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cutting through complexity

KPMG IN MALAYSIA

Wonderful SME Sdn. Bhd. 2016

Illustrative Financial Statements
for Malaysian Private Entities
Reporting Standard

September 2014

kpmg.com/my

Foreword

We hereby present to you Wonderful SME Sdn. Bhd. 2016, KPMG in Malaysia's Illustrative Financial Statements for first-time adopters of the Malaysian Private Entities Reporting Standard ("MPERS").

In February 2014, the Malaysian Accounting Standards Board ("MASB") issued MPERS, which is a new financial reporting framework for private entities. MPERS is effective for financial statements beginning on or after 1 January 2016, replacing the existing Private Entity Reporting Standards ("PERS").

We advise first-time adopters of MPERS to prepare thoroughly as in addition to the effects on financial reporting, the adoption of MPERS also has implications on, among others, tax, legal, human capital, as well as technology infrastructure of some entities. As such, it is critical to engage all affected parties early, both internal and external, to ensure a smooth transition to the MPERS-compliant financial reporting framework.

We have developed this publication in order to assist you in your preparation of the first MPERS financial statements. This publication provides illustration of some key transition implications that we hope will be a useful guide.

As trusted advisors, we aim to cut through the complexity that characterises this new financial reporting requirement. It is our hope that you will find this publication an insightful reference, particularly in your transition to MPERS.

Foong Mun Kong
Partner, Head of Audit

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About this publication

This set of Illustrative Financial Statements has been produced by KPMG in Malaysia and the views expressed herein are those of KPMG in Malaysia.

Content

The purpose of this publication is to assist private entities in Malaysia preparing their first financial statements in accordance with Malaysian Private Entities Reporting Standard ("MPERS"). It illustrates one possible format for full financial statements, based on a fictitious entity involved in general business and adopting MPERS as its primary basis of accounting for the financial year ending 31 December 2016. The corporation is a first-time adopter of MPERS.

Standard covered

This publication reflects MPERS issued by the Malaysian Accounting Standards Board ("MASB") in February 2014 to be applied by an entity with an annual period beginning on 1 January 2016.

This publication does not illustrate the requirements of all MPERS. Examples of MPERS requirements not illustrated include Section 26, *Share-based Payment*, Section 31, *Hyperinflation* and Section 34, *Specialised Activities*.

This publication also reflects the disclosure requirements of the Companies Act, 1965.

While this publication is up to date at the time of printing, MPERS and its interpretations change over time. Accordingly, this Illustrative Financial Statements should not be used as a substitute for referring to the standard and interpretations themselves, particularly when a specific requirement is not addressed in this publication or when there is uncertainty regarding the correct interpretations of the MPERS.

Choice of accounting policies

The accounting policies disclosed in the Illustrative Financial Statements reflect the facts and circumstances of the fictitious entity on which these financial statements are based. They should not be relied upon for a complete understanding of the requirements of MPERS and should not be used as a substitute for referring to the standard and interpretations themselves. The accounting policy disclosures appropriate for an entity depend on the facts and circumstances of that entity and may differ from the disclosures presented in the Illustrative Financial Statements.

MPERS and IFRS for SMEs

MPERS is based on the International Accounting Standards Board ("IASB")'s International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs") issued in July 2009 except for amendments made by the MASB to the following sections:

a) Section 1, *Private Entities* – modified to prescribe the applicability of the MPERS in the Malaysian context.
b) Section 9, *Consolidated and Separate Financial Statements* – requires the ultimate Malaysian parent to prepare consolidated financial statements regardless of whether its ultimate parent that is not incorporated in Malaysia prepares consolidated financial statements.
c) Section 29, *Income Tax* – revised in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 112, *Income Taxes*.
d) Section 34, *Specialised Activities* – amended to provide guidance on the accounting for property development activities based on Financial Reporting Standard ("FRS") 201, *Property Development Activities*.

About this publication (continued)

Reporting date

A number of terms are used, either in MPERS or in practice, to describe the end of an entity's financial year, including 'reporting date', 'end of the reporting period', 'statement of financial position date', 'year end' and 'financial year end'. Generally, these terms are used interchangeably and have the same meaning.

Other ways KPMG can help

Copies of this publication are available from the Professional Practice Department of KPMG in Malaysia. Please contact us at:

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Other KPMG publications

We have a range of publications that can assist you further, including:

- The IFRS for SMEs: Considering the alternatives

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References and abbreviations

The Illustrative Financial Statements is presented on the odd-numbered pages of this publication. The even-numbered pages contain explanatory comments and notes on disclosure requirements. The explanatory comments are not intended to be an exhaustive commentary. To the left of each item disclosed, a reference to the relevant standard is provided. For example, the reference 1.2 means paragraph 2 of MPERS Section 1. Generally the references relate only to disclosure requirements.

The following abbreviations are used for the purpose of referencing:

CCM	Companies Commission of Malaysia or Suruhanjaya Syarikat Malaysia
IASB	International Accounting Standards Board
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Entities
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standard issued by the MASB
MPERS	Malaysian Private Entities Reporting Standard issued by the MASB
PERS	Private Entity Reporting Standards issued by the MASB
S169	Section 169 of the Companies Act, 1965
WSME	Wonderful SME Sdn. Bhd.
9Sch	Ninth Schedule of the Companies Act, 1965

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Reference

Directors' Report

S169(5)-(13) **For the year ended 31 December 2016**

S169(5) The Directors 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.

S169(6)(b)

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

S169(6)(c)

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	6,738	496
Non-controlling interests	376	-
	7,114	496

S169(6)(d)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review *except as disclosed in note XX to the financial statements*.

S169(6)(h)

Dividends

Since the end of the previous financial year, the Company paid:

i) a final preference dividend of 10.59 sen per non-redeemable preference share totalling RM556,000 in respect of the financial year ended 31 December 2015 on 28 February 2016; and

ii) a final ordinary dividend of 7.39 sen per ordinary share totalling RM687,000 in respect of the financial year ended 31 December 2015 on 28 February 2016.

The final preference and ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2016 is 10.63 sen per non-redeemable preference share and 7.89 sen per ordinary share respectively totalling RM558,000 and RM750,000 respectively.

S169(6)(a)

Directors of the Company

Directors who served since the date of the last report are:

Dato' Yusof bin Othman
Christine Ting Wei Ling
Imaran a/l Jignesh
Prakash a/l Akand
Sean Tan Leong Wai
Zulkifri bin Abdul Samadi

Reference

Directors' Report (continued)
For the year ended 31 December 2016

Directors' interests in shares

S169(6)(g), S169(6)(f)(ii) The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end *(including the interests of the spouses or children of the Directors who themselves are not Directors of the Company)* as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1 January 2016	**Bought**	**Sold**	**At 31 December 2016**
Interests in the holding company:				
Dato' Yusof bin Othman				
- own	150,000	-	-	150,000
- others	*XXX*	*XXX*	*XXX*	*XXX*
Sean Tan Leong Wai				
- own	100,000	-	-	100,000
- others	*XXX*	*XXX*	*XXX*	*XXX*
Deemed interests in the Company:				
Dato' Yusof bin Othman				
- own	4,800,000	-	-	4,800,000
Sean Tan Leong Wai				
- own	4,800,000	-	-	4,800,000
Deemed interests in Maple Papers Hong Kong Ltd.:				
Prakash a/l Akand				
- own	5,000	-	-	5,000

By virtue of their interests in the shares of the Company, Dato' Yusof bin Othman and Sean Tan Leong Wai are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Wonderful SME Sdn. Bhd. has an interest.

None of the other Directors holding office at 31 December 2016 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

S169(8) Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

S169(6)(f)(i) There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Reference

Directors' Report (continued)

For the year ended 31 December 2016

Issue of shares and debentures

S169(6)(e) During the financial year, the Company issued:

a) 203,600 new ordinary shares of RM1 each at RM10 per ordinary share for a total cash consideration of RM2,036,000 to fund the Company's investment in a subsidiary.

b) 2,000,000 redeemable preference shares of RM1 each at RM1 per redeemable preference share for a total cash consideration of RM2,000,000 for working capital purposes.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

During the financial year, the Company issued 5,000,000 convertible notes for a total cash consideration of RM5,000,000. The convertible notes are convertible into 250,000 ordinary shares of RM1 each in June 2020 at the option of the holder, which is at a rate of one (1) ordinary share of RM1 each for every twenty (20) convertible notes held; unconverted notes become repayable on demand.

Options granted over unissued shares

S169(11) No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

S169(6)(i) i) all known bad debts have been written off and adequate provision made for doubtful debts, and

S169(6)(k) ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

S169(6)(j) i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

S169(6)(l)(i) ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

S169(6)(l)(ii) iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

S169(6)(o) iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

S169(6)(m)(i) i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

S169(6)(m)(ii) ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

S169(6)(n) No contingent liability or other liability of any company in the Group 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 as and when they fall due.

Reference

Directors' Report (continued)

For the year ended 31 December 2016

Other statutory information (continued)

S169(6)(p)
S169(7)
S169(6)(q)

In the opinion of the Directors, *except for those disclosed in note XX to the financial statements,* the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

S169(5) Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Dato' Yusof bin Othman

....
Christine Ting Wei Ling

Kuala Lumpur
25 April 2017

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Note	Reference	**Explanatory note**
1.	4.2(h)-(i), (k) 15.19(b)	In addition to the items that have been illustrated in WSME 2016, the statement of financial position includes line items that present the following amounts: • biological assets carried at cost less accumulated depreciation and impairment. • biological assets carried at fair value through profit or loss. • investments in jointly controlled entities.
2.	4.9	MPERS does not prescribe the sequence or format in which items are to be presented. Paragraph 2 of Section 4, *Statement of Financial Position* simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition: (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity’s financial position, and (b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity’s financial position.

Reference

Statements of financial position[1,2]

3.17(a) **As at 31 December 2016**

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Assets					
4.2(e)	Property, plant and equipment	3	26,686	31,049	-	-
4.2(f)	Investment properties	4	9,329	9,906	-	-
4.2(g)	Intangible assets	5	5,912	4,741	-	-
4.3	Investments in subsidiaries	6	-	-	28,018	19,036
4.2(j), 14.11, 12(b)	Investments in associates	7	2,025	1,558	-	-
4.2(c)	Other investments	9	3,753	3,614	-	-
4.2(o), 29.28	Deferred tax assets	10	141	1,380	-	-
4.2(b)	Trade and other receivables	11	-	-	3,120	2,544
4.4, 6	**Total non-current assets**		47,846	52,248	31,138	21,580
4.2(d)	Inventories	12	14,580	14,119	-	-
4.2(c)	Other investments	9	540	618	-	-
4.2(n)	Current tax assets		61	115	-	-
4.2(b)	Trade and other receivables	11	27,728	17,945	288	743
4.3	Prepayments and other assets		28	70	6	-
4.2(c)	Derivative financial assets		223	325	-	-
4.2(a)	Cash and cash equivalents	13	1,835	1,850	1,498	1,149
4.4-5	**Total current assets**		44,995	35,042	1,792	1,892
	Total assets		92,841	87,290	32,930	23,472
	Equity					
4.11(f)	Share capital		14,754	14,550	14,754	14,550
4.11(f)	Share premium		5,332	3,500	5,332	3,500
4.11(f)	Reserves		19,532	13,242	4,423	4,990
4.2(r)	**Equity attributable to owners of the Company**	14	39,618	31,292	24,509	23,040
4.2(q), 9.20	**Non-controlling interests**		1,232	842	-	-
	Total equity		40,850	32,134	24,509	23,040
	Liabilities					
4.2(m)	Loans and borrowings	15	21,328	19,506	6,617	-
4.3	Employee benefits	16	2,347	2,110	-	-
4.3	Deferred income	17	1,462	1,500	-	-
4.2(p)	Provisions	18	910	400	-	-
4.2(o), 29.28	Deferred tax liabilities	10	2,517	1,567	119	-
4.4, 8	**Total non-current liabilities**		28,564	25,083	6,736	-
4.2(m)	Loans and borrowings	15	4,649	5,668	-	-
4.3	Deferred income	17	140	130	-	-
4.2(p)	Provisions	18	760	1,200	-	-
4.2(l)	Trade and other payables	19	17,759	22,900	1,685	432
4.2(m)	Derivative financial liabilities		119	175	-	-
4.4, 7	**Total current liabilities**		23,427	30,073	1,685	432
	Total liabilities		51,991	55,156	8,421	432
	Total equity and liabilities		92,841	87,290	32,930	23,472

