tek Beng	Amendments to Main Market Listing Requirements March 2016 & Proposed Malaysia Code on Corporate Governance 2016	NeedsBridge Advisory Sdn Bhd.
	Key Disclosure Obligations of a Listed Company	CKM Advisory Sdn Bhd

SECTION 2: ACCOUNTABILITY AND AUDIT

Uphold integrity in financial reporting

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities.

All financial statements, both annual financial statements to shareholders and quarterly announcement of financial results, were reviewed by the Audit Committee and approved by the Board to ensure accuracy, adequacy and completeness of information and compliance with relevant accounting standard and regulations prior to release to regulatory authorities.

A summary of the works of the Audit Committee in the discharge of its functions and duties during the financial year is set out in the Audit Committee Report on pages 39 to 43 of this Annual Report.

Relationship with Auditors

The Group maintains a close and transparent relationship with its external and internal auditors in seeking professional advice and ensuring compliance with the company policies and procedures, approved accounting standards and relevant regulations in Malaysia.

The role and responsibilities of the Audit Committee in relation to the external and internal auditors are prescribed in the Audit Committee's Terms of Reference.

The engagement of the external auditors is governed by the engagement letter with terms of engagement which includes, amongst others, the scope of coverage, the responsibilities of the external auditors, confidentiality, independence and the proposed fees reviewed by the Audit Committee and its recommendation to the Board.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 2: ACCOUNTABILITY AND AUDIT (CONT'D)

Relationship with Auditors (cont'd)

Prior to the commencement of the external audit engagement, the external auditors present the Audit Planning Memorandum to the Audit Committee whereby the engagement and reporting requirements, audit approach, significant events during the year, areas of audit emphasis, communication with management, engagement team and reporting timeline and deliverables are tabled to the Audit Committee for review. Upon completion of the audit engagement, the external auditors present Audit Review Memorandum to the Audit Committee on the significant audit findings, deficiencies in internal control and status of the audit. In addition, the Audit Committee meet privately with the external auditors without the presence of the executive directors and management at the same meeting to encourage two-way communication of the information and views and for the external auditors to freely express their opinion without undue pressure. The oversight of the external auditors is enhanced by the conduct of performance evaluation of the external auditors by the Audit Committee and subsequently reports to the Board. The performance evaluation criteria include, caliber of the auditors, quality processes and performance, the engagement team, independence and objectivity, audit scope and planning, audit fees and audit communication.

Having considered the external auditors had performed audit services to the Company satisfactorily in term of quality and timeliness since it was incorporated and had put in place an internal quality control processes to mitigate quality as well as independence and objectivity risks coupled with the review of the performance and independence performed by the Audit Committee and reported to the Board during the financial year, the Board is of the opinion that the external auditors is suitable and able to deliver the assurance engagement professionally and diligently with sufficient level of independence under the relevant laws and regulations and will recommend their reappointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The summary of oversights and activities of Audit Committee involving the external and internal auditors is set out on pages 39 to 43 of the Audit Committee Report and pages 44 to 49 of the Statement of Risk Management and Internal Control.

Independence of External Auditors

The Board recognizes the importance of the independence and capability of external auditors to bear on the reliability and quality to the annual financial statements prepared for the stakeholders.

On annual basis prior to the commencement of the audit engagement, through engagement letter, external auditors of the Group confirm in writing to the Audit Committee on their independence in relation to the audit works to be performed and their commitment to communicate to the Audit Committee on their independence status on ongoing manner.

Formal policy and procedures on independence assessment of external auditors had been established by the Audit Committee to assess the external auditors during appointment, re-appointment, resignation and dismissal of external auditors. Provision of non-audit services by external auditors that above established threshold required prior review and approval from the Audit Committee to ensure the independency and objectivity of the external auditors are not compromised by the proposed non-audit services.

During the financial year, the Audit Committee conducted formal assessment on external auditors' independence and objectivity. Based on the assessment, the findings and opinions of the Audit Committee were submitted to the Board for review. With this assessment, the Board was satisfied that the external auditors are independent and objective in fact and appearance.

SECTION 3: RISK MANAGEMENT

Recognise and manage risks

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls and internal audit mechanism to safeguard shareholders' investment and the Company's assets. During the financial year, members of the Senior Management of the Group submitted to the Board the controls and regulation self-assessment to assist the Board to perform its review on the adequacy and effectiveness of the risk management and internal control system of the Group in pursuit of its strategic objectives.

Please refer to the Statement on Risk Management and Internal Control made in pursuance of paragraph 15.26(b) of the MMLR set out on pages 44 and 49 of this Annual Report for the relevant policies established and activities undertaken to ensure the adequacy and effectiveness of governance, risk and control structures and processes put in place by the Group.

SECTION 4: CORPORATE DISCLOSURE

Ensure timely and high quality disclosure

The core communication channel with the stakeholders employed by the Company is the announcements made through Bursa Securities and it is the Company's internal procedure that all announcements to be made through Bursa Securities are to be approved by the Board, prior to its release. The Board is observing all disclosure requirements as laid down by MMLR and Capital Markets and Services Act 2007 in order to have all material event and information to be disseminated publicly and transparently on timely basis to ensure fair and equitable access by all stakeholders without selective disclosure of such information to specific individuals or groups. The corporate disclosure by the Company is further enhanced by way of the Group Managing Director and Chairman of the Board assuming the role of authorized speaker for the Company during press conferences and analyst briefings to ensure factual accurate and consistent disclosure.

To ensure that communications to the public are timely, factual, accurate, and complete, the Board has adopted a Corporate Disclosure Policy which set out the policies and procedures for the disclosure of material information of the Group. It also includes an internal control practice to ensure that confidential information is handled properly by relevant parties to avoid leakage and improper use of such information. This policy is applicable to all employees (including full time, probationary, contract and temporary staff) and Directors of the Group.

Leverage on Information Technology

In order to promote transparency and thoroughness in public dissemination of material information, the Company's website incorporates an "Investor Relations" section which provides all relevant information on the Company and is accessible by the public via http://www.do.com.my. The "Investor Relations" section enhances the Investor Relations function by including all announcements made by the Company, annual reports on the Company and relevant board charter and policies as well as terms of reference of relevant board committees established and implemented by the Board for the public to access. Furthermore, email address is provided in "Contact" section of Company's website to which concerns or request of any investor can be forwarded to.

The Board acknowledges that such initiatives can be further reinforced by incorporating additional information, such as shareholders right, in "Investor Relations" section of the corporate website.

CORPORATE GOVERNANCE STATEMENT

(cont'd)

SECTION 5: SHAREHOLDERS

Encourage shareholders participation at general meetings

The Annual General Meeting is the principal forum for dialogue with shareholders. The shareholders are given the opportunity and are encouraged to participate in general meetings of the Company. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Shareholders are kept well informed of developments and performances of the Group through announcements made to the Bursa Securities and press releases (where appropriate) as well as the Annual Report. The Annual Report contains all the necessary disclosures in addition to facts and figures about the Group. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Group and its operations.

Adequate time is given during Annual and Extraordinary General Meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. The external auditors are also present at annual general meeting to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

In addition to the above, the Company also welcomes requests for meetings and interviews with professionals from the investment community and is always willing to meet up with institutional investors when required, to elaborate or further clarify information already disclosed to the other shareholders.

The Board recognizes the above commitments can be further enhanced by publishing such measures in the corporate website.

Poll Voting

There were no substantive resolutions put forth for shareholders' approval during Twelfth Annual General Meeting held on 25 May 2016. All resolutions put forth for shareholders' approval at the Twelfth Annual General Meeting were voted on by a show of hands.

In compliance of the MMLR, all resolutions put forth for shareholders' approval at the Thirteenth Annual General Meeting to be held on 25 May 2017 are to be voted by way of poll voting.

SECTION 6: DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that:

i. the annual financial statements of the Group and the Company are prepared in accordance with the provisions of the Malaysian Companies Act and applicable approved accounting standards of Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2016, and of the results of their operations and cash flows for the year ended on that date; and

ii. proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In preparing the annual audited financial statements, the Directors have:-

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;
- prepared the annual audited financial statements on a going concern basis; and
- obtained representation from the Group Financial Controller on matters on financial reporting through self-assessment by the Group Financial Controller.

ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts with Related Parties**

  Except recurrent related party transactions as disclose on page 146 of this annual report, there was no other material contracts subsisting at the financial year ended 31 December 2016 or entered into since the end of financial year by the Company and its subsidiaries which involve the interests of Director, Chief Executive who is not a director and major shareholders.

- **Option, warrants or convertible securities**

  During the financial year, the Company has granted 22,639,000 share options under the D&O Employees' Share Option Scheme 2011 ("ESOS") of the Company. The number of shares options accepted was 22,564,000. The new ESOS is expiring on 6 September 2021 and is exercisable in stages if the employee remains in service after 1 year from the date of grant.

  With regards to the options granted to the directors and senior management, the aggregate allocation applicable to them since commencement of the scheme was 65,170,000 options, which is equivalent to 43.9% of the new shares of the Company available under the scheme.

  Please refer to pages 108 to 111 of the audited financial statement of the Company for the year ended 31 December 2016 for the additional details of the ESOS.

- **Audit and Non-audit fees**

  The audit and non-audit fees incurred for services rendered by the external auditors and their affiliated firms and companies to the Company and its subsidiaries for the financial year were as follows:

	The Company	The Group
Audit Fees (RM)	41,000	99,700
Non-Audit Fees (RM)	6,730	22,540

- **Utilisation of proceeds**

  The utilisation of the RM64.845 million proceeds raised from the subscription of 11,000,000 new ordinary shares of RM1.00 each in Dominant Opto Technologies Sdn Bhd by Epistar Corporation on 9 November 2015 has been fully utilised as follows:

Purpose	Proposed Utilisation As per Circular dated 16 Oct 2015 RM'000	Actual Utilisation up to 31 Dec 2016 RM'000	Transfer RM'000	Balance RM'000
Working capital	64,405	(64,419)	14	–
Estimated expenses for the corporate proposal	440	(426)	(14)	–
	64,845	(64,845)	–	–

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present below the report of Audit Committee:-

Composition

The members of the Audit Committee are as follows:-

Name	Position
Wong Meng Tak (Senior Independent and Non-Executive Director)	Chairman
Yeow See Yuen (Independent and Non-Executive Director)	Member
Jesper Bjoern Madsen (Independent and Non-Executive Director)	Member

At least one member of the Audit Committee fulfil qualification under paragraph 15.09 (1) (c) and paragraph 7.1 of Practice Note 13 of Main Market Listing Requirements ("MMLR").

The full details of the AC's Terms of Reference are published on the Company's corporate website (www.do.com.my) under "Investor Relations".

The profile of the members can be found on pages 14 to17 of this Annual Report.

1. Attendance of Meetings

There were five (5) meetings held by the Audit Committee during the financial year ended 31 December 2016 and details of their attendance are as follows:-

Name	Attendance of Audit Committee meetings
Wong Meng Tak	5/5
Jesper Bjoern Madsen	5/5
Yeow See Yuen	5/5

The meetings were attended in full by all members and all were Independent Non-Executive Directors.

The meetings were appropriately structured through the use of notices of meeting and agendas, which were distributed together with the minutes of the previous meeting and relevant papers and reports to the members at least five (5) days before the meetings with sufficient time allowed for review by the members for the proper discharge of their duties and responsibilities diligently and effectively in compliance with the MMLR and the terms of reference.

The Group Financial Controller and representatives from the external and internal auditors were also invited to attend and brief the members on specific issues during the Meeting.

The Company Secretary is the Secretary of the Committee and is responsible, together with the Chairman, to draft the agenda and circulating it prior to each meeting.

AUDIT COMMITTEE REPORT

(cont'd)

2. Summary of the works of the Audit Committee

The followings are the works performed by the Audit Committee during the financial year ended 31 December 2016:-

a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of the internal audit reviews with the internal auditors.

During the financial year, the outsourced internal audit function reported the findings, recommendations and management action plans in relation to the internal audit cycles carried out based on the approved internal audit plan. Apart from that, the outsourced internal audit function reported to the Audit Committee on the progress of the approved internal audit plan for their review and subject to the revision of the internal audit focus and scope by the Audit Committee if it deems necessary based on the risk consideration. In addition, the outsourced internal audit function reported to the Audit Committee, through progress update report, the resources, experience, competency and continuous professional development of the outsourced internal audit function for its review on adequacy.

Please refer to the Statement of Risk Management and Internal Control from pages 44 to 49 for the oversights of the Audit Committee on the outsourced internal audit function.

b) Reviewed the quarterly financial reports for announcement to the regulatory authorities and year-end statutory accounts with management as well as reviewed with management their preparation for the annual financial statements prior to commencement of the annual audit.

During the scheduled quarterly meetings, the Group Financial Controller presented the draft quarterly financial statements for the Audit Committee's review by going through the draft financial statements (including the notes to the account) with the Audit Committee. The key focuses during the review are on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with MMLR and other legal requirements.

The review of the quarterly financial reports performed by the Audit Committee is supplemented by the analysis of the financial performance of the key operating subsidiaries and debtor ageing analysis as well as comparison of actual financial results against budgeted financial results. Furthermore, the Audit Committee able to assess the reasonableness of the assumption and estimates made in the draft financial quarterly financial statements based on the report by the Group Managing Director on the operation, proposed business and product strategy and proposed business/capacity expansion.

The Audit Committee also seek confirmation from the Management that sufficient resources with reasonable competency was available to ensure that the financial accounts were prepared timely and reliably.

c) Reviewed with external auditors on their audit plan prior to the commencement of audit.

During the financial year, the external auditors presented the Audit Planning Memorandum to the Audit Committee for review and comment prior to the commencement of the audit to ensure the audit scope is adequate and reasonable time was allowed to ensure the audit carried out effectively and not under undue time pressure. The Audit Planning Memorandum by the external auditors covers the audit objectives, responsibilities of the Management/the Audit Committee/the Board/the external auditors, engagement and reporting requirements, communication with the Audit Committee and Management, revised engagement letter, audit approach, significant events during the financial year, areas of audit emphasis, engagement team and reporting timeline and deliverables, scope of component auditors and proposed audit fees.

AUDIT COMMITTEE REPORT
(cont'd)

2. Summary of the works of the Audit Committee (cont'd)

d) Reviewed the annual statutory accounts, the Audit Report, issues and reservations arising from audits and the management letter, with the external auditors.