The notes on pages 29 to 113 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.	3.18	If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity.
	3.19	If an entity has no items of other comprehensive income in any of the periods for which financial statements are presented, it may present only an income statement, or it may present a statement of comprehensive income in which the 'bottom line' is labelled 'profit or loss'.
2.	5.2	An entity presents its total comprehensive income for a period either: (a) in a single statement of comprehensive income, in which case the statement of comprehensive income presents all items of income and expense recognised in the period, or (b) in two statements - an income statement and a statement of comprehensive income - in which case the income statement presents all items of income and expense recognised in the period except those that are recognised in total comprehensive income outside of profit or loss as permitted or required by MPERS.
	5.11	An entity presents an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.
3.	5.5(e)(ii)	In addition to the items that have been illustrated in WSME 2016, an entity includes, in the statement of comprehensive income, line items that present a single amount comprising the total of the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the net assets constituting the discontinued operation for the period.
4.	5.8	Under MPERS, the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods rather than as part of profit or loss in the period in which they arise.
5.	5.10	An entity does not present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the notes.
6.	14.14, 15.20	For investments in associates or jointly controlled entities accounted for by the equity method, an investor or a venturer discloses separately its share of the profit or loss of such associates or jointly controlled entities and its share of any discontinued operations of such associates or jointly controlled entities.
7.	3.14	Except when MPERS permits or requires otherwise, an entity discloses comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity includes comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.
8.		There is no specific requirement on the presentation of comparatives for discontinued operation under MPERS. In our view, an entity may apply paragraph 6 of Section 10, *Accounting Policies, Estimates and Errors* of MPERS to consider the requirements and guidance in MFRS dealing with similar and related issues. Under MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* an entity re-presents the disclosures of discontinued operation for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

Reference

Statements of comprehensive income[1,2,3,4,5]

3.17(b)(i), 5.2(a) **For the year ended 31 December 2016**

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Continuing operations					
5.5(a)	Revenue	20	100,652	96,636	1,656	615
5.11(b), 13.22(c)	Cost of sales		(55,475)	(56,186)	-	-
5.9	**Gross profit**		45,177	40,450	1,656	615
5.9	Other income		1,119	368	39	10
5.11(b)	Distribution expenses		(17,940)	(17,012)	-	-
5.11(b)	Administrative expenses		(17,142)	(14,769)	(1,142)	(354)
5.11(b)	Other expenses		(1,569)	(697)	-	-
5.9	**Results from operating activities**		9,645	8,340	553	271
5.9	Finance income	21	897	480	426	165
5.5(b)	Finance costs	22	(1,760)	(1,676)	(389)	-
5.9	**Net finance (costs)/income**		(863)	(1,196)	37	165
5.5(c), 14.14, 15.20	Share of profit of equity-accounted associates/*jointly controlled entities*[6], net of tax		467	587	-	-
5.9	**Profit before tax**		9,249	7,731	590	436
5.5(d), 29.27	Tax expense	23	(2,514)	(1,800)	(94)	(41)
5.9	**Profit from continuing operations**		6,735	5,931	496	395
	Discontinued operation[7,8]					
5.5(e)	Profit/(Loss) from discontinued operation, net of tax	24	379	(422)	-	-
5.5(f)	**Profit for the year**	25	7,114	5,509	496	395
	Other comprehensive income, net of tax					
5.4(b)(ii), 5(g), 28.24(b)	Actuarial gain/(loss) on employee benefit obligations		72	(15)	-	-
5.5(h)	*Share of gain/(loss) of equity-accounted associates/jointly controlled entities*		*XXX*	*XXX*	*-*	*-*
5.4(b)(iii), 5(g), 12.29(c)	Change in fair value of hedging instrument		85	-	-	-
5.4(b)(i), 5(g), 30.25(b)	Foreign currency translation differences for foreign operations		493	288	-	-
	Other comprehensive income for the year, net of tax		650	273	-	-
5.5(i)	**Total comprehensive income for the year**		7,764	5,782	496	395
	Profit attributable to:					
5.6(a)(ii)	Owners of the Company		6,738	5,290	496	395
5.6(a)(i)	Non-controlling interests		376	219	-	-
	Profit for the year		7,114	5,509	496	395
	Total comprehensive income attributable to:					
5.6(b)(ii)	Owners of the Company		7,361	5,541	496	395
5.6(b)(i)	Non-controlling interests		403	241	-	-
	Total comprehensive income for the year		7,764	5,782	496	395

The notes on pages 29 to 113 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.	6.3(b)	An entity presents a statement of changes in equity showing in the statement the effects of retrospective application or retrospective restatement recognised in accordance with Section 10, *Accounting Policies, Estimates and Errors* for each component of equity.
2.	6.4	The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. Paragraph 18 of Section 3, *Financial Statement Presentation* permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.

Reference

Consolidated statement of changes in equity[1,2]

3.17(c) **For the year ended 31 December 2016**

Reference	Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Translation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
			/---- Attributable to owners of the Company						----/		
			/---- Non-distributable				----/	Distributable			
9Sch2(1)(d)	**At 1 January 2015**		14,550	3,500	-	845	-	7,380	26,275	601	26,876
6.3(c)(ii)	Actuarial loss on employee benefit obligations		-	-	-	-	-	(15)	(15)	-	(15)
6.3(c)(ii)	Foreign currency translation differences for foreign operations		-	-	-	266	-	-	266	22	288
	Total other comprehensive income for the year		-	-	-	266	-	(15)	251	22	273
6.3(c)(i)	Profit for the year		-	-	-	-	-	5,290	5,290	219	5,509
6.3(a)	**Total comprehensive income for the year**		-	-	-	266	-	5,275	5,541	241	5,782
	Contributions by and distributions to owners of the Company										
6.3(c)(iii)	- Dividends to owners of the Company	26	-	-	-	-	-	(524)	(524)	-	(524)
	Total transactions with owners of the Company		-	-	-	-	-	(524)	(524)	-	(524)
	At 31 December 2015		14,550	3,500	-	1,111	-	12,131	31,292	842	32,134

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Reference

Consolidated statement of changes in equity (continued)

3.17(c) **For the year ended 31 December 2016**

Reference	Group	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Translation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
			/---- Attributable to owners of the Company ----								
			/---- Non-distributable ----				/ Distributable				
9Sch2(1)(d)	**Group**										
	At 1 January 2016		14,550	3,500	-	1,111	-	12,131	31,292	842	32,134
6.3(c)(ii)	Actuarial gain on employee benefit obligations		-	-	-	-	-	72	72	-	72
6.3(c)(ii)	Change in fair value of hedging instruments		-	-	-	-	85	-	85	-	85
6.3(c)(ii)	Foreign currency translation differences for foreign operations		-	-	-	466	-	-	466	27	493
	Total other comprehensive income for the year		-	-	-	466	85	72	623	27	650
6.3(c)(i)	Profit for the year		-	-	-	-	-	6,738	6,738	376	7,114
6.3(a)	**Total comprehensive income for the year**		-	-	-	466	85	6,810	7,361	403	7,764
	Contributions by and distributions to owners of the Company										
6.3(c)(iii)	- Issue of ordinary shares	14	204	1,832	-	-	-	-	2,036	-	2,036
	- Issue of convertible notes, net of tax		-	-	180	-	-	-	180	-	180
6.3(c)(iii)	- Dividends to owners of the Company	26	-	-	-	-	-	(1,243)	(1,243)	-	(1,243)
			204	1,832	180	-	-	(1,243)	973	-	973
6.3(c)(iii)	Changes in ownership interests in a subsidiary		-	-	-	-	-	(8)	(8)	(13)	(21)
	Total transactions with owners of the Company		204	1,832	180	-	-	(1,251)	965	(13)	952
	At 31 December 2016		14,754	5,332	180	1,577	85	17,690	39,618	1,232	40,850

The notes on pages 29 to 113 are an integral part of these financial statements.

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Reference

3.17(c)

Statement of changes in equity

For the year ended 31 December 2016

Reference	Company	Note	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
			/---- Attributable to owners of the Company					----/
			/---- Non-distributable			----/	Distributable	
9Sch2(1)(d)	**Company**							
	At 1 January 2015		14,550	3,500	-	800	4,319	23,169
6.3(a)	**Profit and total comprehensive income for the year**		-	-	-	-	395	395
	Contributions by and distributions to owners of the Company							
6.3(c)(iii)	- Dividends to owners of the Company	26	-	-	-	-	(524)	(524)
	Total transactions with owners of the Company		-	-	-	-	(524)	(524)
	At 31 December 2015/1 January 2016		14,550	3,500	-	800	4,190	23,040
6.3(a)	**Profit and total comprehensive income for the year**		-	-	-	-	496	496
	Contributions by and distributions to owners of the Company							
6.3(c)(iii)	- Issue of ordinary shares	14	204	1,832	-	-	-	2,036
	- Issue of convertible notes, net of tax		-	-	180	-	-	180
6.3(c)(iii)	- Dividends to owners of the Company	26	-	-	-	-	(1,243)	(1,243)
	Total transactions with owners of the Company		204	1,832	180	-	(1,243)	973
	At 31 December 2016		14,754	5,332	180	800	3,443	24,509

The notes on pages 29 to 113 are an integral part of these financial statements.

Note	Reference	**Explanatory note**
1.	7.3	An entity presents a statement of cash flows that presents cash flows for a reporting period classified by operating activities, investing activities and financing activities.
2.	7.7	An entity presents cash flows from operating activities using either: (a) the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows, or (b) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.
3.	7.14	An entity presents separately cash flows from interest and dividends received and paid. The entity classifies cash flows consistently from period to period as operating, investing or financing activities.
	7.15	An entity may classify interest paid and interest and dividends received as operating cash flows because they are included in profit or loss. Alternatively, the entity may classify interest paid and interest and dividends received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.
	7.16	An entity may classify dividends paid as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, the entity may classify dividends paid as a component of cash flows from operating activities because they are paid out of operating cash flows.

Reference						
3.17(d)	**Statements of cash flows** **For the year ended 31 December 2016[1]**					
			Group		**Company**	
		Note	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
7.7(a)	**Cash flows from operating activities[2]**					
	Profit/(Loss) before tax from:					
	- continuing operations		9,249	7,731	590	436
	- discontinued operation	24	(162)	(466)	-	-
			9,087	7,265	590	436
	Adjustments for:					
	Amortisation of government grant	17	(38)	-	-	-
	Amortisation of goodwill	5	508	458	-	-
	Change in fair value of investment properties	4	(654)	(102)	-	-
7.8(b)	Depreciation of property, plant and equipment	3	5,001	5,122	-	-
	Dividend income	20	(360)	(318)	(1,656)	(615)
	Finance income	21	(897)	(480)	(426)	(165)
	Finance costs	22	1,760	1,676	389	-
	Gain on disposal of property, plant and equipment		(1,000)	(100)	-	-
	Gain on disposal of investment properties		(325)	-	-	-
	Loss on disposal of other investments		15	-	-	-
	Net impairment loss on financial assets		103	108	-	-
	(Reversal of)/Impairment loss on intangible assets	5	(100)	285	-	-
	(Reversal of)/Impairment loss on property, plant and equipment	3	(393)	1,123	-	-
	(Reversal of)/Impairment loss on inventories	12	(32)	125	-	-
7.8(b)	Share of profit of equity-accounted associates/*jointly controlled entities*, net of tax		(467)	(587)	-	-
7.8(b)	Unrealised foreign exchange differences		253	(113)	-	-
	Operating profit/(loss) before changes in working capital		12,461	14,462	(1,103)	(344)
7.8(a)-(b)	Change in employee benefits, provisions and deferred income		387	(700)	-	-
7.8(a)	Change in inventories		200	(2,613)	-	-
7.8(a)	Change in trade and other payables		(3,591)	(524)	(132)	265
7.8(a)	Change in trade and other receivables, prepayments and other assets		(13,360)	(1,386)	449	107
	Cash (used in)/from operations		(3,903)	9,239	(786)	28
7.14	Dividends received[3]		360	318	1,656	615
7.14	Interest received[3]		897	480	426	165
7.14	Interest paid		(1,760)	(1,676)	(389)	-
7.17	Tax paid		(293)	(1,007)	(35)	(25)
	Net cash (used in)/from operating activities		(4,699)	7,354	872	783

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Reference

Statements of cash flows (continued)

3.17(d) **For the year ended 31 December 2016**

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
7.10	**Cash flows from investing activities**					
7.5(a)	Acquisition of investment properties	4	(505)	(437)	-	-
7.5(c)	Acquisition of other investments		(633)	(39)	-	-
7.5(a)	Acquisition of property, plant and equipment	3	(14,451)	(1,488)	-	-
7.5(c)	Acquisition of subsidiary, net of cash and cash equivalents acquired	31	(2,125)	-	(2,500)	-
7.5(c)	Increase in investments in subsidiaries		-	-	(6,482)	-
7.5(a)	Acquisition of patents and trademarks	5	(1,282)	(515)	-	-
7.5(e)	Loans to subsidiaries		-	-	(576)	(200)
	Disposal of discontinued operation					
	- Proceeds from disposal, net of cash and cash equivalents disposed of		10,890	-	-	-
	- Tax paid on gain on disposal		(330)	-	-	-
7.5(b)	Proceeds from disposal of investment properties		1,605	168	-	-
7.5(d)	Proceeds from disposal of other investments		537	-	-	-
7.5(b)	Proceeds from disposal of property, plant and equipment		10,715	481	-	-
	Change in pledged deposits		(20)	(10)	-	-
	Net cash from/(used in) investing activities		4,401	(1,840)	(9,558)	(200)
7.10	**Cash flows from financing activities**					
	Acquisition of non-controlling interests		(21)	-	-	-
7.14	Dividends paid to owners of the Company	26	(1,243)	(524)	(1,243)	(524)
7.6(c)	Proceeds from issue of convertible notes		4,862	-	4,862	-
7.6(c)	Proceeds from issue of redeemable preference shares	15	1,995	-	1,995	-
7.6(a)	Proceeds from issue of share capital		2,036	-	2,036	-
7.6(c)	Proceeds from loan from subsidiaries	19	-	-	1,385	-
7.6(d)	Repayment of other borrowings		(3,097)	(4,472)	-	-
7.6(e)	Repayment of finance lease liabilities		(2,269)	(580)	-	-
7.6(d)	Repayment of loan from associate		(2,000)	-	-	-
	Net cash from/(used in) financing activities		263	(5,576)	9,035	(524)

Note	Reference	**Explanatory note**
1.	7.20	An entity presents the components of cash and cash equivalents and presents a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position.
2.	7.21	An entity discloses, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.

Reference

Statements of cash flows (continued)

3.17(d) **For the year ended 31 December 2016**

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Net (decrease)/increase in cash and cash equivalents	(35)	(62)	349	59
7.13	Effect of exchange rate fluctuations on cash held	(52)	120	-	-
	Cash and cash equivalents at 1 January	1,488	1,430	1,149	1,090
	Cash and cash equivalents at 31 December	1,401	1,488	1,498	1,149

Cash and cash equivalents

7.20 Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:[1]

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Deposits	13	1,454	862	1,357	653
	Less: Pledged deposits	13	(100)	(80)	-	-
			1,354	782	1,357	653
	Cash and bank balances	13	381	988	141	496
7.2	Bank overdraft	15	(334)	(282)	-	-
			1,401	1,488	1,498	1,149

Acquisition of property, plant and equipment

7.18-19, 9Sch2(1)(i)(v) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM15,451,000 (2015: RM1,488,000), of which RM1,000,000 (2015: Nil) were acquired by means of finance leases.

7.21 ***Significant restrictions***[2]

The covenants of a bank loan taken by a subsidiary of the Company restricts the ability of the subsidiary to provide advances to other companies within the Group and to declare dividends to its shareholders until settlement of the loan. At the reporting date, the subsidiary has cash and cash equivalents of RMXXX (2015: RMXXX).

The notes on pages 29 to 113 are an integral part of these financial statements.

Note	Reference	Explanatory note
1.	8.2(b)-(c)	The notes: • disclose the information required by MPERS that is not presented elsewhere in the financial statements; and • provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.
	8.3	An entity, as far as practicable, presents the notes in a systematic manner. An entity cross-references each item in the financial statements to any related information in the notes.
2.	3.9	When management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity discloses those uncertainties. When an entity does not prepare financial statements on a going concern basis, it discloses that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.
3.	3.5	When an entity departs from a requirement of MPERS in accordance with paragraph 4 of Section 3, *Financial Statement Presentation*, it discloses the following: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows. (b) that it has complied with the MPERS, except that it has departed from a particular requirement to achieve a fair presentation. (c) the nature of the departure, including the treatment that the MPERS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2, *Concepts and Pervasive Principles*, and the treatment adopted.
	3.7	In the extremely rare circumstances when management concludes that compliance with a requirement in MPERS would be so misleading that it would conflict with the objective of financial statements of private entities set out in Section 2, *Concepts and Pervasive Principles*, but the relevant regulatory framework prohibits departure from the requirement, the entity, to the maximum extent possible, reduces the perceived misleading aspects of compliance by disclosing the following: (a) the nature of the requirement in this Standard, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2. (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.
4.	3.23(e)	An entity displays the level of rounding, if any, used in presenting amounts in the financial statements.
	30.26	An entity discloses the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity states that fact and discloses the functional currency and the reason for using a different presentation currency.
	30.27	When there is a change in the functional currency of either the reporting entity or a significant foreign operation, the entity discloses that fact and the reason for the change in functional currency.
	9Sch6(1)	For statutory financial statements presented in Malaysia, the presentation currency is in Ringgit Malaysia.

Reference

Notes to the financial statements[1]

3.17(e), 23(a), 24(a) Wonderful SME Sdn. Bhd. is a private company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business	**Registered office**
Wonderful Plaza	Wonderful Tower
3, Jalan Hartamas	15, Jalan Bintang Sinar
50490 Kuala Lumpur	46200 Petaling Jaya
Malaysia	Selangor, Malaysia

3.23(b)-(c), 9.23(a) 9.27(a) The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2016 also include jointly controlled operations.

3.24(b) The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in the manufacture and sale of paper and paper products.

33.5, S169(10) The immediate and ultimate holding companies during the financial year were Very Wonderful SME Sdn. Bhd. and Extremely Wonderful SME Sdn. Bhd. respectively. Both companies were incorporated in Malaysia. The ultimate controlling party of the Group is Dato' Yusof bin Othman who is the controlling shareholder of the ultimate holding company.

32.9 These financial statements were authorised for issue by the Board of Directors on 25 April 2017.

8.2(a) 8.4(a) 3.3

1. Basis of preparation[2]

(a) Statement of compliance[3]

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MPERS.

35.12 In the previous years, the financial statements of the Group and the Company were prepared in accordance with Private Entity Reporting Standards ("PERSs"). The financial impact on transition to MPERS is disclosed in note 34.

8.5(a)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in note 2.

(c) Functional and presentation currency[4]

3.23(d)-(e), 30.26 These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

8.6-7

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MPERS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Note	Reference	**Explanatory note**
1.	9.4	Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. If an entity has created a special purpose entity ("SPE") to accomplish a narrow and well-defined objective, the entity consolidates the SPE when the substance of the relationship indicates that the SPE is controlled by that entity.
	9.5	Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. That presumption may be overcome in exceptional circumstances if it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity but it has: (a) power over more than half of the voting rights by virtue of an agreement with other investors; (b) power to govern the financial and operating policies of the entity under a statute or an agreement; (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
	9.6	Control can also be achieved by having options or convertible instruments that are currently exercisable or by having an agent with the ability to direct the activities for the benefit of the controlling entity.
	9.7-9	A subsidiary is not excluded from consolidation because: (a) the investor is a venture capital organisation or similar entity. (b) its business activities are dissimilar to those of the other entities within the consolidation. Relevant information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries. (c) it operates in a jurisdiction that imposes restrictions on transferring cash or other assets out of the jurisdiction.
2.	9.10	An entity may be created to accomplish a narrow objective (e.g. to effect a lease, undertake research and development activities or securitise financial assets). Such an SPE may take the form of a corporation, trust, partnership or unincorporated entity. Often, SPEs are created with legal arrangements that impose strict requirements over the operations of the SPE.
	9.11	An entity prepares consolidated financial statements that include the entity and any SPEs that are controlled by that entity. In addition to the circumstances described in paragraph 5 of Section 9, *Consolidated and Separate Financial Statements*, the following circumstances may indicate that an entity controls an SPE: (a) the activities of the SPE are being conducted on behalf of the entity according to its specific business needs. (b) the entity has the ultimate decision-making powers over the activities of the SPE even if the day-to-day decisions have been delegated. (c) the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE. (d) the entity retains the majority of the residual or ownership risks related to the SPE or its assets. The above list is not an exhaustive list.
3.	9.26	When a parent, an investor in an associate, or a venturer with an interest in a jointly controlled entity prepares separate financial statements and describes them as conforming to the MPERS, those statements comply with all of the requirements of MPERS. The entity adopts a policy of accounting for its investments in subsidiaries, associates and jointly controlled entities either: (a) at cost less impairment, or (b) at fair value with changes in fair value recognised in profit or loss. The entity applies the same accounting policy for all investments in a single class (subsidiaries, associates or jointly controlled entities), but it can elect different policies for different classes.

Reference

Notes to the financial statements

8.2(a)

1. Basis of preparation (continued)

8.6-7

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – valuation of investment properties
- Note 6 – investments in subsidiaries
- Note 18 – provisions
- Note 31 – business combinations

8.4(b), 5, 9Sch6(5)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries[1]

9.4 Subsidiaries are entities, including special purpose entity, controlled by the Company.[2] The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

9.26(a), 27(b) Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.[3] The cost of investment includes transaction costs.

(ii) Business combinations

19.6
19.11 Business combinations are accounted for by applying the purchase method from the acquisition date, which is the date on which the Group obtains control of the acquiree. The cost of a business combination is the aggregate of:

- the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus
- any costs directly attributable to the business combination.

14.8(i)(i) If an associate *or a jointly controlled entity* becomes a subsidiary, the Group remeasures its previously held equity interest to fair value and recognises the resulting gain or loss, if any, in profit or loss. The remeasured carrying amount forms part of the cost of business combination.