Prior to announcement of final quarterly financial statements, the external auditors presented Audit Review Memorandum to the Audit Committee for audit findings arising from the audits and the external auditors' comments with the unadjusted audit differences, if any. During the meeting, the external auditors presented the expected audit opinion on the financial statements, accounting records and other records and register and Statement of Risk Management and Internal Control. In addition, confirmation was sought from the external auditors by the Audit Committee that the results for the financial year were not differ by 10% or more from unaudited results previously made or released by the listed issuer for that period.

During the financial year, the Audit Committee recommended for the Board's approval and adoption of the audited statutory financial statements of the Company and the Group after they are:

1. satisfied with the adequacy of the internal audit coverage on the effectiveness and reliability of the supporting internal controls and records;
2. satisfied that the audit had been adequately plan and carried out in accordance with the approved auditing standards after the review with the external auditors and the Management; and
3. satisfied that the presentation of the financial statements was in compliance with the statutory requirements and applicable accounting standards after review with the external auditors and the Management.

e) Reviewed the disclosure of related party transactions and any conflict of interest situation and transactions which may have an impact on management integrity.

During the scheduled quarterly meetings, the Group Financial Controller reported to the Audit Committee the value of the transactions of individual recurrent related party transactions ("RRPT") as compared to the approved value of transactions per the shareholders' mandate obtained in the previous general meeting to identify RRPT exceeded or about to exceed the approved amount per the shareholders' mandate so that prompt action can be taken to resolve. Apart from this, the Group Financial Controller also reported to the Audit Committee the value of the transactions of related party transactions on which shareholders' mandate was not required per the MMLR for the Audit Committee to review.

During the meeting, the Audit Committee sought confirmation from the Management and enquired into the RRPTs and related party transaction to ensure that such transactions were on terms not more favourable to the related party than those generally available to the public.

f) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies.

At scheduled quarterly meetings, the Audit Committee was kept aware of the new and revision of the accounting standards through the disclosure of revision of the financial reporting standards in the quarterly announcement reviewed and confirmed by the external auditors. The Audit Committee sought clarification of the application and impact of new and revised accounting standards with the external auditors should the needs arise. The Audit Committee also received trainings by professionals on the updates and changes in MMLR and proposed changes in Malaysia Code on Corporate Governance during the financial year to assess the impacts on the financial reporting and corporate governance compliance requirements.

AUDIT COMMITTEE REPORT

(cont'd)

2. Summary of the works of the Audit Committee (cont'd)

g) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman.

h) Reviewed the Chairman Statement, Corporate Governance Statement, Audit Committee Statement and the Statement of Risk Management and Internal Control on compliance with the MMLR and Malaysian Code of Corporate Governance, Board's responsibility on the Annual Audited Accounts and other relevant documents, for publication in the Company's Annual Report.

The reviews were performed through meeting held with the Management to seek confirmation and clarification and presentation by the professional firm on the results of the review of the compliance with the MMLR and Malaysian Code of Corporate Governance of the Corporate Governance Statement, Audit Committee Statement and the Statement of Risk Management and Internal Control.

i) Reviewed of the draft circular to shareholders – proposed renewal of Shareholders' Mandate for RRPTs of a revenue or trading nature.

The Audit Committee reviewed the draft circular with the Company Secretary and the Management to ensure that the contents and presentation were in accordance with the MMLR.

j) The Audit Committee had met once with the external auditors on 23 November 2016 without the presence of the executive board members and management where they are given the opportunity to raise any concern or professional opinion and thus, to be able to exert its functions independently.

During the private session, the external auditors informed the Audit Committee that there were no major audit issues to be highlighted to the Audit Committee and the Management was cooperative during the audit.

k) Identified high risk areas and sought mitigation and responses from the Management.

During the review of the financial performance and presentation of the financial performance of the key operating subsidiaries as well as operation performance and business strategy, the Audit Committee identified areas or matters with potential high risks. The Audit Committee sought clarification and mitigation plans from the Management on the potential high risk events with follow-up at subsequent meeting as matters arising therefrom until it is satisfied that such events are properly addressed based on the risk appetite of the Board.

l) Follow up on the litigation brought by the Group

During its scheduled quarterly meetings, the Audit Committee was updated by the Management of the progress of the litigation brought by the Group to recover bad debts from customers. Proposed next course of actions are tabled to the Audit Committee for review and its report to the Board for final decision.

m) Reviewed the proposed changes to the terms of reference of the Audit Committee and recommended to the Board for approval.

During the financial year, the Audit Committee review the proposed changes of the terms of reference of the Audit Committee by the Company Secretary after taking into consideration of the changes in the MMLR. The proposed changes of the terms of reference of the Audit Committee are submitted to the Board for approval.

AUDIT COMMITTEE REPORT

(cont'd)

3. The Internal Audit Function and Activities

The Group's internal audit function is outsourced to a professional firm. The outsourced internal audit function assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. The outsourced internal audit function reports directly to the Audit Committee. The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms including purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The scope of review by the outsourced internal audit function, through the internal audit plan, is determined and approved by the Audit Committee with feedback from executive management.

During the financial year, the outsourced internal audit function conducted periodic internal audit reviews in accordance with the internal audit plan approved by the Audit Committee. Areas of improvement in internal controls had been identified and formally tabled at the quarterly Audit Committee meetings. Follow up reviews were carried out to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee. The further details on outsourced internal audit function and internal audit activities are disclosed in the Statement of Risk Management and Internal Control available in pages 44 to 49 of this annual report.

In addition, the oversight of the internal audit function by the Audit Committee was enhanced with the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/ exposure and continuous professional development for the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors ("the Board") of D & O Green Technologies Berhad ("the Company") (collectively with its subsidiaries, "the Group") is pleased to present the statement on the state of the internal controls of the Group for the financial year ended 31 December 2016.

BOARD RESPONSIBILITIES

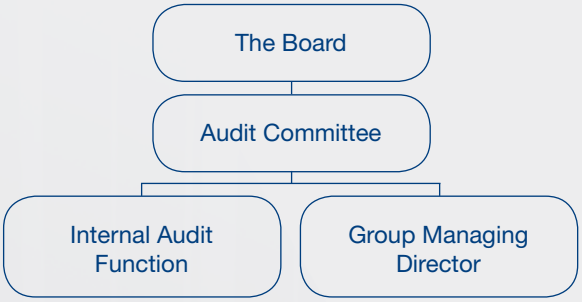
The Board affirms its overall responsibility for maintaining a sound risk management and internal control systems and for reviewing their adequacy and effectiveness so as to safeguard all its stakeholders' interests and protecting the Group's assets. The Board has delegated these aforementioned responsibilities to the Audit Committee whereby the Audit Committee is assigned with the duty, through its terms of reference approved by the Board, to provide assurance to the Board on the effectiveness of risk management and internal control systems of the Group. Through the Audit Committee, the Board is kept informed on all significant control issues brought to the attention of the Audit Committee by the Management, the internal audit function and the external auditors.

The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

The Board recognise risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review. The Board had put in place a structured Risk Management Policy, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group adequately and effectively as second-line-of-defense. The duties for the identification, evaluation and management of the key business risk are delegated to the Group Managing Director.

The Risk Management Policy established lays down the risk management's objectives and processes established by the Board with formalised governance structure of the risk management activities of the Group established as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RISK MANAGEMENT (CONT'D)

Clear roles and responsibilities of the Board, the Audit Committee, Group Managing Director, operational management (as risk owners), financial controller (as key risk officer) and internal audit function are defined in the Risk Management Policy. In particular, the roles and responsibilities of the Group Managing Director in relation to the risk management are as follows:-

(a) implement the risk management framework as approved by the Board;
(b) develop and implement the risk management process which includes the identification of key risks and devising appropriate additional action plan in cases where existing controls are ineffective, inadequate or non-existent and communicate methodology to the Heads of Department;
(c) ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc) and risk management policy;
(d) periodic review and update of the Key Risks Register of the Group and determination of corrective management action plan, if required; and
(e) update the Board on changes to the Key Risks Register on periodical basis (at least on annual basis) respectively or when appropriate (due to significant fluctuations to the register) and the course of action to be taken by management in managing the changes.

In addition, the operational management team, i.e. the heads of departments/divisions, is designated as risk owners within their area of expertise and operational responsibilities with the following roles and responsibilities:

(a) manage the risks of the business processes under his/her control;
(b) identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, he/she shall report to the Group Managing Director and assist the Group Managing Director with the development of the management action plans and implement these action plans;
(c) assist the Group Managing Director with the periodic update on the changes in the Key Risks Register, management action plans and the status of these plans;
(d) ensure that staff working under the heads of departments/divisions understand the risk exposure of the relevant process under his / her duty and the importance of the related controls; and
(e) ensuring adequacy of training for staff on risk management.

Systematic risk management process is stipulated in the Policy, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the Group Managing Director and the operational management. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board that are stipulated in the Policy. Based on the risk management process, key risk registers were compiled by the Financial Controller and the operational management, with relevant key risks identified rated based on the agreed upon risk rating before report to the Group Managing Director. The key risk registers are used for the identification of high residual risks which is above the risk appetite of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risks monitoring mechanism, the Management is scheduled to review the key risk registers of key operating subsidiaries and assessment of emerging risks identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

During the financial year under review, the Management conducted a review and assessment exercise whereby existing strategic, governance and key operational risks of key manufacturing-based subsidiary were reviewed with emerging risks assessed and incorporated into the key risk registers for on-going risk monitoring and assessment, after taken into consideration of the internal audit findings. Key risk profile, consists of strategic risks and key operational risks, was compiled and tabled to the Audit Committee for review and deliberation and for its reporting to the Board, which assumes the primary responsibility of the risk management of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Senior Management and presented to the Group Managing Director and Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite approved by the Board. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first-line-of-defense, respective heads of departments/divisions (i.e. risk owners) are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Group Managing Director for the final decision on the formulation and implementation of effective internal controls and reported to the Audit Committee and the Board by the Financial Controller and Group Managing Director respectively.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Audit Committee.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:-

- **Board of Directors/Board Committees**

  Board Committees (Audit Committee, Remuneration Committee, Nomination Committee and Employees' Share Option Scheme ("ESOS") Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

  Meetings of Board of Directors and respective Board Committees (except ESOS Committee) are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Group Managing Director for the Board's review and approval, after taking into risk consideration and responses.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in formal Code of Ethics and Conduct For Directors established and approved by the Board on 31 December 2013. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Employees Handbook whereby the ethical behaviours expected with the customers, suppliers, employees, society and environment are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Employees Handbook.

  To further enhance the ethical value throughout the Group, formal anti-bribery and corruption policy had been put in place by the Management to reduce the risk of bribery and conflict of interest within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL CONTROL SYSTEM (CONT'D)

- **Organisation Structure and Authorisation Procedures**

  The Group has a formal organisation structure in place to ensure appropriate level of authorities and responsibilities are delegated accordingly to competent staffs in achieving operational effectiveness and efficiency. The authorisation procedures for key processes are stated in the Group's policies and procedure.

- **Policies and Procedures**

  The Group has documented policies and procedures that are regularly reviewed and updated to ensure its relevance to support the Group's business activities in achieving the Group's business objectives.

- **Periodical and/or Annual Budget**

  Annual Budget for the Group is presented and approved by the Board on an annual basis and is applied to every key divisions of the Group. The actual performances are closely monitored against budgets to identify significant variances for prompt actions to be taken.

- **Human Resource Policy**

  Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

  Performance evaluations are carried out for all levels of staff to identify performance gaps, for training needs identification and talent development.

- **Information and Communication**

  At operational level, clear reporting lines established across the Group and operation reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and the Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

  The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organisation structure for review and decision making. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL CONTROL SYSTEM (CONT'D)

- **Monitoring and Review**

  At operational level, key performance indicators are formulated to monitor the performance of key divisions/departments against targets established for prompt management action to be taken for unsatisfactory operational performance. Periodical management meetings are held to discuss and review budgets, financial and operational performance of key divisions/departments of the Group. The monitoring of compliance with relevant laws and regulations are further enhanced by review of specific areas of safety, health and environment by independent consultants engaged by the Group.

  Apart from the above, monthly management accounts and the quarterly financial statement containing key financial results and comparison against budgets area presented to the Board for their review. Operational and financial performance report is also presented by the Group Managing Director during the Board's meeting for the Board to assess the operational performance and future prospect of the Group as well as the external environment to be faced by the Group ahead.

  In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors as well as surveillance audit by independent consultants engaged by the Group serve as the fourth-line-of-defense.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional firm, who, through the Audit Committee provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's systems on the risk management and internal control.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

Risk-based internal audit plan in respect of financial year ended 31 December 2016 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified in the key risk profile of the Group, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third-line-of-defense, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During financial year ended 31 December 2016, the outsourced internal audit function has conducted review for treasury management, bribery and corruption management, human resources management and inventory management for key manufacturing subsidiary based in Malaysia as approved by the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

Upon the completion of the individual internal audit field works during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated with the members of the Audit Committee. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

In addition, during the Audit Committee meeting, the outsourced internal audit function reports its staff strength, qualification and experience as well as continuous professional education for the Audit Committee's review.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2016 amounted to RM68,000.

ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR AND FINANCIAL CONTROLLER AND CONTROLS AND REGULATION ASSESSMENT BY SENIOR MANAGEMENT

In line with the Guidelines, the Group Managing Director, being highest ranking executive in the Company and Financial Controller, being the person primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

In addition, the Senior Management conducted assessment of controls and regulation based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad during the financial year. The criteria assessed includes, overall control environment (i.e. identification and evaluation of business risks, internal controls, information systems, insurance and corporate code of conduct), other regulatory areas (i.e. tax and duties, environment, social and governance) and legal and secretarial matters. The results of the assessment by the Senior Management was tabled to the Board for review.

CONCLUSION

Based on the review of the risk management process and internal control system as well as the monitoring and review mechanism stipulated above, coupled with the assurance provided by the Group Managing Director and the Financial Controller as well as the review by the Board of the results of the controls and regulation assessment completed by the Senior Management, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's systems of internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with 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 Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies to be set out, nor is factually incorrect.

FINANCIAL **STATEMENTS**

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DIRECTORS' REPORT

The directors of D & O Green Technologies Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services (inclusive of manufacturing plant facility services). The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) after taxation for the financial year	21,063	(1,829)
Attributable to:-		
Owners of the Company	11,273	(1,829)
Non-controlling interests	9,790	–
	21,063	(1,829)

DIVIDENDS

No dividend has been paid since the end of the previous financial year and 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 other than those disclosed in the financial statements.

DIRECTORS' REPORT

(cont'd)

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up share capital from RM98,645,129 to RM98,982,599 by way of:-

(i) an issuance of 3,100,700 new ordinary shares of RM0.10 each at an exercise price of RM0.17, pursuant to the Employees' Share Option Scheme;

(ii) an issuance of 60,000 new ordinary shares of RM0.10 each at an exercise price of RM0.26, pursuant to the Employees' Share Option Scheme; and

(iii) an issuance of 214,000 new ordinary shares of RM0.10 each at an exercise price of RM0.30, pursuant to the Employees' Share Option Scheme.

The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company;

(c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme 2011 ("ESOS").

EMPLOYEES' SHARE OPTION SCHEME 2011

Details of the ESOS are set out in Note 18(d) to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders of less than 2,096,000 options. The names of option holders as at 31 December 2016 who have been granted options of 2,096,000 shares and above, other than directors whose details are disclosed in the section on Directors' Interests in this report, are disclosed as follows:-

	Number of Share Options						
Name	**Granted in 2011* '000**	**Granted in 2013** '000**	**Granted in 2016*** '000**	**At 1.1.2016 '000**	**Granted '000**	**Exercised '000**	**At 31.12.2016 '000**
Goh Keng Chye	800	1,200	376	1,800	376	(80)	2,096
Beak Ka Weng	2,300	1,200	376	3,500	376	(100)	3,776
Chong Yew Leong	2,300	1,200	112	3,500	112	(200)	3,412
Siay Say Fei	2,800	1,730	1,504	4,530	1,504	–	6,034
Goh Nam Seng	1,500	900	–	2,400	–	–	2,400

* Options were granted on 21 September 2011 at an exercise price of RM0.17. The options will expire on 6 September 2021.

** Options were granted on 14 August 2013 at an exercise price of RM0.30. The options will expire on 6 September 2021.

*** Options were granted on 24 November 2016 at an exercise price of RM0.28. The options will expire on 6 September 2021.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they would likely be realised.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 39 to the financial statements. At the date of this report, there does not exist:-

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

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

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 substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT

(cont'd)

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

DIRECTORS

The directors who served since the date of the last report are as follows:-

DATO' MOHAMMED AZLAN HASHIM
TAY KHENG CHIONG
CHEAM DAU PENG
GOH NAN YANG
WONG MENG TAK
YEOW SEE YUEN
JESPER BJOERN MADSEN
LOW TEK BENG (ALTERNATE TO CHEAM DAU PENG)

Pursuant to Article 129 of the Articles of Association of the Company, Dato' Mohammed Azlan Hashim and Cheam Dau Peng shall retire by rotation at the forthcoming annual general meeting. Being eligible, they have offered themselves for re-election.

Wong Meng Tak, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, will seek shareholders' approval in accordance with the Malaysian Code on Corporate Governance 2012 to continue to act as an Independent Non-Executive Director of the Company.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options over shares of in the Company during the financial year are as follows:-

	Number of Ordinary Shares				
	At 1.1.2016	By exercise of ESOS	Bought	Sold	At 31.12.2016
Direct Interests in the Company					
Dato' Mohammed Azlan Hashim	107,779,302	–	–	–	107,779,302
Tay Kheng Chiong	3,545,818	180,000	42,235	–	3,768,053
Cheam Dau Peng	8,751,576	–	–	–	8,751,576
Goh Nan Yang	133,333	–	–	–	133,333
Wong Meng Tak	133,333	–	–	–	133,333
Yeow See Yuen	2,986,799	–	–	–	2,986,799
Jesper Bjoern Madsen	20,000	–	–	–	20,000
Low Tek Beng (Alternate to Cheam Dau Peng)	376,333	300,000	–	–	676,333

DIRECTORS' INTERESTS (CONT'D)

	Number of Ordinary Shares			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Deemed Interests in the Company				
Dato' Mohammed Azlan Hashim *	48,138,015	–	(10,000,000)	38,138,015
Goh Nan Yang **	112,783,740	–	–	112,783,740
Cheam Dau Peng ***	106,666	–	–	106,666

* *Deemed interest by virtue of Section 8 of the Companies Act 2016 (shareholding held through his spouse, Datin Nonadiah Binti Abdullah and the latter's deemed interest in Magna Reserve Sdn. Bhd.)*

** *Deemed interest by virtue of Section 8 of the Companies Act 2016 (shareholding held through Omega Riang Sdn. Bhd.)*

*** *Deemed interest in the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016*

In addition to the above, the following directors are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company as follows:-

	Number of Options over Ordinary Shares			
	At 1.1.2016	Granted	Exercised	At 31.12.2016
Dato' Mohammed Azlan Hashim	1,250,000	450,000	–	1,700,000
Tay Kheng Chiong	15,930,000	3,009,000	(180,000)	18,759,000
Cheam Dau Peng	3,000,000	677,000	–	3,677,000
Goh Nan Yang	3,400,000	400,000	–	3,800,000
Wong Meng Tak	800,000	400,000	–	1,200,000
Yeow See Yuen	3,000,000	400,000	–	3,400,000
Low Tek Beng (Alternate to Cheam Dau Peng)	11,080,000	2,257,000	(300,000)	13,037,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under the Directors' Remuneration section of our report) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REPORT

(cont'd)

DIRECTORS' REMUNERATION

The details of the directors' remuneration are disclosed in Note 34(a) to the financial statements.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year. Their interests in shares in other related corporations are disclosed in Note 5 to the financial statement.

AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services rendered to the Group and the Company was RM324,670 and RM41,000 respectively.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 42 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 43 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 24 March 2017.

Dato' Mohammed Azlan Hashim

Tay Kheng Chiong

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Mohammed Azlan Hashim and Tay Kheng Chiong, being two of the directors of D & O Green Technologies Berhad, state that, in the opinion of the directors, the financial statements set out on pages 64 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 44, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 24 March 2017.

Dato' Mohammed Azlan Hashim **Tay Kheng Chiong**

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Lee Han Yung, I/C No. 801118-04-5141, being the officer primarily responsible for the financial management of D & O Green Technologies Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 143 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lee Han Yung, I/C No. 801118-04-5141,
at Kuala Lumpur in the Federal Territory
on this 24 March 2017.

Lee Han Yung

Before me

Lai Din (W-668)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of D & O Green Technologies Berhad, 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 64 to 143.

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 and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We 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 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.

Key Audit Matters (Cont'd)

Goodwill impairment Refer to Note 10 in the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
Goodwill balance as at 31 December 2016 stood at RM24.207 million. Management is required to conduct annual impairment assessment on the goodwill. For this purpose, management has estimated the recoverable amounts of the cash-generating unit in which the goodwill is attached to, using the value-in-use approach. This is derived from the present value of the future cash flows from the cash-generating unit. This assessment is significant to our audit as it is highly subjective, involves significant judgement and is based on assumptions that may be affected by future market and economic conditions. Further details are shown in Note 10 to the financial statements.	Our procedures included, amongst others:- • Reviewed management's estimate of the recoverable amount and test of the cash flows forecast for their accuracy; • Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; • Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results; • Performed sensitivity analysis over the key assumptions to understand the impact of changes over the valuation model; and • Reviewed the adequacy of the Group's disclosures.

Inventories Refer to Note 11 in the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
The Group carries significant inventories as disclosed in Note 11 to the financial statements. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involved judgements and estimation uncertainty including forming expectations about future sales and demands.	Our procedures included, amongst others:- • Obtained understanding of:- • the Group's inventory management process; • the Group's process of identification and assessment of inventory write-downs; and • the Group's procedure for the estimation of inventory write-downs. • Enquired management of their action plans to clear slow moving aged and obsolete inventories; • Reviewed the net realisable value of inventories on sampling basis; and • Evaluated the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD
(cont'd)

Key Audit Matters (Cont'd)

Material litigation Refer to Note 39 in the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
A suit was filed by a third party against a subsidiary for the payment of the outstanding sum including overdue interest for goods purportedly sold and delivered to a subsidiary. The subsidiary has counter claimed against the third party and several other parties, alleging amongst others, the issue of conspiracy. Further details are disclosed in Note 39 to the financial statements. The matter is significant to our audit as it involves significant judgement and uncertainties as to the outcome of the litigation.	Our procedures included, amongst others:- • Reviewed the legal file, correspondence and minutes of meetings with regard to the litigation; • Obtained representation from management on their assessment of the possible outcome of the litigation; • Inquired and obtained independent confirmation from the legal firm representing the subsidiary on their opinion as to the possible outcome of the litigation; • Reviewed the reasonableness of management's assessment of the possible outcome of the litigation and corroborated the assessment with evidence from other sources; and • Reviewed the adequacy of disclosure of the litigation.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD
(cont'd)

Responsibilities of 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 and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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 a 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 skepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD
(cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:- (Cont'd)

- 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD

(cont'd)

Other Reporting Responsibilities

The supplementary information set out in Note 44 on page 143 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No: 01772/11/2018 (J/PH)
Chartered Accountant

24 March 2017
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	170,980	169,993
Investment in associate	6	–	–	–	–
Property, plant and equipment	7	153,659	130,429	7,396	8,318
Other investments	8	25,818	27,445	25,634	27,185
Intangible assets	9	3,231	4,080	–	–
Goodwill	10	24,207	24,207	–	–
		206,915	186,161	204,010	205,496
CURRENT ASSETS					
Inventories	11	116,617	106,909	–	–
Trade receivables	12	93,362	60,621	–	–
Other receivables, deposits and prepayments	13	6,537	31,532	20	1,101
Investment in marketable securities	14	460	433	–	–
Current tax assets		100	196	11	11
Fixed deposits with financial institutions	15	9,809	9,719	–	–
Cash and bank balances		33,463	50,608	786	325
		260,348	260,018	817	1,437
TOTAL ASSETS		467,263	446,179	204,827	206,933

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

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016
(cont'd)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	98,983	98,645	98,983	98,645
Share premium	17	5,873	5,142	5,873	5,142
Reserves	18	92,447	81,418	55,973	58,075
Equity attributable to owners of the Company		197,303	185,205	160,829	161,862
Non-controlling interests	5	91,074	82,639	–	–
TOTAL EQUITY		288,377	267,844	160,829	161,862
NON-CURRENT LIABILITIES					
Long-term borrowings	19	5,894	221	–	–
Deferred income	20	143	429	–	–
Deferred tax liabilities	21	6,998	187	150	150
		13,035	837	150	150
CURRENT LIABILITIES					
Trade payables	22	99,750	92,727	–	–
Other payables and accruals	23	21,780	22,185	809	774
Amount owing to subsidiaries	24	–	–	28,039	29,147
Deferred income	20	286	286	–	–
Current tax liabilities		1,064	612	–	–
Short-term borrowings	25	42,971	61,688	15,000	15,000
		165,851	177,498	43,848	44,921
TOTAL LIABILITIES		178,886	178,335	43,998	45,071
TOTAL EQUITY AND LIABILITIES		467,263	446,179	204,827	206,933

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
REVENUE	28	430,100	433,109	1,385	1,163
COST OF SALES		(331,215)	(350,200)	–	–
GROSS PROFIT		98,885	82,909	1,385	1,163
OTHER INCOME		5,953	18,444	2,571	3,327
		104,838	101,353	3,956	4,490
SELLING AND DISTRIBUTION EXPENSES		(4,425)	(4,007)	–	–
ADMINISTRATIVE EXPENSES		(35,402)	(34,462)	(3,803)	(4,139)
OTHER EXPENSES		(33,056)	(39,421)	(1,121)	(1,248)
FINANCE COSTS		(2,379)	(3,059)	(778)	(781)
		29,576	20,404	(1,746)	(1,678)
SHARE OF RESULTS OF AN ASSOCIATE	6	–	(1,433)	–	–
PROFIT/(LOSS) BEFORE TAXATION	29	29,576	18,971	(1,746)	(1,678)
INCOME TAX EXPENSE	30	(8,513)	(1,411)	(83)	–
PROFIT/(LOSS) AFTER TAXATION		21,063	17,560	(1,829)	(1,678)

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(cont'd)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
OTHER COMPREHENSIVE INCOME/(EXPENSES)					
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
Foreign currency translation differences		37	(1,740)	–	–
Fair value changes of available-for-sale financial assets:					
- fair value changes		(1,551)	9,157	(1,551)	9,157
- reclassified to profit or loss upon disposal		–	(744)	–	(744)
		(1,551)	8,413	(1,551)	8,413
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		19,549	24,233	(3,380)	6,735
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the company		11,273	10,225	(1,829)	(1,678)
Non-controlling interest		9,790	7,335	–	–
		21,063	17,560	(1,829)	(1,678)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the company		9,751	16,962	(3,380)	6,735
Non-controlling interest		9,798	7,271	–	–
		19,549	24,233	(3,380)	6,735
EARNINGS PER SHARE (SEN)	31				
BASIC		1.141	1.044		
DILUTED		1.114	1.023		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	← Non-distributable →					Distributable			
The Group	Share Capital RM'000	Share Premium RM'000	ESOS Reserve RM'000	Capital Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2015	97,753	3,338	10,561	–	(1,107)	5,832	17,676	134,053	42,943	176,996
Profit after tax for the financial year	–	–	–	–	–	–	10,225	10,225	7,335	17,560
Other comprehensive (expenses)/ income for the financial year:										
- foreign currency translation differences	–	–	–	–	(1,676)	–	–	(1,676)	(64)	(1,740)
- fair value changes of available-for-sale financial assets	–	–	–	–	–	8,413	–	8,413	–	8,413
Total comprehensive (expenses)/ income for the financial year	–	–	–	–	(1,676)	8,413	10,225	16,962	7,271	24,233
Contribution by and distribution to owners of the Company:										
- ESOS vested	–	–	2,395	–	–	–	–	2,395	–	2,395
- Issuance of shares	892	643	–	–	–	–	–	1,535	–	1,535
- Changes in a subsidiary's ownership interests that do not result in loss of control	–	–	–	29,918	275	–	260	30,453	33,966	64,419
Total transactions with owners	892	643	2,395	29,918	275	–	260	34,383	33,966	68,349
Transfer of ESOS Reserve for lapsed ESOS options	–	–	(331)	–	–	–	331	–	–	–
Transfer to share premium for ESOS options exercised	–	1,161	(1,161)	–	–	–	–	–	–	–
Dividend by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	(1,163)	(1,163)
Loss on accretion of interest in subsidiaries	–	–	–	–	–	–	(193)	(193)	(378)	(571)
Balance at 31.12.2015	98,645	5,142	11,464	29,918	(2,508)	14,245	28,299	185,205	82,639	267,844