19.22
19.24(b) When the cost of the business combination is in excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, the excess is recognised as goodwill. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is measured at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

(iii) Acquisitions of non-controlling interests

22.19 The Group accounts all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

9.18
9.19 Upon the loss of control of a subsidiary, the Group recognises the difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal. If the Group retains any interest in the former subsidiary, that investment is accounted for as a financial asset from the date the entity ceases to be a subsidiary, provided that it does not become an associate *or a jointly controlled entity*. The carrying amount of the investment at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Note	Reference	**Explanatory note**
1.	14.4, 15.9	In WSME 2016, the investments in associates and the interest in the jointly controlled entity are accounted by using the equity method. An investor or a venturer accounts for all of its investments in associates or all of its interests in jointly controlled entities using one of the following: (a) the cost model. (b) the equity method. (c) the fair value model.
	14.5-6, 15.10-11	Under the cost model, an investor or a venturer measures its investments in associates or in jointly controlled entities, other than those for which there is a published price quotation at cost less any accumulated impairment losses recognised in accordance with Section 27, *Impairment of Assets*. The investor recognises dividends and other distributions received from the investment as income without regard to whether the distributions are from accumulated profits of the associate or jointly controlled entity arising before or after the date of acquisition.
	14.7, 15.12	An investor or a venturer measures its investments in associates or jointly controlled entities for which there is a published price quotation using the fair value model.
	14.9-10, 15.14-15	Under the fair value model, an investor or a venturer initially measures an investment in an associate or jointly controlled entity at the transaction price. The transaction price excludes transaction costs. At each reporting date, an investor or a venturer measures its investments in associates or jointly controlled entities at fair value, with changes in fair value recognised in profit or loss, using the fair valuation guidance in paragraphs 27 to 32 of Section 11, *Basic Financial Instruments*. An investor or a venturer using the fair value model uses the cost model for any investment in an associate or jointly controlled entity for which it is impracticable to measure fair value reliably without undue cost or effort.
	14.15, 15.21	For investments in associates or jointly controlled entities accounted for by the fair value model, an investor or a venturer makes the disclosures required by paragraphs 41 to 44 of Section 11.
2.	14.3	Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. (a) If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the associate, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. (b) Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the associate, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. (c) A substantial or majority ownership by another investor does not preclude an investor from having significant influence.
3.		MPERS does not specifically address the treatment for the decrease of the interest in an associate. Hence, an entity applies paragraphs 4 and 5 of Section 10, *Accounting Policies, Estimates and Errors* in determining an appropriate accounting policy.
4.	9.26	When an investor in an associate prepares separate financial statements and describes them as conforming to the MPERS, those statements comply with all of the requirements of MPERS. The entity adopts a policy of accounting for its investments in associates either: (a) at cost less impairment, or (b) at fair value with changes in fair value recognised in profit or loss. The entity applies the same accounting policy for all investments in a single class (subsidiaries, associates or jointly controlled entities), but it can elect different policies for different classes.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

14.12(a) **(v) Associates**[1]

14.2-3 Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.[2]

14.4(b), 8, 8(a), 8(g) Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

14.8(h) When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

14.8(i)(ii) When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.[3]

9.26(a), 27(b) Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses.[4] The cost of investment includes transaction costs.

15.19(a) ***(vi) Joint ventures***[1]

15.2-3 *Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for strategic financial and operating decisions over an economic activity.*

15.3 *Joint ventures are classified and accounted for as follows:*

15.4-5
- *A joint venture is classified as "jointly controlled operation" when the operation of the joint venture involves the use of the assets and other resources of the Group or the Company rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the Group or the Company itself. The Group or the Company uses its own property, plant and equipment and carries its own inventories. The Group or the Company also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities are carried out by the Group's or the Company's employees alongside the Group's or the Company's similar activities. The Group or the Company recognises the assets that it controls and the liabilities that it incurs and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.*

15.6-7
- *A joint venture is classified as "jointly controlled assets" when the Group or the Company contributes one or more assets to the joint venture that it has joint control, or acquires assets and dedicates the assets to the joint venture. The Group or the Company recognises its share of the jointly controlled assets, classified according to the nature of the assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers in relation to the joint venture. The Group or the Company also recognises any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture.*

15.8, 9(b)
- *A joint venture is classified as "jointly controlled entity" when it involves the establishment of a corporation, partnership or other entity in which the Group has an interest. The Group has joint control over the economic activity of the joint venture based on the contractual arrangement*
15.13 *between the Group and other venturers. The Group accounts for its interest in the jointly controlled entity using the equity method.*

Note	Reference	**Explanatory note**
1.	9.26	When a venturer with an interest in a jointly controlled entity prepares separate financial statements and describes them as conforming to the MPERS, those statements comply with all of the requirements of MPERS. The entity adopts a policy of accounting for its investments in jointly controlled entities either: (a) at cost less impairment, or (b) at fair value with changes in fair value recognised in profit or loss. The entity applies the same accounting policy for all investments in a single class (subsidiaries, associates or jointly controlled entities), but it can elect different policies for different classes.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Joint ventures (continued)

9.26(a), 27(b) *Investments in jointly controlled entities are measured in the Company's statement of financial position at cost less any impairment losses.*[1] *The cost of investment includes transaction costs.*

(vii) Non-controlling interests

9.20-21 Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

9.22 Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

9.15 Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full in preparing the consolidated financial statements.

14.8(e) Unrealised profits and losses arising from transactions with equity-accounted associates *and jointly controlled entities* are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated only to the extent that there is evidence of an impairment of the asset transferred.

(b) Foreign currency

(i) Foreign currency transactions

30.7 Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

30.9(a) Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

30.9(b)-(c) Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

30.12-13 In the consolidated financial statements, foreign currency exchange gains and losses arising from monetary item that forms part of the Group's net investment in a foreign operation (i.e. a receivable from or a payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future) are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity. The foreign currency differences accumulated in equity is not reclassified to profit or loss on disposal of the net investment.

30.13 In the separate financial statements, all foreign currency differences are recognised in profit or loss.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

30.18(a)-(b), 23 The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Note	Reference	**Explanatory note**
1.		MPERS does not specifically address the treatment for the disposal of the interests in a subsidiary, associates or jointly controlled entities that include foreign operations. Hence, an entity applies paragraphs 4 and 5 of Section 10, *Accounting Policies, Estimates and Errors* in determining an appropriate accounting policy.
2.	11.11	Examples of financial asset or financial liability that are measured at fair value through profit or loss include: (a) an investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares. (b) an interest rate swap, or a forward commitment to purchase a commodity or financial instrument that is capable of being cash-settled. (c) options and forward contracts. (d) investments in convertible debt. (e) a loan receivable from a third party that gives the third party the right or obligation to prepay if the applicable taxation or accounting requirements change.
3.	11.22	Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the holder of the asset about the following loss events: (a) significant financial difficulty of the issuer or obligor. (b) a breach of contract, such as a default or delinquency in interest or principal payments. (c) the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider. (d) it has become probable that the debtor will enter bankruptcy or other financial reorganisation. (e) observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.
	11.23	Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

30.18(c), 20 Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is not reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.[1]

11.40

(c) Financial instruments

(i) Initial recognition and measurement

11.12 A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

11.13 A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction.[2] If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

(ii) Subsequent measurement

11.9 Debt instruments that meet the following conditions are measured at amortised cost using the effective interest method:

(a) returns to the holder are determinable, e.g. a fixed amount and/or variable rate of return benchmark against a quoted or observable interest rate;
(b) there is no contractual provision that could result in the holder losing the principal amount or any interest attributable to the current or prior periods; and
(c) prepayment option, if any, is not contingent on future events.

11.14(a) Debt instruments that are classified as current assets or current liabilities are measured at the undiscounted amount of the cash or other consideration expected to be paid or received unless the arrangement constitutes, in effect, a financing transaction.

11.14(c) Investments in non-puttable ordinary shares*, and investments in non-convertible and non-puttable preference shares* are measured at cost less impairment, unless the shares are publicly traded or their fair value can otherwise be measured reliably, in which case the investments are measured at fair value with changes in fair value recognised in profit or loss.

All other financial assets or financial liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

11.21 All financial assets (except for financial assets measured at fair value through profit or loss) are
11.25 assessed at each reporting date whether there is any objective evidence of impairment.[3] An impairment loss is measured as follows:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Note	Reference	Explanatory note
1.	17.11	The following costs are not costs of an item of property, plant and equipment, and an entity recognises them as an expense when they are incurred: (a) costs of opening a new facility. (b) costs of introducing a new product or service (including costs of advertising and promotional activities). (c) costs of conducting business in a new location or with a new class of customer (including costs of staff training). (d) administration and other general overhead costs. (e) borrowing costs.
	17.12	The income and related expenses of incidental operations during construction or development of an item of property, plant and equipment are recognised in profit or loss if those operations are not necessary to bring the item to its intended location and operating condition.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

11.40 **(c) Financial instruments (continued)**

(iii) Hedge accounting

12.17(a), 19 A hedge of fixed interest rate risk of a recognised financial instrument or commodity price risk of a commodity held is accounted for as follows:

- the hedging instrument is recognised as an asset or a liability and the change in the fair value of the hedging instrument is recognised in profit or loss.
- the change in the fair value of the hedged item related to the hedged risk is recognised in profit or loss and as an adjustment to the carrying amount of the hedged item.

12.23 A hedge of variable interest rate risk of a recognised financial instrument, foreign exchange risk or commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation is accounted for as follows:

- the portion of the change in the fair value of the hedging instrument that was effective in offsetting the change in the fair value or expected cash flows of the hedged item is recognised in other comprehensive income. The hedging gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedged item is recognised in profit or loss or when the hedging relationship ends.
- any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows (i.e. hedge ineffectiveness) is recognised in profit or loss.

12.25 Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated, the hedge no longer meets the criteria for hedge accounting, the hedge designation is revoked, or in a hedge of a forecast transaction, the forecast transaction is no longer highly probable.

(iv) Derecognition

11.33 *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 are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset derecognised and the consideration received, including any newly created rights and obligations, is recognised in profit or loss.*

11.36, 38 *A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount 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.*

(d) Property, plant and equipment

(i) Recognition and measurement

17.15, 31(a) Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.[1]

17.9-10 Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The
12.19 cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

17.16 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.

17.28, 30 The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

Note	Reference	**Explanatory note**
1.	17.22	An entity selects a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. The possible depreciation methods include the straight-line method, the diminishing balance method and a method based on usage such as the units of production method.
2.	16.3	A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property using this section if, and only if, the property would otherwise meet the definition of an investment property and the lessee can measure the fair value of the property interest without undue cost or effort on an ongoing basis. This classification alternative is available on a property-by-property basis.
3.	20.15(b)	A lessee recognises lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense on a straight-line basis unless the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.
4.		MPERS does not require any disclosure on lease incentives. In our view, as lease incentives happen commonly, an entity may disclose them to provide relevant information to the users of the financial statements.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

17.4, 6, 15 The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation[1]

17.16 Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

17.20, 22, 31(b)-(c), 9Sch2(1)(i)(vii) Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

• leasehold land	90 - 999 years
• buildings	40 years
• plant and equipment	5 - 12 years
• fixtures and fittings	5 - 10 years
• major components	3 - 5 years
• *spare parts, stand-by equipment and servicing equipment*	*XX years*

17.19, 23 If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits, the Group would review its present depreciation method and, if current expectations differ, the Group would amend the residual value, depreciation method or useful life to reflect the new pattern.

(e) Leased assets

(i) Finance lease

20.4, 9 Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease
20.12 payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

20.11 Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as expenses in the profit or loss in the periods in which they are incurred.

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

(ii) Operating lease[2]

20.4 Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

20.15 Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease, except for lease arrangement where the operating lease payments are structured to increase in line with expected general inflation.[3] Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.[4] Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

Note	Reference	**Explanatory note**
1.	18.20	If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life is presumed to be ten years.
2.	16.5	An entity measures investment property at its cost at initial recognition. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments. An entity determines the cost of a self-constructed investment property in accordance with paragraphs 10 to 14 of Section 17, *Property, Plant and Equipment*.
3.	16.9	Other than as required by paragraph 8 of Section 16, *Investment Property*, an entity transfers a property to, or from, investment property only when the property first meets, or ceases to meet, the definition of investment property.
4.		MPERS does not specifically address the treatment for reclassification from property, plant and equipment to investment property. Hence, an entity applies paragraphs 4 and 5 of Section 10, *Accounting Policies, Estimates and Errors* in determining an appropriate accounting policy.
5.		MPERS does not specifically address the treatment for derecognition of investment properties. Hence, an entity applies paragraphs 4 and 5 of Section 10, *Accounting Policies, Estimates and Errors* in determining an appropriate accounting policy.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

19.22-23 Goodwill arises on business combinations and is initially measured at its cost. After initial recognition, the Group measures the goodwill acquired in a business combination at cost less accumulated amortisation and accumulated impairment losses.

14.8(c) Goodwill arises on acquisition of equity-accounted associates *and jointly controlled entities* is recorded as part of the carrying amount at the date of acquisition. The Group adjusts its share of the associate's *and jointly controlled entity's* profits or losses after the acquisition to account for amortisation of the goodwill.

(ii) Other intangible assets

18.18 Other intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

18.14 An internally generated intangible asset, including research and development expenditure, is expensed to profit or loss unless it forms part of the cost of another asset.

(iii) Amortisation

18.22, 27(a)-(b) Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

18.20
- goodwill[1] 10 years
- patents and trademarks[1] 8 – 10 years

18.24 If there is an indication that there has been a change in the residual value or useful life of an intangible asset since the last annual reporting date, the Group would review its previous estimates and, if current expectations differ, the Group would amend the residual value, amortisation method or useful life.

(g) Investment properties

16.2 Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

16.5 Investment properties are measured initially at cost.[2] Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

16.7 Investment properties are subsequently measured at fair value with any change therein recognised in profit or loss for the period in which they arise.

16.8 If a reliable measure of fair value is not available without undue cost or effort for an item of investment property, the item is classified as property, plant and equipment and is measured at cost less any accumulated depreciation and any accumulated impairment losses until a reliable measure of fair value becomes available.[3] The carrying amount of the investment property on that date becomes its cost.

16.1 Fair value gain or loss arising from the reclassification from property, plant and equipment to investment property is recognised in profit or loss.[4]

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.[5]

Note	Reference	**Explanatory note**
1.	13.17	An entity measures the cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects by using specific identification of their individual costs.
	13.18	An entity measures the cost of inventories, other than those dealt with in paragraph 17 of Section 13, *Inventories* by using the first-in, first-out ("FIFO") or weighted average cost formula. An entity uses the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified. The last-in, first-out method ("LIFO") is not permitted by MPERS.
2.	13.9	An entity allocates fixed production overheads to the costs of conversion on the basis of the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognised as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.
3.	27.16	The following elements are reflected in the calculation of an asset's value in use: (a) an estimate of the future cash flows the entity expects to derive from the asset. (b) expectations about possible variations in the amount or timing of those future cash flows. (c) the time value of money, represented by the current market risk-free rate of interest. (d) the price for bearing the uncertainty inherent in the asset. (e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.
	27.17	In measuring value in use, estimates of future cash flows include: (a) projections of cash inflows from the continuing use of the asset. (b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset. (c) net cash flows, if any, expected to be received (or paid) for the disposal of the asset at the end of its useful life in an arm's length transaction between knowledgeable, willing parties. The entity may wish to use any recent financial budgets or forecasts to estimate the cash flows, if available. To estimate cash flow projections beyond the period covered by the most recent budgets or forecasts an entity may wish to extrapolate the projections based on the budgets or forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified.
	27.18	Estimates of future cash flows do not include: (a) cash inflows or outflows from financing activities, or (b) income tax receipts or payments.
	27.19	Future cash flows are estimated for the asset in its current condition. Estimates of future cash flows do not include estimated future cash inflows or outflows that are expected to arise from: (a) a future restructuring to which an entity is not yet committed, or (b) improving or enhancing the asset's performance.
4.	27.22	An entity do not reduce the carrying amount of any asset in the cash-generating unit below the highest of: (a) its fair value less costs to sell (if determinable); (b) its value in use (if determinable); and (c) zero.
	27.23	Any excess amount of the impairment loss that cannot be allocated to an asset because of the restriction in paragraph 22 of Section 27, *Impairment of Assets* is allocated to the other assets of the unit pro rata on the basis of the carrying amount of those other assets.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

13.22(a) **(h) Inventories**

13.4 Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell.

13.5, 9, 18 The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.[1] In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.[2]

27.2 At each reporting date, the Group assesses whether any inventories are impaired by comparing the carrying amount of each item of inventory or group of similar items with its selling price less costs to complete and sell. If an item of inventory or group of similar items is impaired, the Group reduces the carrying amount of the inventory or the group of similar items to its selling price less costs to complete and sell. That reduction is an impairment loss and it is recognised immediately in profit or loss.

27.3 If it is impracticable to determine the selling price less costs to complete and sell for inventories item by item, items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area are grouped together for the purpose of assessing impairment of the inventory.

(i) Amount due from/to contract customers

23.32 Amount due from contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

(j) Cash and cash equivalents

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

(k) Impairment of non-financial assets

27.7 The carrying amounts of non-financial assets (i.e. property, plant and equipment, investment property, and intangible assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

27.8 For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units. For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is
27.25 performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

27.11, 15, 20 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.[3]

27.5, 21 An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

27.6, 21 Impairment losses are recognised in profit or loss. 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 unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.[4]

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Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(k) Impairment of non-financial assets (continued)

27.28-29 An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the
27.30 loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

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

(i) Issue expenses

22.9 Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity, net of any related income tax benefit.

(ii) Ordinary shares

22.7 Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

22.5(e) Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(m) Compound financial instruments

22.13 A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

22.13 The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

22.15 Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(n) Employee benefits

(i) Short-term employee benefits

28.3(b), 4 Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

28.8 A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Note	Reference	**Explanatory note**
1.	28.19	If an entity is not able, without undue cost or effort, to use the projected unit credit method to measure its obligation and cost under defined benefit plans, the entity is permitted to make the following simplifications in measuring its defined benefit obligation with respect to current employees: (a) ignore estimated future salary increases (i.e. assume current salaries continue until current employees are expected to begin receiving post-employment benefits); (b) ignore future service of current employees (i.e. assume closure of the plan for existing as well as any new employees); and (c) ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits (i.e. assume all current employees will receive the post-employment benefits). However, mortality after service (i.e. life expectancy) will still need to be considered. An entity that takes advantage of the foregoing measurement simplifications must nonetheless include both vested and unvested benefits in measuring its defined benefit obligation.
	28.20	MPERS does not require an entity to engage an independent actuary to perform the comprehensive actuarial valuation needed to calculate its defined benefit obligation. Nor does it require that a comprehensive actuarial valuation must be done annually. In the periods between comprehensive actuarial valuations, if the principal actuarial assumptions have not changed significantly the defined benefit obligation can be measured by adjusting the prior period measurement for changes in employee demographics such as number of employees and salary levels.
2.	28.24	An entity is required to recognise all actuarial gains and losses in the period in which they occur. An entity: (a) recognises all actuarial gains and losses in profit or loss, or (b) recognises all actuarial gains and losses in other comprehensive income as an accounting policy election. The entity applies its chosen accounting policy consistently to all of its defined benefit plans and all of its actuarial gains and losses. Actuarial gains and losses recognised in other comprehensive income are presented in the statement of comprehensive income.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

28.11 **(ii) State plans**

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

28.15, 18 The Group's net obligation in respect of defined benefit plans is calculated based on the present value of its obligations under defined benefit plans at the reporting date, minus the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.[1]

28.22 The defined benefits plans have surpluses if the present value of the defined benefit obligations at the reporting date is less than the fair value of plan assets at that date. The Group recognises the defined benefits plans surpluses as defined benefit plan assets only to the extent that it is able to recover the surpluses either through reduced contributions in the future or through refunds from the defined benefits plans.

28.17 The Group determines the rate used to discount the future payments by reference to market yields at the reporting date on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated period of the future payments.

28.23 The net change in the defined benefit liability during the period, other than a change attributable to benefits paid to employees during the period or to contributions from the Group, is recognised as the cost of the defined benefit plans during the period. The cost is recognised in profit or loss, except for actuarial gains and losses, unless the cost is recognised as part of the cost of an asset such as inventories or property, plant and equipment.

28.24 All actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.[2]

28.21 If a defined benefit plan has been introduced or changed in the current period, the Group would increase or decrease its defined benefit liability to reflect the change, and recognise the increase (decrease) as an expense (income) in measuring profit or loss in the current period. Conversely, if a defined benefit plan has been curtailed (i.e. benefits or group of covered employees are reduced) or settled (the Group's obligation is completely discharged) in the current period, the defined benefit obligation would be decreased or eliminated, and the Group would recognise the resulting gain or loss in profit or loss in the current period.

(iv) Termination benefits

28.34, 37 Termination benefits are recognised as liabilities and expenses only when the Group is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(o) Provisions

21.4 A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be
21.7 required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks
21.11 specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

21A.4 A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Note	Reference	**Explanatory note**
1.	21A.3	A restructuring is a programme that is planned and controlled by management and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted. A constructive obligation to restructure arises only when an entity: (a) has a detailed formal plan for the restructuring identifying at least: (i) the business or part of a business concerned; (ii) the principal locations affected; (iii) the location, function and approximate number of employees who will be compensated for terminating their services; (iv) the expenditures that will be undertaken; and (v) when the plan will be implemented; and (b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.
2.	23.22	An entity determines the stage of completion of a transaction or contract using the method that measures most reliably the work performed. Possible methods include: (a) the proportion that costs incurred for work performed to date bear to the estimated total costs. Costs incurred for work performed to date do not include costs relating to future activity, such as for materials or prepayments. (b) surveys of work performed. (c) completion of a physical proportion of the service transaction or contract work. Progress payments and advances received from customers often do not reflect the work performed.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(o) Provisions (continued)

(ii) Restructuring[1]

21A.3 A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.
21A.1 Future operating losses are not provided for.

(iii) Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(iv) Onerous contracts

21A.2 A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

23.30(a), 9Sch1(a) (p) Revenue and other income

(i) Goods sold

23.3, 10 Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

23.14, 21, 22(b) Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.[2]

(iii) Construction contracts

23.17 Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

23.22(a) The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.[2]

23.25-26 When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and the contract costs are recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Commissions

23.4 When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(v) Rental income

20.25 Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

Note	Reference	Explanatory note
1.	29.17F	A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. When assessing the probability that taxable profit will be available, an entity considers the following criteria: (a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire; (b) whether it is possible that the entity will have taxable profits before the unused tax losses or unused tax credits expire; and (c) whether tax planning opportunities are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

23.30(a), 9Sch1(a)

(p) Revenue and other income (continued)

(vi) Government grants

24.4

Government grants are recognised as follows:

(a) A grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are receivable.

(b) A grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance conditions are met.

(c) Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

24.5 Government grants are measured at the fair value of the asset received or receivable.

(vii) Dividend income

23.29(c) Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(viii) Interest income

23.29(a) Interest income is recognised as it accrues using the effective interest method in profit or loss.

(q) Borrowing costs

25.2 Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred by using the effective interest method.

(r) Income tax

29.2 Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

29.2, 6 Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

29.16, 17A
29.18

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

29.21
29.20
29.23

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

29.17F, 17H A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.[1] Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Note	Reference	Explanatory note
1.		MPERS does not specifically address the treatment for discontinued operations. Hence, an entity applies paragraphs 4 and 5 of Section 10, *Accounting Policies, Estimates and Errors* in determining an appropriate accounting policy.

Reference

Notes to the financial statements

2. Significant accounting policies (continued)

(s) Discontinued operation[1]

A discontinued operation is a component of the Group that has been disposed of or is held for sale that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(t) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

21.13 When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

Note	Reference	Explanatory note
1.	17.8	Land and buildings are separable assets, and an entity accounts for them separately, even when they are acquired together.

Reference

Notes to the financial statements

3. Property, plant and equipment

Group

Reference		Note	Land[1] RM'000	Buildings[1] RM'000	Plant and equipment RM'000	Fixtures and fittings RM'000	Assets under construc-tion RM'000	Total RM'000
9Sch2(1)(i)(i), 4.11(a)								
	Cost							
17.31(d)	At 1 January 2016		2,000	5,521	30,284	6,135	-	43,940
17.31(e)(iii)	Acquisitions through business combinations	31	-	185	1,580	190	-	1,955
17.31(e)(i)	Other additions		-	1,350	9,544	657	3,900	15,451
16.8	Transfer from investment property	4	-	500	-	-	-	500
17.31(e)(iv)	*Transfer to investment property*		*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
17.31(e)(ii)	Disposals		-	(700)	(21,194)	(2,100)	-	(23,994)
17.31(e)(vii)	Effect of movements in exchange rates		-	-	14	127	-	141
17.31(d)	At 31 December 2016		2,000	6,856	20,228	5,009	3,900	37,993
	Depreciation and impairment loss							
17.31(d)	At 1 January 2016							
	Accumulated depreciation		20	796	8,895	1,757	-	11,468
	Accumulated impairment loss		-	-	1,423	-	-	1,423
			20	796	10,318	1,757	-	12,891
17.31(e)(vi)	Depreciation for the year		10	110	4,140	741	-	5,001
17.31(e)(v)	Reversal of impairment loss	3.1	-	-	(393)	-	-	(393)
17.31(e)(ii)	Disposals		-	(300)	(4,866)	(1,127)	-	(6,293)
17.31(e)(vii)	Effect of movements in exchange rates		-	-	63	38	-	101
17.31(d)	At 31 December 2016							
	Accumulated depreciation		30	606	8,232	1,409	-	10,277
	Accumulated impairment loss		-	-	1,030	-	-	1,030
			30	606	9,262	1,409	-	11,307
	Carrying amounts							
17.31(e)	At 1 December 2016		1,980	4,725	19,966	4,378	-	31,049
17.31(e)	At 31 December 2016		1,970	6,250	10,966	3,600	3,900	26,686

3.1 Impairment loss and subsequent reversal

8.7, 27.32 In 2015, regulatory restrictions on the manufacture of a new product in the Standard Papers division caused the Group to assess the recoverable amount of the related product line and recognised an impairment loss of RM1,123,000. In 2016, the Group reassesses the recoverable amount of the related product line and RM393,000 of the impairment loss is reversed taking into account necessary changes to the manufacturing process and the expected delay in the expected launch date.