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(cont'd)

	← Non-distributable →						Distributable →			
The Group	Share Capital RM'000	Share Premium RM'000	ESOS Reserve RM'000	Capital Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 31.12.2015/1.1.2016	98,645	5,142	11,464	29,918	(2,508)	14,245	28,299	185,205	82,639	267,844
Profit after tax for the financial year	–	–	–	–	–	–	11,273	11,273	9,790	21,063
Other comprehensive income/ (expenses) for the financial year:										
- foreign currency translation differences	–	–	–	–	29	–	–	29	8	37
- fair value changes of available-for-sale financial assets	–	–	–	–	–	(1,551)	–	(1,551)	–	(1,551)
Total comprehensive income/ (expenses) for the financial year	–	–	–	–	29	(1,551)	11,273	9,751	9,798	19,549
Contribution by and distribution to owners of the Company:										
- ESOS vested	–	–	1,740	–	–	–	–	1,740	–	1,740
- Issuance of shares	338	269	–	–	–	–	–	607	–	607
Total transactions with owners	338	269	1,740	–	–	–	–	2,347	–	2,347
Transfer of ESOS Reserve for lapsed ESOS options	–	–	(370)	–	–	–	370	–	–	–
Transfer to share premium for ESOS options exercised	–	462	(462)	–	–	–	–	–	–	–
Dividend by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	(1,363)	(1,363)
Balance at 31.12.2016	98,983	5,873	12,372	29,918	(2,479)	12,694	39,942	197,303	91,074	288,377

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

	← Non-distributable →			Distributable	
	Share Capital RM'000	Share Premium RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
The Company						
Balance at 1.1.2015	97,753	3,338	10,561	5,832	33,713	151,197
Loss after tax for the financial year	–	–	–	–	(1,678)	(1,678)
Other comprehensive income for the financial year:						
- Fair value changes of available-for-sale financial assets	–	–	–	8,413	–	8,413
Total comprehensive income/ (expenses) for the financial year	–	–	–	8,413	(1,678)	6,735
Contribution by and distribution to owners of the Company:						
- ESOS vested	–	–	2,395	–	–	2,395
- Issuance of shares	892	643	–	–	–	1,535
Total transactions with owners	892	643	2,395	–	–	3,930
Transfer of ESOS Reserve for lapsed ESOS options	–	–	(331)	–	331	–
Transfer to share premium for ESOS options exercised	–	1,161	(1,161)	–	–	–
Balance at 31.12.2015	98,645	5,142	11,464	14,245	32,366	161,862

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

	← Non-distributable →			Distributable	
	Share Capital RM'000	Share Premium RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
The Company						
Balance at 31.12.2015/1.1.2016	98,645	5,142	11,464	14,245	32,366	161,862
Loss after tax for the financial year	–	–	–	–	(1,829)	(1,829)
Other comprehensive expenses for the financial year:						
- Fair value changes of available-for-sale financial assets	–	–	–	(1,551)	–	(1,551)
Total comprehensive expenses for the financial year	–	–	–	(1,551)	(1,829)	(3,380)
Contribution by and distribution to owners of the Company:						
- ESOS vested	–	–	1,740	–	–	1,740
- Issuance of shares	338	269	–	–	–	607
Total transactions with owners	338	269	1,740	–	–	2,347
Transfer of ESOS Reserve for lapsed ESOS options	–	–	(370)	–	370	–
Transfer to share premium for ESOS options exercised	–	462	(462)	–	–	–
Balance at 31.12.2016	98,983	5,873	12,372	12,694	30,907	160,829

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation:		29,576	18,971	(1,746)	(1,678)
Adjustments for:-					
Amortisation of government grant		(286)	(286)	–	–
Amortisation of intangible assets	9	849	848	–	–
Bad debts written off		–	2	–	–
Depreciation of property, plant and equipment	7	26,319	22,384	922	985
Dividend income		(639)	(341)	(613)	(318)
Employee benefits expense		1,740	2,395	753	819
Gain on disposal of an associate		–	(613)	–	(569)
Loss/(Gain) on disposal of property, plant and equipment		43	(34)	–	–
Government grant income		(1,487)	(4,496)	–	–
Inventories written down		7,133	140	–	–
Impairment loss on trade receivables	12	144	202	–	–
Interest expense		1,902	2,634	778	780
Interest income		(451)	(74)	–	#
Gain on disposal of quoted shares		–	(502)	–	(502)
Gain on disposal of unquoted shares		(9)	(31)	–	–
Net fair value gain on marketable securities		(7)	(26)	–	–
Property, plant and equipment written off		1,012	699	–	–
Reversal of impairment loss on property, plant and equipment	7	–	(73)	–	–
Share of loss of an associate		–	1,433	–	–
Unrealised loss/(gain) on foreign exchange		2,370	(11,382)	519	380
Reversal of impairment losses on trade receivables	12	(142)	(204)	–	–
Operating profit/(loss) before working capital changes		68,067	31,646	613	(103)
Increase in inventories		(16,841)	(10,580)	–	–
(Increase)/Decrease in trade and other receivables		(7,399)	(26,927)	736	(31)
Increase in trade and other payables		4,691	1,529	35	30
CASH FROM/(FOR) OPERATIONS		48,518	(4,332)	1,384	(104)
Income tax paid		(1,154)	(1,949)	(83)	(1)
Interest paid		(1,902)	(2,634)	(778)	(780)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		45,462	(8,915)	523	(885)

- Denotes amount less than RM1,000.

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of additional shares in subsidiaries		–	(571)	–	–
Dividend received		639	341	613	318
Interest received		451	74	–	#
Withdrawal/(Placement) of fixed deposits pledged with licensed banks		316	(124)	–	–
Placement of fixed deposits with maturity period of more than three months		(1,801)	(2,496)	–	–
Withdrawal of fixed deposits with maturity period of more than three months		4,614	–	–	–
Proceeds from disposal of an associate		–	2,472	–	2,472
Proceeds from disposal of property, plant and equipment		4,805	290	–	–
Proceeds from disposal of quoted shares		–	793	–	793
Proceeds from disposal of unquoted shares		89	31	–	–
Purchase of marketable securities		(24)	(17)	–	–
Purchase of property, plant and equipment	32	(54,636)	(33,303)	–	–
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(45,547)	(32,510)	613	3,583
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Government grant received		1,487	4,496	–	–
Net repayment of bankers' acceptances		(17,224)	(1,184)	–	–
Proceeds from exercise of ESOS		607	1,535	607	1,535
Proceeds from issuance of shares to non-controlling interest in a subsidiary		–	64,419	–	–
Drawdown of term loans		11,040	1,884	–	–
Repayment to subsidiaries		–	–	(1,282)	(4,417)
Repayment of term loans		(3,283)	(383)	–	–
Repayment of revolving credits		(4,500)	–	–	–
Net repayment of hire purchase obligations		(198)	(168)	–	–
Dividend paid to non-controlling interest		(1,363)	(1,163)	–	–
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(13,434)	69,436	(675)	(2,882)

- Denotes amount less than RM1,000.

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(13,519)	28,011	461	(184)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(407)	4,132	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		50,608	18,465	325	509
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	36,682	50,608	786	325

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	No. 15, Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur.
Principal place of business	:	Lot 6, Batu Berendam Free Trade Zone, Phase III, 75350 Melaka.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 24 March 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services (inclusive of manufacturing plant facility services). The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and the requirements of the Companies Act 1965 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including the Consequential Amendments)
MFRS 14 Regulatory Deferral Account
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101: Disclosure Initiative
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants
Amendments to MFRS 127: Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract	1 January 2018*
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosures Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 - Transfer of Investment Property	1 January 2018
Annual Improvement to MFRS Standards 2014 - 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvement to MFRS Standards 2014 - 2016 Cycles:	
• Amendment to MFRS 1: Deletion of Short-term Exemptions for First- time Adopters	
• Amendment to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* *Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

3. BASIS OF PREPARATION (CONT'D)

3.3 The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(a) MFRS 9 (IFRS 9 issued by IASB in July 2015) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a minimal impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

(c) MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial positon (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

(d) The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management 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 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 the residual values, useful lives and related depreciation charges for the property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions 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.

(b) Income Taxes

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

(c) 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 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.

(d) Amortisation of Patent Licence

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

(e) Write-down of Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets 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 losses. 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.

(g) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(h) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(i) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(j) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(k) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed off (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised 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 at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS

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

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. 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.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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

(a) Financial Assets

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

(i) 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 right to receive payment is established.

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

(ii) Held-to-maturity Investments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets 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.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

(iv) 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 right to receive payments is established.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) 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. Derivaties are also classified as held for trading unless they are designated as hedges.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not re-measured subsequently.

Incremental costs directly attributable to the issue of new ordinary 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.

(d) Derecognition

A financial asset or part of it 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 or a part of it 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Leasehold land	90 – 97 years
Buildings	5%
Renovation	20%
Plant and machinery	10 – 20%
Motor vehicles	20%
Furniture and fittings, office equipment and electrical installation	10 – 33.33%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

4.8 INTANGIBLE ASSETS

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(a) Patent Licence

The purchased patent licence is stated at cost less accumulated amortisation and impairment losses, if any. The patent licence is amortised on a straight-line basis over the periods of 5 to 20 years. In the event that the expected future economic benefits are no longer probable of being recovered, the patent licence is written down to its recoverable amount.

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss and investments in subsidiaries), are assessed at the end of each 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 an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

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 into profit or loss.

With the exception of available-for-sale debt 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 financial asset 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.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-Financial Assets

The carrying values 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 an annual impairment assessment is compulsory or 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. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss 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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

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 profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the 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. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

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

4.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials is determined on the weighted average basis and comprises the purchase price and incidentals incurred in bringing the raw materials to their present location and condition.

Cost of finished goods and work-in-progress is determined using the standard cost basis, which approximates the actual costs and includes the cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax 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 future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 INCOME TAXES (CONT'D)

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 RELATED PARTIES

A party is related to an entity (referred to as the 'reporting entity'), if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both the entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

4.17 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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 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 maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.19 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The 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.

4.20 EARNINGS PER ORDINARY SHARE

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

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company 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 share options granted to employees.

4.21 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) Interest Income

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

(c) Dividend Income

Dividend income from investments is recognised when the right to receive dividend payment is established.

(d) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(e) Facility Services Fee

Facility services fee are recognised when services are rendered.

(f) Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost:-		
- in Malaysia	188,565	188,565
Fair value of ESOS granted to the employees of subsidiaries	9,049	8,062
	197,614	196,627
Less: Accumulated impairment losses	(26,634)	(26,634)
	170,980	169,993

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2016 %	2015 %	Principal Activities
Subsidiaries of the Company:-				
Omega Semiconductor Sdn. Bhd. ("Omega")	Malaysia	100	100	An investment holding company.
Dominant Opto Technologies Sdn. Bhd. ("Dominant")	Malaysia	61.84	61.84	Manufacturing semiconductor components and machineries.
Subsidiary of Omega:-				
Equity Group Investment Limited ("EGIL") #	The British Virgin Islands	100	100	An investment holding company.
Subsidiaries of Dominant:-				
Dominant Semiconductors Europe GmbH ^	Germany	61.84	61.84	Merchandising semiconductor components.
Dominant Opto Technologies Korea Inc ^	The Republic of Korea	42.05	42.05	Merchandising semiconductor components.
Domilight Technologies Sdn. Bhd.	Malaysia	33.39	33.39	Dormant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2016 %	2015 %	Principal Activities
Subsidiaries of Dominant:- (cont'd)				
Dominant Semiconductors (Singapore) Pte. Ltd. ("Dominant Singapore") #	Singapore	61.84	61.84	An investment holding company.
Dominant Opto Technologies (Shanghai) Co., Ltd. #	The People's Republic of China	61.84	61.84	Development of semiconductor application technology, installation, wholesale and retail of semiconductor devices, electronic components, electrical equipment for lighting, electronic display screen, lighting fittings, import and export of related products.
Dominant Opto Technologies North America Inc #	United States of America	61.84	61.84	Merchandising semiconductor components.
Subsidiary of Dominant Singapore:-				
Dominant Semiconductors (Lao) Sole Co., Ltd ("Dominant Laos")	The Lao People's Democratic Republic	61.84	61.84	Manufacturing electronic light emitting diodes for export. Dominant Laos ceased its operations in the previous financial year.

Notes:-

\# *Not audited by Messrs. Crowe Horwath.*

^ *These subsidiaries were audited by a member firm of Crowe Horwath International of which Crowe Horwath is a member.*

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest 2016 %	2015 %	The Group 2016 RM'000	2015 RM'000
Dominant Opto Technologies Sdn. Bhd.	38.16	38.16	91,074	82,639

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Dominant Group	
	2016	2015
	RM'000	RM'000
At 31 December		
Non-current assets	146,084	122,168
Current assets	258,322	259,717
Non-current liabilities	(12,885)	(687)
Current liabilities	(152,943)	(165,718)
Net assets	238,578	215,480
Financial Year Ended 31 December		
Revenue	430,100	433,109
Profit for the financial year	23,438	20,332
Total comprehensive income	23,484	18,592
Total comprehensive income attributable to non-controlling interests	1,358	1,733
Dividends paid to non-controlling interests	(1,363)	(1,163)
Net cash flows from/(for) operating activities	44,903	(7,699)
Net cash flows for investing activities	(43,926)	(32,134)
Net cash flows (for)/from financing activities	(14,925)	69,289

6. INVESTMENT IN AN ASSOCIATE

In the previous financial year, Tongfang Optoelectronic (HK) Limited ceased to be an associate of the Group following the disposal of 8,400,000 shares, which resulted in a reduction of the Group's equity in Tongfang Optoelectronic (HK) Limited to below 20%. Consequently, the Group's remaining investment in Tongfang Optoelectronic (HK) Limited has been reclassified as "other investments" under non-current assets.