27.32 The impairment loss and subsequent reversal are recognised as other expense or other income in profit or loss.

3.2 Leased plant and equipment

20.13(a) At 31 December 2016, the net carrying amount of plant and equipment under finance leases was RM2,398,000 (2015: RM1,972,000).

Note	Reference	Explanatory note
1.		MPERS does not specifically address the treatment for investment properties under construction. In our view, for assets under construction where fair value cannot be reliably measured without undue cost or effort, an entity treats the assets as property, plant and equipment.
2.	4.14	If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity discloses the following information: (a) a description of the asset(s) or the group of assets and liabilities. (b) a description of the facts and circumstances of the sale or plan. (c) the carrying amount of the assets or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.

Reference

Notes to the financial statements

3. Property, plant and equipment (continued)

3.3 Security

20.13(c) The leased plant and equipment discussed above secures lease obligations (see note 15).

9Sch2(1)(i)(iv), 17.32(a) At 31 December 2016, land and buildings with a carrying amount of RM5,000,000 (2015: RM4,700,000) are subject to a registered debenture to secure bank loans granted to the Group (see note 15).

10.18, 17.19, 23 ***3.4 Change in estimates***

During the financial year ended 31 December 2016, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain items of plant and equipment. Certain dye equipment, which management previously intended to sell after five years of use, is now expected to remain in production for twelve years from the date of purchase. As a result, the expected useful lives of these assets increased and their estimated residual values decreased. The effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods is as follows:

	2016 RM'000	***2017 RM'000***	***2018 RM'000***	***2019 RM'000***	***2020 RM'000***	***Later RM'000***
(Decrease)/Increase in depreciation expense	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*

3.5 Land

9Sch2(1)(i)(iii) Included in the total carrying amount of land are:

	Group 2016 RM'000	**Group 2015 RM'000**
Freehold land	980	980
Leasehold land with unexpired lease period of more than 50 years	990	1,000
	1,970	1,980

3.6 Investment properties

16.8 Included in buildings is RM500,000 of investment properties classified as property, plant and equipment on 31 December 2016 because fair value cannot be reliably measured without undue cost or effort.

Included in assets under construction is RM1,850,000 of investment property under construction where fair value cannot be reliably measured without undue cost or effort.[1]

9Sch2(1)(i)(vi) 4.14 **3.7 Held for sale[2]**

On 10 December 2016, the Company has entered into a binding sale agreement to dispose a subsidiary which has the following assets and liabilities for RM500,000:

	RM'000
Property, plant and equipment	680
Finance lease liabilities	(325)
Net assets held for sale	355

Note	Reference	**Explanatory note**
1.	16.11	In accordance with Section 20, *Leases,* the owner of an investment property provides lessors' disclosures about leases into which it has entered. An entity that holds an investment property under a finance lease or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered.
2.	16.10(b)	For all investment property accounted for at fair value through profit or loss, an entity discloses the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. If there has been no such valuation, that fact is disclosed.

Reference

Notes to the financial statements

4. Investment properties[1]

Reference		Note	Group 2016 RM'000
16.10(e)	At 1 January		9,906
16.10(e)(i)	Additions		505
16.10(e)(i)	*Acquisitions through business combinations*		*XXX*
16.10(e)(v)	Disposals		(1,280)
16.10(e)(ii)	Change in fair value recognised in profit or loss		654
16.10(e)(iii)	Transfer to property, plant and equipment when reliable measure of fair value is no longer available without undue cost or effort	3	(500)
16.10(e)(iv)	*Transfer to/from inventories and owner-occupied property*		*XXX*
16.10(e)(v)	Effect of movements in exchange rates		44
16.10(e)	At 31 December		9,329

9Sch2(1)(i)(iii) Included in the above are:

Reference		Group 2016 RM'000	Group 2015 RM'000
9Sch3(1)(a), 16.7	At fair value		
	Freehold land	5,634	5,730
	Leasehold land with unexpired lease period of more than 50 years	1,415	1,415
	Leasehold land with unexpired lease period of less than 50 years	23	23
	Buildings	2,257	2,738
		9,329	9,906

16.10(c) Investment properties of the Group amounting to RM1,500,000 (2015: RM1,500,000) have been charged to secure banking facilities granted to the Group (see note 15).

16.10(a) The valuation method used considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs. secondary), tenant credit quality and lease terms. The significant assumptions applied in determining the fair value of investment properties are:

- expected market rental growth (2% to 3%, weighted average 2.6%);
- void periods (average 6 months after the end of each lease);
- occupancy rate (90% to 95%, weighted average 92.5%);
- rent-free periods (1 year period on new leases); and
- risk-adjusted discount rates (5% to 6.3%, weighted average 5.8%).

16.10(b) The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.[2]

Note	Reference	**Explanatory note**
1.	18.28	An entity discloses: (a) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements. (b) for intangible assets acquired by way of a government grant and initially recognised at fair value: (i) the fair value initially recognised for these assets, and (ii) their carrying amounts. (c) the existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities. (d) the amount of contractual commitments for the acquisition of intangible assets.

Reference

Notes to the financial statements

5. Intangible assets[1]

Group

Reference		Note	Goodwill RM'000	Patents and trademarks RM'000	Total RM'000
	Cost				
18.27(c)	At 1 January 2016		4,969	5,644	10,613
18.27(e)(iii), 19.26(a)	Acquisitions through business combinations	31	150	327	477
18.27(e)(i)	Other additions		-	1,282	1,282
18.27(e)(ii), 19.26(c)	*Disposals*		*XXX*	*XXX*	*XXX*
18.27(e)(vi), 19.26(d)	Effect of movements in exchange rates		-	286	286
18.27(c)	At 31 December 2016		5,119	7,539	12,658
	Amortisation and impairment loss				
18.27(c)	At 1 January 2016				
	Accumulated amortisation		1,381	3,486	4,867
	Accumulated impairment loss		620	385	1,005
			2,001	3,871	5,872
18.27(e)(iv)	Amortisation for the year		508	388	896
18.27(e)(v), 19.26(b)	*Impairment loss*		*XXX*	*XXX*	*XXX*
18.27(e)(vi)	Reversal of impairment loss	25	-	(100)	(100)
18.27(e)(ii), 19.26(c)	*Disposals*		*XXX*	*XXX*	*XXX*
18.27(e)(vi), 19.26(d)	Effect of movements in exchange rates		-	78	78
18.27(c)	At 31 December 2016				
	Accumulated amortisation		1,889	3,952	5,841
	Accumulated impairment loss		620	285	905
			2,509	4,237	6,746
	Carrying amounts				
18.27(e)	At 1 January 2016		2,968	1,773	4,741
18.27(e)	At 31 December 2016		2,610	3,302	5,912

18.27(e), 19.26

18.28(a) Included in the carrying amount of goodwill as at the end of the reporting period is a significant goodwill of RM1,760,000 arising from the acquisition of Kiwi Wonderful NZ Ltd. in 2012 and the remaining amortisation period for the goodwill is six years.

5.1 Amortisation

18.27(d) The amortisation of goodwill is recognised as other expense in profit of loss. The amortisation of patents and trademarks is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold.

5.2 Security

9Sch2(1)(i)(iv), 18.28(c) *At 31 December 2016, XXX with a carrying amount of RMXXX (2015: RMXXX) is pledged to secure bank loans granted to the Group.*

Note	Reference	**Explanatory note**
1.	9.23(c)-(d)	An entity discloses the following in its consolidated financial statements: • any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements. • the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans.

Reference

Notes to the financial statements

9Sch2(1)(j)(iii)

6. Investments in subsidiaries[1]

Reference		Company 2016 RM'000	Company 2015 RM'000
9.26(a), 27(b)	At cost		
	Unquoted shares	28,018	19,036
	Quoted shares in Malaysia	*XXX*	*XXX*
	Quoted shares outside Malaysia	*XXX*	*XXX*
	Less: Impairment loss	*(XXX)*	*(XXX)*
		28,018	19,036
9Sch2(1)(j)(iii)	Market value		
	Quoted shares in Malaysia	*XXX*	*XXX*
	Quoted shares outside Malaysia	*XXX*	*XXX*

9Sch5(2) Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest 2016	Effective ownership interest 2015
Wonderful Manufacturing Sdn. Bhd.	Malaysia	Manufacture and sale of paper products and recycled paper	100%	100%
Wonderful Construction Sdn. Bhd.	Malaysia	Construction	100%	100%
Kiwi Wonderful NZ Ltd.*	New Zealand	Manufacture and distribution of paper products	100%	100%
Wonderful Paper Singapore Pte. Ltd.*	Singapore	Sale of paper used in printing industry	100%	100%
PT Wonderful Paper Indonesia*	Indonesia	Sale of paper products	100%	100%
Maple Papers Hong Kong Ltd.*	Hong Kong	Marketing and distribution of paper products	75%	60%
Wonderful Paper Cambodia Ltd.*	Cambodia	Manufacture and distribution of recycled paper	100%	-
Century Papers TH Ltd.#	Thailand	Marketing of paper products	48%	48%
Silver Manufacturing Vietnam Ltd.#	Vietnam	Manufacture and distribution of recycled paper	45%	45%

S174(2)(c)(i) * Audited by other member firms of KPMG International.
Not audited by member firms of KPMG International.

9.23(b) Although the Group owns less than half of the ownership interest in Century Papers TH Ltd. and Silver Manufacturing Vietnam Ltd. and less than half of the voting power of these entities, the Directors have determined that the Group controls these two entities. The Group controls Century Papers TH Ltd. by virtue of an agreement with its other investors; the Group has control over Silver Manufacturing Vietnam Ltd., on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

Note	Reference	**Explanatory note**
1.	14.13	For investments in associates accounted for by the cost model, an investor discloses the amount of dividends and other distributions recognised as income.

Reference

Notes to the financial statements

9Sch2(1)(j)(iv)-(v) **7. Investments in associates**

Reference		Group 2016 RM'000	Group 2015 RM'000
14.4(a), 5	At cost[1]		
	Unquoted shares	721	721
	Quoted shares in Malaysia	*XXX*	*XXX*
	Quoted shares outside Malaysia	*XXX*	*XXX*
	Share of post-acquisition reserves	1,304	837
	Less: Impairment loss	*(XXX)*	*(XXX)*
		2,025	1,558
14.12(c), 9Sch2(1)(j)(iv)	*Market value*		
	Quoted shares in Malaysia	*XXX*	*XXX*
	Quoted shares outside Malaysia	*XXX*	*XXX*

7.1 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Reference		*Group 2016 RM'000*	*Group 2015 RM'000*
8.7, 21.15, 9Sch2(1)(t)(i)	***Contingent liabilities not considered remote (unsecured)***		
	Share of associates' contingent liabilities:		
	- restoration costs	*XXX*	*XXX*

14.14 ***7.2 Discontinued operations***

	Group 2016 RM'000	*Group 2015 RM'000*
Share of profit of equity-accounted associate in relation to profit from discontinued operations of the equity-accounted associate	*XXX*	*XXX*

9Sch2(1)(j)(iv)-(v) ***8. Investment in jointly controlled entities***

Reference		*Group 2016 RM'000*	*Group 2015 RM'000*
15.9(a), 10	*At cost*		
	Unquoted shares	*XXX*	*XXX*
	Quoted shares in Malaysia	*XXX*	*XXX*
	Quoted shares outside Malaysia	*XXX*	*XXX*
	Share of post-acquisition reserves	*XXX*	*XXX*
	Less: Impairment loss	*XXX*	*XXX*
		XXX	*XXX*
15.19(c), 9Sch2(1)(j)(iv)	*Market value*		
	Quoted shares in Malaysia	*XXX*	*XXX*
	Quoted shares outside Malaysia	*XXX*	*XXX*

Note	Reference	Explanatory note
1.	11.41	An entity discloses the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the statement of financial position or in the notes: (a) financial assets measured at fair value through profit or loss. (b) financial assets that are debt instruments measured at amortised cost. (c) financial assets that are equity instruments measured at cost less impairment. (d) financial liabilities measured at fair value through profit or loss. (e) financial liabilities measured at amortised cost. (f) loan commitments measured at cost less impairment.

Reference

Notes to the financial statements

9Sch2(1)(j)(iv)-(v)

8. Investment in jointly controlled entities (continued)

8.1 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Reference		Group 2016 RM'000	Group 2015 RM'000
8.7, 21.15, 9Sch2(1)(t)(i)	***Contingent liabilities not considered remote (unsecured)***		
	Share of jointly controlled entities' contingent liabilities:		
	- restoration costs	*XXX*	*XXX*

15.20

8.2 Discontinued operations

	Group 2016 RM'000	Group 2015 RM'000
Share of profit of equity-accounted jointly controlled entity in relation to profit from discontinued operations of the equity-accounted jointly controlled entity	*XXX*	*XXX*

9Sch2(1)(j), 11.41

9. Other investments[1]

Reference	Group	Shares Unquoted RM'000	Shares Quoted in Malaysia RM'000	Debentures Quoted in Malaysia RM'000	Total RM'000
	2016				
	Non-current				
11.41(a)	At fair value through profit or loss	-	1,267	335	1,602
11.41(b)-(c)	At cost or amortised cost	250	-	1,921	2,171
9Sch3(1)(b)	Less: Impairment loss	-	-	(20)	(20)
		250	-	1,901	2,151
		250	1,267	2,236	3,753
	Current				
11.41(a)	At fair value through profit or loss	-	540	-	540
		-	540	-	540
		250	1,807	2,236	4,293
11.43, 9Sch2(1)(j)	Market value of quoted investments	-	1,807	2,250	4,057
	2015				
	Non-current				
11.41(a)	At fair value through profit or loss	-	1,108	375	1,483
11.41(b)-(c)	At cost or amortised cost	250	-	1,881	2,131
		250	1,108	2,256	3,614
	Current				
11.41(a)	At fair value through profit or loss	-	618	-	618
		-	618	-	618
		250	1,726	2,256	4,232
11.43, 9Sch2(1)(j)	Market value of quoted investments	-	1,726	2,270	3,996

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Reference

Notes to the financial statements

9Sch1(l)(iv)

10. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

29.32(d)(i)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Group						
Property, plant and equipment	303	452	(4,132)	(2,186)	(3,829)	(1,734)
Investment properties	-	-	(533)	(275)	(533)	(275)
Inventories	83	41	-	-	83	41
Loans and borrowings	-	-	(128)	-	(128)	-
Employee benefit plans	1,147	825	-	-	1,147	825
Provisions	557	528	-	-	557	528
Tax loss carry-forwards	436	386	-	-	436	386
Other items	77	239	(186)	(197)	(109)	42
Tax assets/ (liabilities)	2,603	2,471	(4,979)	(2,658)	(2,376)	(187)
Set off of tax	(2,462)	(1,091)	2,462	1,091	-	-
Net tax assets/ (liabilities)	141	1,380	(2,517)	(1,567)	(2,376)	(187)
Company						
Loans and borrowings	-	-	(119)	-	(119)	-

9Sch1(m)(iii)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Tax loss carry-forwards	81	89	-	-
Other deductible temporary differences	25	20	-	-
	106	109	-	-

29.32(e) A tax loss of RM36,000 (2015: RM46,000) expires in 2018 under the tax legislation of Indonesia.

29.32(f) In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax exempted, provided that the gains are not distributed. At 31 December 2016, the total tax exempt reserves amounted to RM60,000 (2015: RM54,000) would result in a tax liability of RM19,800 (2015: RM17,800) should the subsidiaries pay dividends from these reserves. This tax liability has not been provided for.

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Reference

Notes to the financial statements

10. Deferred tax assets/(liabilities) (continued)

29.32(d)(ii)

Movement in temporary differences during the year

	At 1 January 2016 RM'000	Recognised in profit or loss (note 25) RM'000	Recognised directly in equity (note 23) RM'000	Recognised in other comprehen-sive income RM'000	Arising from business combinations (note 31) RM'000	Included in discontinued operation RM'000	At 31 December 2016 RM'000
Group							
Property, plant and equipment	(1,734)	(2,222)	-	-	(73)	200	(3,829)
Investment properties	(275)	(258)	-	-	-	-	(533)
Inventories	41	5	-	-	(3)	40	83
Loans and borrowings	-	(59)	(60)	-	(9)	-	(128)
Employee benefit plans	825	340	-	(18)	-	-	1,147
Provisions	528	23	-	-	6	-	557
Tax loss carry-forwards	386	50	-	-	-	-	436
Other items	42	(151)	-	-	-	-	(109)
	(187)	(2,272)	(60)	(18)	(79)	240	(2,376)
Company							
Loans and borrowings	-	(59)	(60)	-	-	-	(119)

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Reference

Notes to the financial statements

9Sch2(1)(m), 4.11(b)

11. Trade and other receivables

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
4.4	**Non-current**					
9Sch2(1)(m)(ii)	Loans to subsidiaries	11.1	-	-	3,120	2,544
4.4	**Current**					
	Trade					
9Sch2(1)(m)(i)	Amount due from immediate holding company	11.2	1,720	250	-	-
9Sch2(1)(m)(iii)	Amount due from associate	11.2	2,513	642	-	-
9Sch2(1)(m)(iv)	Trade receivables	11.3	22,097	16,763	-	-
23.32(a)	Amount due from contract customers		348	280	-	-
			26,678	17,935	-	-
	Non-trade					
9Sch2(1)(m)(ii)	Amount due from subsidiaries	11.1	-	-	238	743
9Sch2(1)(m)(vi)	Other receivables		1,050	10	50	-
			1,050	10	288	743
			27,728	17,945	288	743
			27,728	17,945	3,408	3,287

33.9(b)(i) **11.1** Loans to subsidiaries are unsecured, subject to interest at 6.5% (2015: 5% to 6%) per annum and repayable in 2020.

Amount due from subsidiaries is unsecured, interest free and repayable on demand.

33.9(b)(i) **11.2** Amounts due from immediate holding company and associate are unsecured, interest free and repayable on demand.

9Sch2(1)(l)(ii) **11.3** Included in trade receivables as at the end of the reporting period are the following balances relating to construction work-in-progress:
(i) unpaid progress billings of RM1,650,000 (2015: RM1,860,000); and
(ii) retentions of RM2,000,000 (2015: RM1,800,000).

11.4 Contingencies

Reference		Group 2016 RM'000	Group 2015 RM'000
21.16	**Contingent asset**		
	Litigation		
	A subsidiary is making a claim for down time and loss of profits against a manufacturer for purchases of products. The manufacturer does not agree with the claim and a legal suit has been filed against the manufacturer. The legal suit is currently pending hearing.		
	In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.	1,000	-

Note	Reference	Explanatory note
1.	11.46(b)	When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it discloses the terms and conditions relating to its pledge.

Reference

Notes to the financial statements

9Sch2(1)(k), 4.11(c)

12. Inventories

Reference		Group 2016 RM'000	Group 2015 RM'000
4.11(c)(iii), 13.22(b)	Raw materials and consumables	5,660	6,553
4.11(c)(ii), 13.22(b)	Work-in-progress	2,943	2,061
4.11(c)(i), 13.22(b)	Finished goods	5,977	5,505
		14,580	14,119
13.22(e)	Carrying amount of inventories pledged as security for bank borrowings (see note 15)	2,450	2,090
	Recognised in profit or loss:		
13.22(c)	Inventories recognised as cost of sales	51,698	52,973
13.22(d)	Impairment loss	-	125
13.22(d)	Reversal of impairment loss	(32)	-

27.32 Due to regulatory restrictions imposed on a new product in the Standard Papers division, the Group tested the related product line for impairment and also wrote down the related inventories to their estimated selling price less costs to complete and sell, which resulted in a loss of RM125,000 in 2015. In 2016, following a change in estimates, RM32,000 of the impairment loss is reversed.

13.22(d), 27.32 The impairment loss and subsequent reversal are included in cost of sales.

7.20

13. Cash and cash equivalents

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
9Sch2(1)(m)(vii)	Deposits are placed with:				
9Sch2(1)(m)(vii)	Licensed banks	1,282	785	1,207	583
9Sch2(1)(m)(vii)	Other corporations	172	77	150	70
		1,454	862	1,357	653
	Cash and bank balances	381	988	141	496
		1,835	1,850	1,498	1,149

11.46(a) Included in the deposits placed with licensed banks of the Group is RM100,000 (2015: RM80,000) pledged for a bank facility granted to a subsidiary.[1]

Note	Reference	Explanatory note
1.	4.12(a)(vi)-(vii)	An entity with share capital discloses the following, either in the statement of financial position or in the notes: • shares in the entity held by the entity or by its subsidiaries or associates. • shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.
2.	4.13	An entity without share capital, such as a partnership or trust, discloses information equivalent to that required by paragraph 12(a) of Section 4, *Statement of Financial Position*, showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.

Reference

Notes to the financial statements

9Sch2(1)(a)

14. Capital and reserves[1,2]

Share capital

Reference		Group and Company			
		Number of shares 2016 '000	Amount 2016 RM'000	Number of shares 2015 '000	Amount 2015 RM'000
4.12(a)(i), (iii)	Authorised:				
	Ordinary shares of RM1 each	30,000	30,000	30,000	30,000
	Redeemable preference shares of RM1 each	2,000	2,000	2,000	2,000
	Non-redeemable preference shares of RM1 each	6,000	6,000	6,000	6,000
		38,000	38,000	38,000	38,000
4.12(a)(ii)	Issued and fully paid shares classified as equity instruments:				
4.12(a)(iv)	Ordinary shares of RM1 each				
	At 1 January	9,300	9,300	9,300	9,300
	Issued for cash	204	204	-	-
	At 31 December	9,504	9,504	9,300	9,300
4.12(a)(iv)	Non-redeemable preference shares of RM1 each				
	At 1 January/31 December	5,250	5,250	5,250	5,250
		14,754	14,754	14,550	14,550

Ordinary shares

4.12(a)(v) The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Non-redeemable preference shares

Holders of non-redeemable preference shares receive a non-cumulative dividend of 10.59 sen per share at the Company's discretion. They do not have the right to participate in any additional dividends declared for ordinary shareholders. The non-redeemable preference shares do not carry the right to vote except for variation of holders' rights to the class of shares and rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the par value of the shares.

4.12(b) **Share premium**

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

4.12(b) **Capital reserve**

The capital reserve comprises the equity portion of convertible notes issued (see note 15.2).