The summarised unaudited financial information after alignment to the Group's accounting policies for the associate that is material to the Group is as follows:-

	Tongfang Optoelectronic (HK) Limited
	2015
	RM'000
Financial Period/Year Ended 30 June/31 December	
Revenue	47,929
Loss for the financial year	(9,531)
Total comprehensive expenses	(9,531)
Group's share of loss for the financial year	(1,433)
Group's share of total comprehensive expenses	(1,433)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Transfers RM'000	Currency Translation Differences RM'000	Depreciation Charge RM'000	At 31.12.2016 RM'000
2016								
Net Book Value								
Leasehold land	3,907	–	–	–	–	–	(51)	3,856
Buildings	18,447	355	–	–	–	414	(1,953)	17,263
Renovation	3,596	7,134	–	–	–	1	(1,593)	9,138
Plant and machinery	95,726	5,536	(4,835)	(962)	28,905	1	(20,912)	103,459
Motor vehicles	952	194	–	–	–	(6)	(307)	833
Furniture and fittings, office equipment and electrical installation	3,944	1,490	(13)	(50)	294	34	(1,503)	4,196
Capital work-in-progress	3,857	40,256	–	–	(29,199)	–	–	14,914
	130,429	54,965	(4,848)	(1,012)	–	444	(26,319)	153,659

The Group	At 1.1.2015 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Transfers RM'000	Currency Translation Differences RM'000	Depreciation Charge RM'000	At 31.12.2015 RM'000
2015								
Net Book Value								
Leasehold land	3,958	–	–	–	–	–	(51)	3,907
Buildings	18,497	–	(132)	(8)	2,022	–	(1,932)	18,447
Renovation	2,980	1,821	–	–	1	–	(1,206)	3,596
Plant and machinery	86,405	4,720	(763)	22,610	7	73	(17,326)	95,726
Motor vehicles	662	513	(47)	–	52	–	(228)	952
Furniture and fittings, office equipment and electrical installation	4,651	581	(13)	–	366	–	(1,641)	3,944
Capital work-in-progress	600	25,859	–	(22,602)	–	–	–	3,857
	117,753	33,494	(955)	–	2,448	73	(22,384)	130,429

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2016			
Leasehold land	4,331	(475)	3,856
Buildings	36,275	(19,012)	17,263
Renovation	18,721	(9,583)	9,138
Plant and machinery	237,052	(133,593)	103,459
Motor vehicles	2,374	(1,541)	833
Furniture and fittings, office equipment and electrical installation	22,408	(18,212)	4,196
Capital work-in-progress	14,914	–	14,914
	336,075	(182,416)	153,659
2015			
Leasehold land	4,692	(785)	3,907
Buildings	35,284	(16,837)	18,447
Renovation	11,588	(7,992)	3,596
Plant and machinery	214,208	(118,482)	95,726
Motor vehicles	2,240	(1,288)	952
Furniture and fittings, office equipment and electrical installation	20,639	(16,695)	3,944
Capital work-in-progress	3,857	–	3,857
	292,508	(162,079)	130,429

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

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

The Company	At 1.1.2016 RM'000	Depreciation Charge RM'000	At 31.12.2016 RM'000
2016			
Net Book Value			
Leasehold land	2,911	(38)	2,873
Buildings	5,100	(740)	4,360
Plant and machinery	242	(111)	131
Furniture and fittings, office equipment and electrical installation	65	(33)	32
	8,318	(922)	7,396

	At 1.1.2015 RM'000	Depreciation Charge RM'000	At 31.12.2015 RM'000
2015			
Net Book Value			
Leasehold land	2,950	(39)	2,911
Buildings	5,844	(744)	5,100
Plant and machinery	355	(113)	242
Furniture and fittings, office equipment and electrical installation	154	(89)	65
	9,303	(985)	8,318

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2016			
Leasehold land	3,118	(245)	2,873
Buildings	9,140	(4,780)	4,360
Plant and machinery	1,307	(1,176)	131
Furniture and fittings, office equipment and electrical installation	1,527	(1,495)	32
	15,092	(7,696)	7,396
2015			
Leasehold land	3,118	(207)	2,911
Buildings	9,140	(4,040)	5,100
Plant and machinery	1,307	(1,065)	242
Furniture and fittings, office equipment and electrical installation	1,527	(1,462)	65
	15,092	(6,774)	8,318

(a) Capital work-in-progress represents plant and machinery under construction which is not ready for commercial use at the end of the reporting period.

(b) As at 31 December 2016, the property, plant and equipment of the Group and the Company with a carrying amount of RM23,014,657 and RM7,396,298 (2015 - RM8,317,330 and RM8,317,330) respectively, were pledged to licensed banks for credit facilities granted to the Group.

(c) Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total net book value of RM530,078 (2015 - RM408,144), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related finance lease liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

8. OTHER INVESTMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Quoted shares outside Malaysia	17,364	18,915	17,364	18,915
Unquoted shares outside Malaysia	8,454	8,530	8,270	8,270
	25,818	27,445	25,634	27,185
Represented by:-				
At cost	8,454	8,530	8,270	8,270
At fair value	17,364	18,915	17,364	18,915
	25,818	27,445	25,634	27,185
Quoted and Unquoted shares outside Malaysia:-				
At 1 January	27,445	11,195	27,185	10,794
Disposal during the financial year	(80)	(1,036)	–	(1,036)
Reclassified from investment in an associate	–	8,129	–	8,270
Reclassified from investment in marketable securities	4	–	–	–
Fair value changes	(1,551)	9,157	(1,551)	9,157
At 31 December	25,818	27,445	25,634	27,185

(a) Investments in quoted shares of the Group are designated as available-for-sale financial assets and are measured at fair value.

(b) Investments in unquoted shares of the Group are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

The currency profile of the other investments is disclosed in Note 40.

9. INTANGIBLE ASSETS

The Group	At 1.1.2016 RM'000	Amortisation Charge RM'000	At 31.12.2016 RM'000
Patent licence	4,080	(849)	3,231

	At 1.1.2015 RM'000	Amortisation Charge RM'000	At 31.12.2015 RM'000
Patent licence	4,928	(848)	4,080

The Group	At Cost RM'000	Accumulated Amortisation RM'000	Net Book Value RM'000
At 2016			
Patent licence	8,046	(4,815)	3,231
At 2015			
Patent licence	8,046	(3,966)	4,080

10. GOODWILL

	The Group	
	2016 RM'000	2015 RM'000
Goodwill	24,207	24,207

The goodwill arose from the investment in subsidiaries and is reviewed for impairment annually.

During the financial year, the Group has assessed the recoverable amount of goodwill on consolidation, and determined that goodwill is not impaired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

10. GOODWILL (CONT'D)

The recoverable amounts of the cash-generating units are determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	2016 %	2015 %	Basis
Growth rate	10 - 11	10 - 15	Based on the management's expectation of market development.
Budgeted gross margin	24	17 - 20	Based on past performance and the management's expectation of market development.
Discount rate (pre-tax)	7.11	7.30	Reflects specific risks.

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially higher than its recoverable amount.

11. INVENTORIES

	The Group	
	2016 RM'000	2015 RM'000
At cost:-		
Raw materials	18,860	19,886
Work-in-progress	66,983	55,256
Finished goods	30,774	31,767
	116,617	106,909
Recognised in profit or loss:		
Inventories recognised as cost of sales		
- Raw materials consumed	255,096	263,456

12. TRADE RECEIVABLES

	The Group	
	2016 RM'000	2015 RM'000
Trade receivables	94,348	61,604
Allowance for impairment losses	(986)	(983)
	93,362	60,621
Allowance for impairment losses:-		
At 1 January	(983)	(969)
Addition during the financial year	(144)	(202)
Reversal during the financial year	142	204
Translation differences	(1)	(16)
At 31 December	(986)	(983)

The Group's normal trade credit terms range from 30 to 90 (2015 - 30 to 90) days.

Included in trade receivables of the Group is an amount owing by a related party amounting to RM22,175 (2015 - RM8,808). The amount owing is unsecured, interest-free and repayable according to the normal trade credit terms. The amount owing is to be settled in cash.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 35 to the financial statements.

The currency profile of the trade receivables is disclosed in Note 40.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	3,003	3,947	9	1,089
Allowance for impairment losses	(439)	(439)	–	–
Other receivables, net	2,564	3,508	9	1,089
Deposits	1,966	26,457	–	–
Prepayments	1,835	1,474	11	12
Others	172	93	–	–
	6,537	31,532	20	1,101

In the previous financial year, included in the deposits of the Group was an amount of RM25,581,667, placed with the solicitors involved in a litigation matter as further explained in Note 39 to the financial statements.

The currency exposure profile of the other receivables is disclosed in Note 40.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

14. INVESTMENT IN MARKETABLE SECURITIES

	The Group	
	2016	2015
	RM'000	RM'000
Quoted shares in Malaysia, at fair value	38	60
Quoted shares outside Malaysia, at fair value	422	373
	460	433

Investments in marketable securities are classified as financial assets at fair value through profit or loss and measured at fair value.

The currency profile of the investments in marketable securities is disclosed in Note 40.

15. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) The fixed deposits with financial institutions of the Group at the end of the reporting period bore effective interest rates ranging from 2.75% to 3.30% (2015 - 3.00% to 3.30%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 months (2015 - 1 to 12 months).

(b) Included in the fixed deposits with financial institutions of the Group at the end of the reporting period is an amount of RM433,505 (2015 - RM750,528) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

16. SHARE CAPITAL

The movements in the issued and paid-up share capital of the Company are as follows:-

	The Group/The Company			
	2016	2015	2016	2015
	Number Of Shares			
	'000	'000	RM'000	RM'000
Authorised				
Ordinary Shares of RM0.10 each:	2,000,000	2,000,000	200,000	200,000
Issued and Fully Paid-up				
Ordinary Shares of RM0.10 each:				
At 1 January	986,451	977,531	98,645	97,753
New shares issued upon exercise of ESOS options	3,375	8,920	338	892
At 31 December	989,826	986,451	98,983	98,645

16. SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued and paid-up share capital from RM98,645,129 to RM98,982,599 by way of:-

(i) an issuance of 3,100,700 new ordinary shares of RM0.10 each at an exercise price of RM0.17, pursuant to the Employees' Share Option Scheme;

(ii) an issuance of 60,000 new ordinary shares of RM0.10 each at an exercise price of RM0.26, pursuant to the Employees' Share Option Scheme; and

(iii) an issuance of 214,000 new ordinary shares of RM0.10 each at an exercise price of RM0.30, pursuant to the Employees' Share Option Scheme.

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per share at meetings of the Company.

17. SHARE PREMIUM

The movements in the share premium of the Group and of the Company are as follows:

	The Group/ The Company	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	5,142	3,338
Issuance of new shares	269	643
Transfer from ESOS reserve for options exercised	462	1,161
At 31 December	5,873	5,142

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve 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.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

18. RESERVES

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Distributable:-					
Retained profits	(a)	39,942	28,299	30,907	32,366
Non-distributable:-					
Fair value reserve	(b)	12,694	14,245	12,694	14,245
Foreign exchange translation reserve	(c)	(2,479)	(2,508)	–	–
ESOS reserve	(d)	12,372	11,464	12,372	11,464
Capital reserve	(e)	29,918	29,918	–	–
		92,447	81,418	55,973	58,075

(a) Retained Profits

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends distributed to the shareholders are not subject to tax.

(b) Fair Value Reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

(c) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

(d) ESOS Reserve

This reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry, exercise or lapse of the share options.

The ESOS is governed by the ESOS By-Laws approved by shareholders on 28 June 2011. The ESOS is to be in force for a period of 10 years effective from 7 September 2011.

18. RESERVES (CONT'D)

(d) ESOS Reserve (Cont'd)

The main features of the ESOS are as follows:-

(a) Eligible persons are employees and/or directors of the Group, excluding an employee of dormant subsidiary within the Group, who have attained the age of at least eighteen years old.

(b) The maximum number of new shares of the Company, which may be available under the Scheme, shall not in aggregate exceed fifteen percent (15%), or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.

(c) The option price shall be determined by the Board of Directors of the Company upon recommendation of the Option Committee which is at a discount of not more than ten percent (10%) on the five (5)-day weighted average market price of shares of the Company immediately preceding the offer date of the option, or at the par value of shares of the Company at the material time, whichever is higher.

(d) The option may be exercised by the option holders by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the Option.

(e) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to the date of allotment and issuance of the new shares.

(f) The aggregate allocation to the Directors and Senior Management of the Group shall not exceed fifty percent (50%) of new shares of the Company available under the Scheme.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

18. RESERVES (CONT'D)

(d) ESOS Reserve (Cont'd)

The option prices and the details in the movement of the options granted are as follows:-

		Number of Options over Ordinary Shares of RM0.10 Each							
							Cumulative		
	Exercise	At				At	← At 31.12.2016 →		
Date of Offer	Price RM	1.1.2016 '000	Granted* '000	Lapsed^ '000	Exercised '000	31.12.2016 '000	Granted '000	Lapsed '000	Exercised '000
21.09.2011 #	0.17	46,375	–	(1,113)	(3,101)	42,161	67,224	(11,264)	(13,799)
14.08.2013 ##	0.30	31,249	–	(981)	(214)	30,054	32,710	(2,302)	(354)
13.10.2014 ##	0.26	240	–	–	(60)	180	240	–	(60)
15.06.2015 ##	0.25	350	–	–	–	350	350	–	–
24.08.2015 ##	0.25	300	–	–	–	300	300	–	–
24.11.2016 *	0.28	–	22,564	–	–	22,564	22,564	–	–
		78,514	22,564	(2,094)	(3,375)	95,609	123,388	(13,566)	(14,213)

Notes:-
These options are exercisable in stages if the employee remains in service after 3 years from the date of grant.
These options are exercisable in stages if the employee remains in service after 2 years from the date of grant.
^ The options which lapsed during the financial year were due to resignation of employees.
* During the financial year, the Company granted 22,564,000 share options under the ESOS. These options are exercisable in stages if the employee remains in service after 1 year from the date of grant.

The fair values of the share options granted were estimated using a black-scholes model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

	Granted on 24.11.2016	Granted on 24.8.2015	Granted on 15.6.2015
Fair value of share options at the grant date (RM)	0.31	0.28	0.27
Weighted average ordinary share price (RM)	0.31	0.27	0.27
Exercise price of share option (RM)	0.28	0.25	0.25
Expected volatility (%)	37.66	79.34	75.86
Expected life from the grant date (years)	5	6	6
Risk free rate (%)	3.60	4.14	4.02
Expected dividend yield (%)	Nil	Nil	Nil

18. RESERVES (CONT'D)

(d) ESOS Reserve (Cont'd)

	Granted on 13.10.2014	Granted on 14.8.2013	Granted on 21.9.2011
Fair value of share options at the grant date (RM)	0.27	0.39	0.17
Weighted average ordinary share price (RM)	0.29	0.33	0.18
Exercise price of share option (RM)	0.26	0.30	0.17
Expected volatility (%)	55.18	65.73	70.18
Expected life from the grant date (years)	7	8	10
Risk free rate (%)	4.12	3.85	3.59
Expected dividend yield (%)	Nil	Nil	Nil

(e) Capital Reserve

The capital reserve arose from the issuance of new shares by a subsidiary to non-controlling interest at a premium above the par value of the shares. The issuance of new shares affected the ownership interest in the subsidiary without a change in control.

19. LONG-TERM BORROWING

	The Group	
	2016 RM'000	2015 RM'000
Hire purchase payables (Note 26)	323	221
Term loans (Note 27)	5,571	–
	5,894	221

20. DEFERRED INCOME

	The Group	
	2016 RM'000	2015 RM'000
Non-current:		
- Government grant	143	429
Current:		
- Government grant	286	286

The grant is being amortised over 5 years. During the financial year, RM285,939 (2015 - RM285,939) has been amortised and recognised as other income in profit or loss.

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(cont'd)

21. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	187	140	150	150
Recognised in profit or loss (Note 30)	6,811	47	–	–
At 31 December	6,998	187	150	150

The deferred liabilities are presented after appropriated:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets:-				
Provision	(2,592)	–	–	–
Others	(226)	–	–	–
	(2,818)	–	–	–
Deferred tax liability:-				
Excess of capital allowances over depreciation	9,816	187	150	150
	6,998	187	150	150

22. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 (2015 - 30 to 120) days.

Included in trade payables of the Group is an amount owing to related parties amounting to RM38,651,584 (2015 - RM40,968,734). The amount owing is unsecured, interest-free and subject to the normal trade credit terms. The amount owing is to be settled in cash.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 35 to the financial statements.

The currency exposure profile of the trade payables is disclosed in Note 40.

23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	5,234	5,257	125	81
Accruals	15,908	16,921	684	693
Advances/Deposits received	638	7	–	–
	21,780	22,185	809	774

24. AMOUNT OWING TO SUBSIDIARIES

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The currency exposure profile of the amount owing to subsidiaries is disclosed in Note 40.

25. SHORT-TERM BORROWINGS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bankers' acceptances	11,283	28,256	–	–
Hire purchase payables (Note 26)	178	149	–	–
Term loans (Note 27)	6,010	3,283	–	–
Revolving credits	25,500	30,000	15,000	15,000
	42,971	61,688	15,000	15,000

The bankers' acceptances and revolving credits at the end of the reporting period bore effective interest rates ranging from 1.74% to 5.27% (2015 - 1.60% to 5.77%) per annum, and are secured by:-

(a) a pledge of the Group and the Company's property, plant and equipment as disclosed in Note 7 to the financial statements; and

(b) a joint and several guarantee of certain directors of the Group and the Company.

The hire purchase payables of RM74,106 (2015 - RM185,358) are secured by a guarantee of a director of the Group.

The currency exposure profile of the short-term borrowings are disclosed in Note 40.

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(cont'd)

26. HIRE PURCHASE PAYABLES

	The Group	
	2016 RM'000	2015 RM'000
Minimum hire purchase payments:		
- not later than 1 year	200	168
- later than 1 year and not later than 5 years	365	249
	565	417
Less: Future finance charges	(64)	(47)
Present value of hire purchase payables	501	370
Current (Note 25):		
- not later than 1 year	178	149
Non-current (Note 19):		
- later than 1 year and not later than 5 years	323	221
	501	370

The hire purchase payables bore effective interest rates ranging from 4.42% to 5.10% (2015 - 4.42% to 5.10%) per annum.

27. TERM LOANS (SECURED)

	The Group	
	2016 RM'000	2015 RM'000
Current (Note 25):		
- not later than 1 year	6,010	3,283
Non-current (Note 19):		
- later than 1 year and not later than 2 years	2,759	–
- later than 2 year and not later than 5 years	2,812	–
	5,571	–
	11,581	3,283

27. TERM LOANS (SECURED) (CONT'D)

The repayment terms of the term loans are as follows:-

	Effective Interest Rate %	The Group 2016 RM'000	The Group 2015 RM'000
Term loan I, repayable in full in January 2016	1.29	–	2,110
Term loan II, repayable in full in February 2016	1.29	–	1,173
Term loan III, repayable in 36 monthly instalments effective from January 2017	1.92	8,277	–
Term loan IV, repayable in full in January 2017	1.25	2,124	–
Term loan V, repayable in full in February 2017	1.22	1,180	–
		11,581	3,283

Term loans I, II, IV and V are secured by a negative pledge on the assets of a subsidiary.

Term loan III is secured by a fixed charge over plant and machinery which is included in the property, plant and equipment of a subsidiary as disclosed in Note 7 to the financial statements.

The currency exposure profile of the term loans are disclosed in Note 40.

28. REVENUE

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Facility service fees	–	–	1,385	1,163
Sale of goods	430,100	433,109	–	–
	430,100	433,109	1,385	1,163

Revenue of the Group represents the invoiced value of the goods sold less returns and trade discounts. Revenue of the Company represents facility service fees.

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29. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Audit fee:				
- current year	325	283	41	41
- underprovision in the previous financial year	–	15	–	5
Impairment loss on trade receivables	144	202	–	–
Amortisation of government grant	(286)	(286)	–	–
Amortisation of intangible assets	849	848	–	–
Bad debts written off	–	2	–	–
Depreciation of property, plant and equipment	26,319	22,384	922	985
Directors' non-fee emoluments	1,060	1,156	494	463
Directors' fee	158	145	158	145
Interest expense:				
- bank overdrafts	13	163	–	–
- bankers' acceptances	257	767	–	–
- hire purchase	24	14	–	–
- revolving credits	1,520	1,617	778	780
- term loans	88	73	–	–
Dividend income:				
- other investments (quoted shares in Malaysia)	(1)	(2)	–	–
- other investments (quoted shares outside Malaysia)	(638)	(339)	(613)	(318)
Factory rental income	–	–	(1,920)	(1,920)
Loss/(Gain) on disposal of property, plant and equipment	43	(34)	–	–
Loss/(Gain) on foreign exchange:				
- realised	440	8,763	(320)	(116)
- unrealised	2,370	(11,382)	519	380
Hostel rental	112	205	–	–
Interest income:				
- fixed deposits with financial institutions	(343)	(49)	–	–
- others	(108)	(25)	–	–
Inventories written down	7,133	140	–	–
Gain on disposal of investment in quoted shares	–	(502)	–	(502)
Gain on disposal of investment in unquoted shares	(9)	(31)	–	–
Gain on disposal of an associate	–	(613)	–	(569)
Government grant income	(1,487)	(4,496)	–	–
Net compensation to customers	3,611	15,478	–	–
Net fair value gain on marketable securities	(7)	(26)	–	–

29. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):- (Cont'd)				
Office rental	593	582	–	–
Property, plant and equipment written off	1,012	699	–	–
Rental of equipment	166	142	–	–
Rental of land	119	108	–	–
Research and development expenses	16,182	11,979	–	–
Reversal of impairment loss on property, plant and equipment	–	(73)	–	–
Share of loss of an associate	–	1,433	–	–
Staff compensation	–	1,022	–	–
Staff costs:				
- defined contribution plans	4,430	3,357	135	119
- employee benefits expenses	1,740	2,395	753	819
- salaries and other benefits	73,159	67,451	1,601	1,326
Reversal of impairment losses on trade receivables	(142)	(204)	–	–

30. INCOME TAX EXPENSE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
- Malaysian taxation	64	4	–	–
- Foreign taxation	1,265	1,126	–	–
Under/(Over)provision in the previous financial years:				
- Malaysian taxation	1	(21)	–	–
- Foreign taxation	–	8	–	–
	1,330	1,117	–	–
Deferred taxation (Note 21)				
- for the financial year	2,267	47	–	–
- underprovision in the previous financial year	4,544	–	–	–
Withholding tax on dividend received	372	247	83	–
	8,513	1,411	83	–

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30. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 - 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

The Company's subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities. The current taxation of the Company's subsidiary is in respect of interest income. The Company's subsidiary is not subject to the tax as it has been granted the Pioneer Status incentive under the Promotion of Investments Act 1986. This incentive will be expiring on 31 March 2017.

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation	29,576	18,971	(1,746)	(1,678)
Tax at the statutory tax rate of 24% (2015 - 25%)	7,098	4,743	(419)	(419)
Tax effects of:-				
Non-deductible expenses	2,341	1,090	410	626
Non-taxable income	(6,265)	(5,130)	(224)	(347)
Deferred tax asset not recognised during the financial year	422	499	233	140
Differential in tax rates	–	(26)	–	–
Under/(Over)provision of current tax in the previous financial year	1	(12)	–	–
Underprovision of deferred tax in the previous financial year	4,544	–	–	–
Withholding tax on dividend received	372	247	83	–
Income tax expense for the financial year	8,513	1,411	83	–

31. EARNINGS/(LOSS) PER SHARE

(a) Basic

	The Group	
	2016	**2015**
Profit after taxation (RM'000)	21,063	17,560
Non-controlling interests (RM'000)	(9,790)	(7,335)
Profit attributable to owners of the Company (RM'000)	11,273	10,225
Weighted average number of ordinary shares in issue:-		
Issued ordinary shares at 1 January ('000)	986,451	977,531
Effect of new ordinary shares issued under ESOS during the financial year('000)	1,696	1,817
Weighted average number of ordinary shares at 31 December ('000)	988,147	979,348
Basic earnings per ordinary share (Sen)	1.141	1.044

(b) Diluted

	The Group	
	2016	**2015**
Profit attributable to owners of the Company (RM'000) (as above)	11,273	10,225
Weighted average number of ordinary shares for the year ('000) (as above)	988,147	979,348
Weighted average number of shares deemed to have been issued at no consideration ('000)	24,192	19,737
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,012,339	999,085
Diluted earnings per ordinary share (Sen)	1.114	1.023

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(cont'd)

32. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group	
	2016 RM'000	2015 RM'000
Cost of property, plant and equipment purchased (Note 7)	54,965	33,494
Amount financed through hire purchase	(329)	(191)
Cash disbursed for purchase of property, plant and equipment	54,636	33,303

33. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits with financial institutions (Note 15)	9,809	9,719	–	–
Cash and bank balances	33,463	50,608	786	325
	43,272	60,327	786	325
Less:				
- Fixed deposits pledged to financial institutions	(434)	(750)	–	–
- Fixed deposits with original maturity of more than 3 months	(6,156)	(8,969)	–	–
	36,682	50,608	786	325

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company				
Executive Directors:				
- basic salaries, bonus and Employees Provident Fund	1,051	1,145	485	452
- share options to Directors	655	882	417	564
Non-executive Directors:				
- allowances	9	11	9	11
- fee	158	145	158	145
- share options to Directors	213	295	213	295
	2,086	2,478	1,282	1,467
Other Key Management Personnel				
- Short-term employee benefits	4,059	3,672	–	–
- Share options	258	319	–	–
	4,317	3,991	–	–

(b) Details of directors' emoluments of the Group received/receivable for the financial year in bands of RM50,000 are as follows:-

	The Group	
	2016	2015
Directors of the Company	Number	
Executive directors:		
- RM50,001 - RM100,000	–	1
- RM100,001 - RM150,000	–	–
- RM150,001 - RM200,000	–	–
- RM200,001 - RM250,000	1	1
- RM250,001 - RM300,000	–	–
- RM300,001 - RM350,000	–	1
- RM350,001 - RM400,000	1	–
- RM400,001 - RM450,000	–	–
- RM450,001 - RM500,000	1	1
Non-executive directors:		
- Below RM50,000	5	5

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35. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transaction and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with related parties during the financial year:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subsidiaries:				
- Facility service fees	–	–	1,385	1,163
- Rental income	–	–	1,920	1,920
Related parties:				
- Purchases	111,150	12,063	–	–
- Sales	261	251	–	–
- Rental expense	112	112	–	–

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

36. OPERATING SEGMENTS

BUSINESS SEGMENTS

Information on business segments is not presented as the Group operates primarily in the semiconductor industry.

GEOGRAPHICAL SEGMENTS

The following is an analysis of the Group's business by geographical segments:-

	Asia RM'000	Europe RM'000	United States Of America RM'000	Other Countries RM'000	Total RM'000
2016					
Revenue	298,267	87,659	39,153	5,021	430,100
Segment assets	442,115	24,170	796	182	467,263
Capital expenditure	54,722	228	15	–	54,965
2015					
Revenue	320,208	77,543	17,512	17,846	433,109
Segment assets	420,651	24,775	571	182	446,179
Capital expenditure	33,165	31	298	–	33,494

MAJOR CUSTOMERS

The following is the major customer with revenue equal to or more than 10% of Group revenue:-

	Revenue	
	2016 RM'000	2015 RM'000
Customer A	45,282	143,758

37. CAPITAL COMMITMENTS

	The Group	
	2016 RM'000	2015 RM'000
Purchase of property, plant and equipment:		
- Contracted but not provided for	17,869	10,185
- Authorised but not contracted for	1,736	7,764
	19,605	17,949

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

38. OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Not more than 1 year	130	137
Later than 1 year and not later than 5 years	110	110
	240	247

39. CONTINGENT LIABILITY

39.1 MATERIAL LITIGATION

(a) Melaka High Court Civil Suit No. 22-132-2010

Geepar Enterprise Sdn. Bhd. (Plaintiff) vs Dominant Opto Technologies Sdn. Bhd. (Defendant)

Geepar Enterprise Sdn. Bhd. ("Geepar") commenced an action against a subsidiary, Dominant Opto Technologies Sdn. Bhd. ("Dominant") for, inter alia, a sum of RM13,450,387 together with interest on the said sum at the rate of 1.5% per month from 21 September 2010 to the date of full and final settlement for goods sold and delivered.

Dominant in its defence raised, amongst others, the issue of conspiracy to defraud and that the goods were not delivered to Dominant.

The High Court on 28 August 2015 entered the Judgment and awarded to Geepar the following:-

(i) Sum of RM13,450,387;
(ii) Interest on the sum of RM13,450,387 at the rate of 1.5% per month from 21 September 2010 till 28 August 2015;
(iii) Interest on the sum of RM13,450,387 at the rate of 5% per annum from 29 August 2015 till date of settlement; and
(iv) Cost of RM100,000.

On 23 September 2015, Dominant filed an appeal to the Court of Appeal against the whole of the decision of the High Court given on 28 August 2015.

When the appeal came up for Hearing on 18 February 2016, it was agreed between the parties that the matter would, subject to the terms given in the Court of Appeal Order dated 18 February 2016, be retried before a different High Court Judge.

The matter is now fixed for retrial on 30 and 31 March and subsequently on 11, 20 and 21 April 2017.

A decision in this case will, however, not be made until after the trial of Suit 22-125-2010, no trial date have been fixed yet for Suit 22-125-2010.

39. CONTINGENT LIABILITY (CONT'D)

39.1 MATERIAL LITIGATION (CONT'D)

(b) Melaka High Court Civil Suit No. 22-125-2010

Dominant Opto Technologies Sdn. Bhd. (Plaintiff) vs Lai Kin Shin (1st Defendant), Goh Poh Lee (2nd Defendant), Lee Seng Khoon (3rd Defendant), Geepar Enterprise Sdn. Bhd. (4th Defendant), Robert Chan Siew Kong (5th Defendant) and Lim Siew Yek (6th Defendant)

The above named action was brought by Dominant wherein the causes of action against the Defendants are, inter alia, as follows:-

(i) 1st Defendant : breach of contract of employment, conspiracy to defraud and bribery
(ii) 2nd and 3rd Defendants : breach of contract of employment and conspiracy to defraud
(iii) 4th and 5th Defendants : bribery and conspiracy to defraud
(iv) 6th Defendant : knowing receipt

Dominant claim against the aforesaid Defendants, the Company prayed for, inter alia, general damages to be assessed.

On 20 January 2016, the High Court pursuant to an application filed by the 4th and 5th Defendants' under Order 33 Rules 2 and 5 of the Rules of Court 2012 struck out the claim against all the Defendants on the grounds of res judicata in that on the High Court in Suit 22-132-2010 found that there was no fraud and or conspiracy to defraud committed by the 4th Defendant as the Plaintiff in that suit and the issue should not be re-litigated again.

On 26 January 2016, Dominant has filed an appeal to the Court of Appeal against the whole decision of the High Court given on 20 January 2016.

When the appeal came up for Hearing on 16 March 2016, it was agreed amongst the parties that the matter would, subject to the terms given in the Court of Appeal Order dated 16 March 2016, be reinstated for trial before a High Court Judge.

The trial of this case will begin after the completion of the retrial in Suit 22-132-2010; directions in respect of trial dates will be given by the High Court after the close of Suit 22-132-2010.

40. FINANCIAL INSTRUMENTS

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

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, Euro, Korean Won, New Taiwan Dollar and Chinese Renminbi. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States Dollar RM'000	Euro RM'000	Korean Won RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
2016								
Financial Assets								
Other investments	8,129	321	–	17,364	4	–	–	25,818
Trade receivables	36,962	5,765	4,594	–	67	45,974	–	93,362
Other receivables and deposits	546	473	767	–	2,799	113	4	4,702
Investment in marketable securities	–	–	–	–	38	–	422	460
Fixed deposits with financial institutions	–	–	9,204	–	605	–	–	9,809
Cash and bank balances	9,984	2,548	3,999	–	3,997	12,914	21	33,463
	55,621	9,107	18,564	17,364	7,510	59,001	447	167,614

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Euro RM'000	Korean Won RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
2016								
Financial Liabilities								
Trade payables	72,593	320	–	–	24,963	–	1,874	99,750
Other payables and accruals	2,128	2,663	1,757	–	14,221	745	266	21,780
Term loans	8,277	3,304	–	–	–	–	–	11,581
Bankers' acceptances	11,283	–	–	–	–	–	–	11,283
Hire purchase payables	–	–	–	–	501	–	–	501
Revolving credits	–	–	–	–	25,500	–	–	25,500
	94,281	6,287	1,757	–	65,185	745	2,140	170,395
Net financial (liabilities)/assets	(38,660)	2,820	16,807	17,364	(57,675)	58,256	(1,693)	(2,781)
Less: Net financial (liabilities)/ assets denominated in the respective entities' functional currencies	(456)	(3,567)	(16,807)	–	57,682	(58,210)	–	(21,358)
Currency Exposure	(39,116)	(747)	–	17,364	7	46	(1,693)	(24,139)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Euro RM'000	Korean Won RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
2015								
Financial Assets								
Other investments	8,129	401	–	18,915	–	–	–	27,445
Trade receivables	31,152	5,810	3,957	–	9	19,693	–	60,621
Other receivables and deposits	1,618	784	664	–	26,756	235	1	30,058
Investment in marketable securities	–	–	–	–	60	–	373	433
Fixed deposits with financial institutions	–	–	8,969	–	750	–	–	9,719
Cash and bank balances	33,930	2,351	4,664	1	913	8,701	48	50,608
	74,829	9,346	18,254	18,916	28,488	28,629	422	178,884
Financial Liabilities								
Trade payables	68,088	473	–	–	23,149	–	1,017	92,727
Other payables and accruals	870	2,942	2,458	–	15,163	585	167	22,185
Term loans	–	3,283	–	–	–	–	–	3,283
Bankers' acceptances	28,256	–	–	–	–	–	–	28,256
Hire purchase payables	–	–	–	–	370	–	–	370
Revolving credits	–	–	–	–	30,000	–	–	30,000
	97,214	6,698	2,458	–	68,682	585	1,184	176,821

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Euro RM'000	Korean Won RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
2015								
Net financial (liabilities)/assets	(22,385)	2,648	15,796	18,916	(40,194)	28,044	(762)	2,063
Less: Net financial (liabilities)/ assets denominated in the respective entities' functional currencies	(210)	(4,380)	(15,792)	–	40,198	(27,523)	(34)	(7,741)
Currency Exposure	(22,595)	(1,732)	4	18,916	4	521	(796)	(5,678)

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Company	United States Dollar RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2016				
Financial Assets				
Other investments	8,270	17,364	–	25,634
Other receivables	–	–	9	9
Cash and bank balances	646	–	140	786
	8,916	17,364	149	26,429
Financial Liabilities				
Other payables and accruals	–	–	809	809
Amount owing to subsidiaries	–	–	28,039	28,039
Revolving credit	–	–	15,000	15,000
	–	–	43,848	43,848
Net financial assets/(liabilities)	8,916	17,364	(43,699)	(17,419)
Less: Net financial liabilities denominated in the entity's functional currency	–	–	43,699	43,699
Currency Exposure	8,916	17,364	–	26,280

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Company	United States Dollar RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2015				
Financial Assets				
Other investments	8,270	18,915	–	27,185
Other receivables	1,052	–	37	1,089
Cash and bank balances	25	–	300	325
	9,347	18,915	337	28,599
Financial Liabilities				
Other payables and accruals	–	–	774	774
Amount owing to subsidiaries	3,895	–	25,252	29,147
Revolving credit	–	–	15,000	15,000
	3,895	–	41,026	44,921
Net financial assets/(liabilities)	5,452	18,915	(40,689)	(16,322)
Less: Net financial liabilities denominated in the entity's functional currency	–	–	40,689	40,689
Currency Exposure	5,452	18,915	–	24,367

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Foreign Currency Risk Sensitivity Analysis

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Effects on Profit After Taxation				
United States Dollar/RM: - weakened by 5%	1,486	847	(339)	(204)
Euro/RM: - weakened by 5%	28	65	–	–
New Taiwan Dollar/RM: - weakened by 5%	(660)	(709)	(660)	(709)
Chinese Renminbi/RM: - weakened by 5%	(2)	(20)	–	–
Others/RM: - weakened by 5%	64	30	–	–

A 5% strengthening in the foreign currencies would have had an equal but opposite effect on the profit or loss. This assumes that all other variables remain constant.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with financial institutions and certain borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 27 to the financial statements.

Interest Rate Risk Sensitivity Analysis

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Effects on Profit/(Loss) After Taxation				
Increase of 1%	(108)	(25)	–	–
Decrease of 1%	108	25	–	–
Effects on Equity				
Increase of 1%	(108)	(25)	–	–
Decrease of 1%	108	25	–	–

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

If prices for quoted investments at the end of the reporting period strengthened by 5% with all other variables being held constant, the Group's total comprehensive income would have increased by RM891,230 (2015 - RM967,427). A 5% weakening in the quoted prices would have had an equal but opposite effect on the total comprehensive income respectively.

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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 (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit Risk Concentration Profile

The Group does not have major concentration of credit risk related to any individual customer.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Canada	–	4,504
The People's Republic of China	59,796	26,917
Europe	10,976	10,957
Hong Kong	–	1,486
India	2,835	843
Japan	450	294
Korea	4,594	4,444
Malaysia	2,549	7,146
Taiwan	2,451	1,262
United States of America	9,063	2,251
Others	648	517
	93,362	60,621

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Ageing Analysis

The ageing analysis of the trade receivables is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2016				
Not past due	87,572	–	(46)	87,526
Past due:				
- less than 3 months	5,822	–	(102)	5,720
- 3 to 6 months	116	–	–	116
- 7 to 12 months	–	–	–	–
- more than 1 year	838	(838)	–	–
	94,348	(838)	(148)	93,362
2015				
Not past due	54,830	–	(45)	54,785
Past due:				
- less than 3 months	5,819	–	(100)	5,719
- 3 to 6 months	12	–	–	12
- 7 to 12 months	70	–	–	70
- more than 1 year	873	(838)	–	35
	61,604	(838)	(145)	60,621

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

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities 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):-

The Group	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2016						
Non-derivative Financial Liabilities						
Bankers' acceptances	1.74 - 4.80	11,283	11,283	11,283	–	–
Revolving credits	4.92 - 5.27	25,500	25,500	25,500	–	–
Hire purchase payables	4.42 - 5.10	501	565	200	365	–
Term loans	1.22 - 1.92	11,581	11,828	6,145	5,683	–
Trade payables	–	99,750	99,750	99,750	–	–
Other payables and accruals	–	21,780	21,780	21,780	–	–
		170,395	170,706	164,658	6,048	–
2015						
Non-derivative Financial Liabilities						
Bankers' acceptances	2.58	28,256	28,256	28,256	–	–
Revolving credits	5.50	30,000	30,000	30,000	–	–
Hire purchase payables	5.10	370	417	168	249	–
Term loans	1.29	3,283	3,283	3,283	–	–
Trade payables	–	92,727	92,727	92,727	–	–
Other payables and accruals	–	22,185	22,185	22,185	–	–
		176,821	176,868	176,619	249	–

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities 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):- (Cont'd)

The Company	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2016						
Non-derivative Financial Liabilities						
Revolving credit	4.93	15,000	15,000	15,000	–	–
Other payables accruals and	–	809	809	809	–	–
Amount owing to subsidiaries	–	28,039	28,039	28,039	–	–
		43,848	43,848	43,848	–	–
2015						
Non-derivative Financial Liabilities						
Revolving credit	5.27	15,000	15,000	15,000	–	–
Other payables and accruals	–	774	774	774	–	–
Amount owing to subsidiaries	–	29,147	29,147	29,147	–	–
		44,921	44,921	44,921	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances and fixed deposits with financial institutions. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Bankers' acceptances	11,283	28,256
Revolving credits	25,500	30,000
Hire purchase payables	501	370
Term loans	11,581	3,283
	48,865	61,909
Less:-		
Fixed deposits with financial institutions (Note 15)	(9,809)	(9,719)
Cash and bank balances (Note 33)	(33,463)	(50,608)
Net debt	5,593	1,582
Total equity	288,377	267,844
Debt-to-equity ratio	0.02	0.01

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets				
Available-For-Sale Financial Assets				
Other investments	25,818	27,445	25,634	27,185
Loans and Receivables Financial Assets				
Trade receivables	93,362	60,621	–	–
Other receivables and deposits	4,702	30,058	9	1,089
Fixed deposits with financial institutions	9,809	9,719	–	–
Cash and bank balances	33,463	50,608	786	325
	141,336	151,006	795	1,414
Fair Value through Profit or Loss				
Investment in marketable securities	460	433	–	–
Financial Liabilities				
Other Financial Liabilities				
Bankers' acceptances	11,283	28,256	–	–
Revolving credits	25,500	30,000	15,000	15,000
Hire purchase payables	501	370	–	–
Term loans	11,581	3,283	–	–
Trade payables	99,750	92,727	–	–
Other payables and accruals	21,780	22,185	809	774
Amount owing to subsidiaries	–	–	28,039	29,147
	170,395	176,821	43,848	44,921

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand.

The fair values of the Group's and of the Company's investment in unquoted shares with carrying amounts of RM8,453,225 and RM8,269,414, respectively (2015 - RM8,529,505 and RM8,269,414) are not presented due to the lack of marketability of the shares and the fair value cannot be reliably measured.

The following table sets out the fair value profile of the financial instruments that are carried at fair value and those not carried at the fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
The Group								
2016								
Financial Assets								
Other investments:								
- quoted shares	17,364	–	–	–	–	–	17,364	17,364
Investment in marketable securities	460	–	–	–	–	–	460	460
Financial Liabilities								
Term loans	–	–	–	–	11,581	–	11,581	11,581
Hire purchase payables	–	–	–	–	501	–	501	501
2015								
Financial Assets								
Other investments:								
- quoted shares	18,915	–	–	–	–	–	18,915	18,915
Investment in marketable securities	433	–	–	–	–	–	433	433
Financial Liabilities								
Term loans	–	–	–	–	3,283	–	3,283	3,283
Hire purchase payables	–	–	–	–	370	–	370	370

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 FAIR VALUE INFORMATION (CONT'D)

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
The Company								
2016								
Financial Assets								
Other investments:								
- quoted shares	17,364	–	–	–	–	–	17,364	17,364
2015								
Financial Assets								
Other investments:								
- quoted shares	18,915	–	–	–	–	–	18,915	18,915

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

(aa) The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of hire purchase payables and term loans are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2016 %	2015 %
Hire purchase payables	4.42 - 5.10	4.42 - 5.10
Term loans	1.22 - 1.92	1.29

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(cont'd)

41. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	The Group	
	2016 RM	2015 RM
Chinese Renminbi	0.65	0.66
Euro	4.72	4.69
Japanese Yen 100	3.83	3.57
Korean Won 100	0.37	0.37
New Taiwan Dollar	0.14	0.13
Singapore Dollar	3.10	3.09
United States Dollar	4.49	4.29

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 19 July 2016, a subsidiary, Dominant Opto Technologies Sdn Bhd entered into a joint venture agreement with Rayben Innovation Limited ("Rayben") to set up a private limited company, bearing a proposed name of DRE Technologies Co., Ltd. ("DRE") in Zhuhai, Hengqin New Area in the Peoples' Republic of China. DRE shall be involved in design, production and sales of automotive LED modules and thermal substrates and shall have a registered capital of RMB1,000,000. Dominant and Rayben respectively shall subscribe for 51% and 49% of the registered capital of DRE. DRE is expected to be incorporated by the end of September 2017.

43. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

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.

44. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/ LOSSES

The breakdown of retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are 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, as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- realised	81,614	53,282	70,679	71,084
- unrealised	(47,176)	(38,838)	(39,772)	(38,718)
	34,438	14,444	30,907	32,366
Add: Consolidation adjustments	5,504	13,855	–	–
At 31 December	39,942	28,299	30,907	32,366

LIST OF PROPERTIES HELD

AS AT 31 DECEMBER 2016

No	Name of Registered Owner/ Location	Description/ Existing Use	Land Area (Sq Ft)	Built-up Area (Sq Ft)	Approximate Age of Building	Date of Issuance	Tenure	Audited Net Book Value as at 31 Dec 2016 RM'000
1	HS(D) 21091 PT4623 Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 6 8726 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise and one (1) block four storey factory	231,862	202,011	26 years	27.08.1990	Leasehold 99 years Expiring on 16.02.2091	6,755
2	HS(D) 30783 PT4748 Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 3 8756 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	24,510	19,021	23 years	20.05.1993	Leasehold 99 years Expiring on 17.09.2094	1,055
3	HS(D) 30784 PT4749 Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 4 8758 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	31,733	27,433	23 years	20.05.1993	Leasehold 99 years Expiring on 17.09.2094	1,226

LIST OF PROPERTIES HELD
AS AT 31 DECEMBER 2016
(cont'd)

No	Name of Registered Owner/ Location	Description/ Existing Use	Land Area (Sq Ft)	Built-up Area (Sq Ft)	Approximate Age of Building	Date of Issuance	Tenure	Audited Net Book Value as at 31 Dec 2016 RM'000
4	HS(D) 30785 PT4750 Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 8 8760 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	24,575	25,374	23 years	20.05.1993	Leasehold 99 years Expiring on 17.09.2094	975
5	HS(D) 30786 PT4751 Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 7 8762 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	16,631	19,215	23 years	20.05.1993	Leasehold 99 years Expiring on 17.09.2094	538

RECURRENT RELATED PARTY TRANSACTIONS ('RRPT')

In accordance with Section 3.1.5 of Practice Note 12 and Para 10.09(2)(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a breakdown of the aggregate value of recurrent related party transactions conducted during the financial year ended 31 December 2016 pursuant to the Shareholders' Mandate are disclosed as follows:-

No.	Nature of Transactions	Companies within D&O Group	Related Parties	Relationship	Aggregated Amount ('000)
1	Rental of production place to Dominant	D&O	Dominant	Note a	1,920
2	Sales of LED	Dominant	NexusLED Green Technology Sdn Bhd ("Nexus LED")	Note b	261
3	Provision of manufacturing plant facilities support functions (New installation, Upgrading and Maintenance works etc) ("Provision of Facilities Services")	D&O	Dominant	Note a	1,385
3	Supply of chips or dies manufactured by Epistar	Dominant	Epistar Corporation ("Epistar")	Note c	93,305

Note:-

a) Tay Kheng Chiong and Low Tek Beng are common Directors and shareholders of D&O and Dominant. Lim Yam Chiew sister-in-law of Goh Nan Yang, is deemed interested in Dominant by virtue of her deemed interest in D&O and indirect shareholding in Dominant via Omega Riang Sdn. Bhd., Golden Horizon Resources Ltd ("Golden Horizon") and Chin Bee & Sons Sdn. Bhd.. Goh Nan Yang being a Director and shareholder of D&O is deemed interested in Dominant by virtue of his indirect shareholding in Thames Electronics Sdn. Bhd. and Golden Horizon.

b) Tay Kheng Chiong is a director and shareholder of D&O. Tay Kheng Hwee, the director and shareholder of Nexus LED, is the brother of Tay Kheng Chiong. Ong Tiong Hin, brother-in-law of Tay Kheng Chiong is the director and shareholder of Nexus LED.

c) Epistar subscribed 11,000,000 new ordinary shares in Dominant on 9 November 2015 which is equivalent to 10% of Dominant's total share capital.

STATISTICS ON SHAREHOLDINGS
AS AT 31 MARCH 2017

ANALYSIS OF SHAREHOLDINGS

Share Capital : RM 105,442,005.17 divided into 991,418,493 ordinary shares.

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100	190	8,196	0.001
100 to 1,000	114	62,803	0.006
1,001 to 10,000	838	5,120,729	0.517
10,001 to 100,000	1,032	35,165,826	3.547
100,001 to less than 5% of issued shares	248	415,501,765	41.910
5% and above of issued shares	4	535,559,174	54.019
Total	2,426	991,418,493	100.000

NOTE:

There is only one class of shares in the share capital of the Company. Each share entitles the holder to one vote.

THIRTY LARGEST SHAREHOLDERS
AS AT 31 MARCH 2017

No.	Name of Securities Account Holder	No. of shares held	%
1	PRT Capital Pte Ltd	161,525,200	16.292
2	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Keen Capital Investments Limited	153,470,932	15.479
3	Omega Riang Sdn Bhd	112,783,740	11.375
4	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohammed Azlan Bin Hashim	107,779,302	10.871
5	Nonadiah Binti Abdullah	33,554,113	3.384
6	Lim Thiam Cheok	31,520,309	3.179
7	Kema Development Sdn Bhd	28,974,581	2.922
8	Lim Thian Soo	28,700,000	2.894
9	Lim Soo Kiow	26,549,885	2.677
10	Chin Bee & Sons Sdn Bhd	25,487,912	2.570
11	Cambrew Asia Limited	24,440,266	2.465
12	Chu Beng Han	22,190,000	2.238
13	Geo-Mobile Asia Sdn Bhd	11,900,000	1.200
14	RCI Ventures Sdn Bhd	10,182,666	1.027
15	Tai Yin Moi	8,236,910	0.830
16	Jony Raw @ Raw Jony	7,256,000	0.731
17	Gary Lim Boon Cheong	7,015,448	0.707
18	Cheam Dau Peng	6,447,576	0.650
19	Mega First Housing Development Sdn Bhd	5,933,933	0.598
20	Chu Beng Chin	5,418,278	0.546

STATISTICS ON SHAREHOLDINGS
AS AT 31 MARCH 2017
(cont'd)

THIRTY LARGEST SHAREHOLDERS (CONT'D)
AS AT 31 MARCH 2017

No.	Name of Securities Account Holder	No. of shares held	%
21	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Magna Reserve Sdn Bhd	4,583,902	0.462
22	Chng Soo Moi	4,502,200	0.454
23	Kenanga Nominees (Tempatan) Sdn Bhd RHB Securities Singapore Pte Ltd For Goh Nam Seng (009)	4,000,000	0.403
24	Rubber Thread Industries (M) Sdn Berhad	3,872,000	0.390
25	Tay Kheng Chiong	3,768,053	0.380
26	Ang Toon Chew & Sons (Malaysia) Sendirian Berhad	3,333,333	0.336
27	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeow See Yuen (YEO0876C)	2,986,799	0.301
28	Lim Yam Poh	2,934,134	0.295
29	Lim Yam Chiew	2,927,468	0.295
30	Danny Ong Shau Yu	2,616,566	0.263
	Total	854,891,506	86.214

SUBSTANTIAL SHAREHOLDERS
AS AT 31 MARCH 2017

		Direct Interest		Deemed Interest		
No	Name of Substantial Shareholder	Shares	%	Shares		%
1	PRT Capital Pte Ltd	161,525,200	16.29	0		0.00
2	Keen Capital Investments Limited	153,470,932	15.48	0		0.00
3	Omega Riang Sdn Bhd	112,783,740	11.38	0		0.00
4	Dato' Mohammed Azlan Hashim	107,779,302	10.87	38,138,015	[a]	3.85
5	Datin Nonadiah Abdullah	33,554,113	3.38	112,363,204	[b]	11.33
6	Lim Thiam Cheok	31,520,309	3.18	82,512,425	[c]	8.32
7	Lim Thian Soo	28,700,000	2.89	82,512,425	[c]	8.32
8	Lim Yam Poh	2,934,134	0.30	82,512,425	[c]	8.32
9	Lim Yam Chiew	2,927,468	0.30	138,271,652	[d]	13.95
10	Goh Nan Yang	133,333	0.01	112,783,740	[e]	11.38

STATISTICS ON SHAREHOLDINGS
AS AT 31 MARCH 2017
(cont'd)

DIRECTORS' INTEREST
AS AT 31 MARCH 2017

No	Name of Director	Direct Interest Shares	%	Deemed Interest Shares		%
1	Dato' Mohammed Azlan Hashim	107,779,302	10.87	38,138,015	a	3.85
2	Tay Kheng Chiong	3,768,053	0.38	0		0.00
3	Cheam Dau Peng	8,751,576	0.88	106,666	f	0.01
4	Goh Nan Yang	133,333	0.01	112,783,740	e	11.38
5	Yeow See Yuen	2,986,799	0.30	0		0.00
6	Wong Meng Tak	133,333	0.01	0		0.00
7	Jesper Bjoern Madsen	0	0.00	0		0.00
8	Low Tek Beng (alternate to Cheam Dau Peng)	676,333	0.07	0		0.00

NOTES:

a) Deemed interest by virtue of his shareholdings held through his spouse, Datin Nonadiah binti Abdullah and the latter's deemed interest in Magna Reserve Sdn Bhd
b) Deemed interest by virtue of her shareholdings held through her spouse, Dato' Mohammed Azlan Hashim and her deemed interest in Magna Reserve Sdn Bhd
c) Deemed interest by virtue of his/her shareholdings held through Kema Development Sdn Bhd, Chin Bee & Sons Sdn Bhd, Geo-Mobile Asia Sdn Bhd, Lanai Etika Sdn Bhd, Mega First Housing Development Sdn Bhd and RCI Ventures Sdn Bhd
d) Deemed interest by virtue of her shareholdings held through Omega Riang Sdn Bhd ("ORSB") and Chin Bee & Sons Sdn Bhd
e) Deemed interest by virtue of her shareholdings held through ORSB
f) Deemed interested in the shareholdings of his spouse

Save as disclosed below, there are no other relationship or associations amongst the other substantial shareholders and Directors:-

i) Goh Nan Yang is the brother-in-law of Lim Yam Chiew;
ii) Lim Yam Chiew, Lim Thiam Cheok, Lim Yam Poh and Dr Lim Thian Soo are siblings; and
iii) Datin Nonadiah binti Abdullah is the spouse of Dato' Mohammed Azlan Hashim

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D & O GREEN TECHNOLOGIES BERHAD
(Company No. 645371-V)
(Incorporated in Malaysia)

PROXY FORM

(To be completed in capital letters)

No. of Shares held:	CDS Account No.

* I/We _____

I/C or Company No _____ of _____

_____

being a Member/Members of **D & O Green Technologies Berhad** hereby appoint:

Full Name (in Block Letters)	**NRIC/Passport No.**	**Proportion of shareholdings**	
		No. of D&O Shares	**%**
Address			

And/Or

Full Name (in Block Letters)	**NRIC/Passport No.**	**Proportion of shareholdings**	
		No. of D&O Shares	**%**
Address			

And / Or #THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Mersawa & Meranti Room, Level LG, Eastin Hotel Kuala Lumpur, 13, Jalan 16/11, Pusat Dagangan Seksyen 16, 46350 Petaling Jaya, Selangor on Thursday, 25 May 2017, at 10.00a.m. or at any adjournment thereof, in the manner indicated below:

Ordinary Resolution		**For**	**Against**	**Abstain**
1	Re-election of Dato' Mohammed Azlan Hashim as Director			
2	Re-election of Cheam Dau Peng as Director			
3	Approval of Non-Executive Directors' fee in respect of financial year ended 31 December 2016			
4	Approval of Non-Executive Directors' fee in respect of financial year ended 31 December 2017			
5	Approval of Non-Executive Directors' benefits from 1 January 2017 to the 14th Annual General Meeting			
6	Re-appointment of Auditors			
7	Retention of independent director (Wong Meng Tak), who has served as an Independent Non-Executive Director of the Company for a cumulative of more than nine (9) years			
8	Authority to Directors pursuant to Section 75 of the Companies Act, 2016			
9	Proposed granting of options to Jesper Bjoern Madsen			
10	Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature			

Please indicate with an "X" how you wish your vote to be cast. In the absence of specific directions, your Proxy may vote or abstain at his/her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-	
Proxy 1	%
Proxy 2	%
Total	100%

_____
Signature/Common Seal of Member(s)

Date: _____

Tel. No. _____

\# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

* *Delete if not applicable.*

Notes:

1) *Item 1 of the Agenda 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 13th AGM is entitled to appoint not more than two (2) 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 13th AGM shall have the same rights as the member to speak at the 13th AGM. Nothwithstanding this, a member entitled to attend and vote at the 13th AGM is entitled to appoint any person as his proxy to attend and vote instead of the member at the 13th AGM. There shall be no restriction as to the qualifications of the proxy.*

3) *In case of a corporation member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*

4) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy to attend and vote at the 13th 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.*

5) *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 13th 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.*

6) *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 No. 15 Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.*

Please fold here

Postage
Stamp

D&O
Greentech

The Secretary
D & O GREEN TECHNOLOGIES BERHAD
(Company No.: 645371-V)
No.15 Bukit Ledang
Off Jalan Duta
50480 Kuala Lumpur

Please fold here

D & O GREEN TECHNOLOGIES BERHAD (Company No. 645371-V)

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