4.12(b) **Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

4.12(b) **Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

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Reference

Notes to the financial statements

9Sch2(1)(n)

15. Loans and borrowings

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
4.7-8	**Non-current**					
9Sch2(1)(n)(iii)	Bank loans	15.1	13,098	16,593	-	-
9Sch2(1)(n)(i)	Convertible notes – unsecured	15.2	4,622	-	4,622	-
	Redeemable preference shares	15.3	1,995	-	1,995	-
9Sch2(1)(n)(ii)	Finance lease liabilities	15.4	1,613	913	-	-
9Sch2(1)(o)(iii)	Loan from associate	15.5	-	2,000	-	-
			21,328	19,506	6,617	-
4.7-8	**Current**					
9Sch2(1)(n)(iii)	Bank loans	15.1	3,500	4,000	-	-
9Sch2(1)(n)(ii)	Finance lease liabilities	15.4	300	1,269	-	-
9Sch2(1)(n)(iii)	Bank overdraft – unsecured	15.6	334	282	-	-
9Sch2(1)(n)(iv)	Other bank facilities – unsecured	15.7	515	117	-	-
			4,649	5,668	-	-
			25,977	25,174	6,617	-

15.1 Bank loans

11.42 The average interest rate of the bank loans is 6.5% (2015: 7.0%) per annum. The bank loans are repayable on a monthly basis and mature between 2020 and 2025. One of the bank loans requires the borrowing subsidiary to seek approval from the lending bank for any capital transactions that are in excess of RM500,000.

Security

17.32(a), 9Sch2(1)(n)(iii) The bank loans are secured over land and buildings (see note 3), investment properties (see note 4) and inventories (see note 12).

Breach of loan covenant

11.47 The Group has a secured bank loan that amounts to RM2,000,000 at 31 December 2016. According to the terms of the agreement, this loan is repayable in tranches over the next 5 years. However, the loan contains a debt covenant stating that at the end of each quarter, the Group's net debt (in the covenant defined as the Group's loans and borrowings net of cash and cash equivalents) cannot exceed 0.5 times of total equity. At 31 December 2016, the Group's debt to equity ratio was 0.6. Consequently, the entire loan has been classified as current liability and the management is currently negotiating with the bank to waive the covenant.

15.2 Convertible notes

11.42 The convertible notes are convertible into 250,000 ordinary shares of RM1 each in June 2020 at the option of the holder, which is at a rate of one (1) ordinary share of RM1 each for every twenty (20) convertible notes held; unconverted notes become repayable on demand.

The convertible notes carry a coupon rate of 6.5% per annum.

15.3 Redeemable preference shares

Reference		Group and Company Amount 2016 RM'000	Group and Company Number of shares 2016 '000
4.12(a)(iv)	Issued and fully paid shares classified as debt instruments:		
	Redeemable preference shares of RM1 each		
	At 1 January	-	-
	Issued for cash	2,000	2,000
	Transaction costs	(5)	-
	At 31 December	1,995	2,000

Note	Reference	Explanatory note
1.	28.41	An entity discloses the following information about defined benefit plans (except for any defined multi-employer benefit plans that are accounted for as a defined contribution plans). If an entity has more than one defined benefit plan, these disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful: (a) a general description of the type of plan, including funding policy. (b) the entity's accounting policy for recognising actuarial gains and losses (either in profit or loss or as an item of other comprehensive income) and the amount of actuarial gains and losses recognised during the period. (c) a narrative explanation if the entity uses any of the simplifications in paragraph 19 of Section 28, *Employee Benefits* in measuring its defined benefit obligation. (d) the date of the most recent comprehensive actuarial valuation and, if it was not as of the reporting date, a description of the adjustments that were made to measure the defined benefit obligation at the reporting date. (e) a reconciliation of opening and closing balances of the defined benefit obligation showing separately benefits paid and all other changes. (f) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable: (i) contributions; (ii) benefits paid; and (iii) other changes in plan assets. (g) the total cost relating to defined benefit plans for the period, disclosing separately the amounts (i) recognised in profit or loss as an expense, and (ii) included in the cost of an asset. (h) for each major class of plan assets, which includes, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class constitutes of the fair value of the total plan assets at the reporting date. (i) the amounts included in the fair value of plan assets for: (i) each class of the entity's own financial instruments, and (ii) any property occupied by, or other assets used by, the entity. (j) the actual return on plan assets. (k) the principal actuarial assumptions used, including, when applicable: (i) the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial statements; (iii) the expected rates of salary increases; (iv) medical cost trend rates; and (v) any other material actuarial assumptions used. The reconciliations in (e) and (f) above need not be presented for prior periods. A subsidiary that recognises and measures employee benefit expense on the basis of a reasonable allocation of the expense recognised for the group, in its separate financial statements, describes its policy for making the allocation and makes the disclosures in (a)-(k) above for the plan as a whole.
	28.42	For each category of other long-term benefits that an entity provides to its employees, the entity discloses the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.
	28.43	For each category of termination benefits that an entity provides to its employees, the entity discloses the nature of the benefit, its accounting policy, and the amount of its obligation and the extent of funding at the reporting date.
	28.44	When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 21, *Provisions and Contingencies* requires an entity to disclose information about its contingent liabilities unless the possibility of an outflow in settlement is remote.

Reference

Notes to the financial statements

9Sch2(1)(n)

15. Loans and borrowings (continued)

15.3 Redeemable preference shares (continued)

4.12(a)(v), 11.42

The salient features of the redeemable preference shares are as follows:

- they do not carry the right to vote, except for variation of holders' rights to the class of shares,
- they rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the par value of the shares,
- the holders are entitled to receive dividends,
- they are not convertible to ordinary shares,
- they are redeemable at the option of the holder on or after 31 May 2022 at RM1 each, and
- 9Sch2(1)(b) the Group is obliged to pay holders of redeemable preference shares annual dividends of 4.4% of the par amount on 31 May each year until and including upon maturity.

15.4 Finance lease liabilities

20.13(b) Finance lease liabilities are payable as follows:

9Sch2(3) **Group**

Reference		Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
20.13(b)(i)	Less than one year	535	235	300	1,531	262	1,269
20.13(b)(ii)	Between one and five years	1,128	343	785	1,124	385	739
20.13(b)(iii)	More than five years	1,000	172	828	531	357	174
		2,663	750	1,913	3,186	1,004	2,182

Significant leasing arrangements

20.13(c) Included in the Group's finance lease liabilities are leases of plant and equipment with carrying amount of RM1,580,000 (2015: RM1,230,000) under finance leases expiring between one and nine years. At the end of the lease term, the Group has the option to purchase the equipment at 60% of market value, a price deemed to be a bargain purchase option. The terms of the leases require that additional debt and further leases are not undertaken without prior approval of the lessor.

15.5 Loan from associate

33.9(b)(i) Loan from associate was unsecured, subject to interest at 8% per annum and payable on 30 June 2017. During the financial year, the Group early settled the loan.

15.6 Bank overdraft

11.42 Bank overdraft is unsecured and subject to interest at 6.85% (2015: 6.90%) per annum.

15.7 Other bank facilities

11.42 Included in other bank facilities are various short-term trade finance facilities that are unsecured, subject to interest at 6.5% (2015: 7.0%) per annum.

4.11(e), 9Sch2(1)(q)

16. Employee benefits[1]

	Group 2016 RM'000	Group 2015 RM'000
Net defined benefit liability	1,700	1,549
Liability for long-service leave	647	561
Total employee benefit liabilities	2,347	2,110

28.41(a) The Group makes contributions to two non-contributory defined benefit plans that provide pension and medical benefits for employees upon retirement. The plans entitle a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service that the employee provided, and to the reimbursement of certain medical costs.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk.

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Reference

Notes to the financial statements

4.11(e), 9Sch2(1)(q) 28.41(a)

16. Employee benefits (continued)

Funding

The plan is fully funded by the Group's subsidiaries, except for the separate defined benefit plan for Directors and executive officers which is funded by the parent company. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purpose for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the plans.

The Group expects to pay RM35,000 in contributions to its defined benefit plans in 2017.

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

28.41(e)-(f) **Group**

Reference		Defined benefit obligation RM'000	Fair value of plan assets RM'000	Net defined benefit liability RM'000
	Balance at 1 January 2016	2,039	(490)	1,549
28.41(g)(i)	**Included in profit or loss**			
	Current service cost	412	-	412
	Past service credit	100	-	100
	Interest cost/(income)	46	(36)	10
		558	(36)	522
	Included in other comprehensive income			
	Actuarial loss/(gain) arising from:			
	- Demographic assumptions	(25)	-	(25)
	- Financial assumptions	(30)	-	(30)
	- Experience adjustments	(12)	-	(12)
28.41(j)	- Return on plan assets excluding interest income	-	(5)	(5)
	Effect of movements in exchange rate	*XXX*	*XXX*	*XXX*
		(67)	(5)	(72)
	Other			
28.41(f)(i)	Contributions paid by the employer	-	(299)	(299)
28.41(f)(ii)	Benefits paid	(374)	374	-
		(374)	75	(299)
	Balance at 31 December 2016	2,156	(456)	1,700

In 2016, the pension arrangements for a number of employees in New Zealand have been adjusted to reflect new legal requirements in that country. As a consequence of the change in the retirement age, a past service cost (credit) was recognised immediately in the profit or loss.

Plan assets

28.41(h) Plan assets comprise:

Reference		Group 2016 RM'000	Group 2015 RM'000
	Equity securities	188	204
	Government bonds	190	180
	Derivatives	20	30
28.41(i)(ii)	Property occupied by the Group	30	34
28.41(i)(i)	Company's own ordinary shares	28	42
		456	490

Note	Reference	**Explanatory note**
1.	24.6(b)-(c)	An entity discloses the following about government grants: • unfulfilled conditions and other contingencies attaching to government grants that have not been recognised in income. • an indication of other forms of government assistance from which the entity has directly benefited.
	24.7	For the purpose of the disclosure required by paragraph 6(c) of Section 24, *Government Grants*, government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under specified criteria. Examples include free technical or marketing advice, the provision of guarantees, and loans at nil or low interest rates.

Reference

Notes to the financial statements

4.11(e), 9Sch2(1)(q), 8.7

16. Employee benefits (continued)

Defined benefit obligation

Actuarial assumptions

28.41(k) Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

Reference		Group 2016	Group 2015
28.41(k)(i)	Discount rate	5.1%	4.8%
28.41(k)(ii)	*Expected rate of return on plan assets*	*XXX*	*XXX*
28.41(k)(iii)	Future salary growth	2.5%	2.5%
28.41(k)(iv)	Medical cost trend rate	4.5%	4.0%
28.41(k)(v)	Future pension growth	3.0%	2.0%

28.41(k) Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 18 (2015: 18) for males and 22 (2015: 20) for females at the end of the reporting date.

At 31 December 2016, the weighted-average duration of the defined benefit obligation was 17.1 years (2015: 17.5 years).

4.11(d)

17. Deferred income

Reference		Group 2016 RM'000	Group 2015 RM'000
	Non-current		
	Government grant	1,462	1,500
	Current		
23.32(b)	Amount due to contract customers	140	130
		1,602	1,630

Government grant[1]

24.6(a) The Group received a government grant in 2013 which was conditional upon the construction of a factory on a specified site. The factory commenced its operations in the current year. The grant is being amortised over the useful life of the building. During the financial year, RM38,000 (2015: Nil) has been amortised and recognised as other income in profit or loss.

4.11(e)

18. Provisions

21.14(a) **Group**

Reference		Warranties RM'000	Restructuring RM'000	Site restoration RM'000	Onerous contracts RM'000	Legal RM'000	Total RM'000
21.14(a)(i)	At 1 January 2016	200	500	900	-	-	1,600
	Assumed in a business combination	-	-	-	-	20	20
21.14(a)(ii)	Provisions made during the year	280	400	750	160	-	1,590
21.14(a)(iii)	Provisions used during the year	(200)	(500)	(500)	-	-	(1,200)
21.14(a)(iv)	Provisions reversed during the year	-	-	(400)	-	-	(400)
21.14(a)(ii)	Unwinding of discount	-	-	60	-	-	60
21.14(a)(i)	At 31 December 2016	280	400	810	160	20	1,670

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Reference

Notes to the financial statements

4.11(e)

18. Provisions (continued)

21.14(a)

Group

Reference		Warranties RM'000	Restruc-turing RM'000	Site restoration RM'000	Onerous contracts RM'000	Legal RM'000	Total RM'000
	2015						
4.7-8	Non-current	100	300	-	-	-	400
4.7-8	Current	100	200	900	-	-	1,200
		200	500	900	-	-	1,600
	2016						
4.7-8	Non-current	100	-	810	-	-	910
4.7-8	Current	180	400	-	160	20	760
		280	400	810	160	20	1,670

Warranties

21.14(b)-(d) The provision for warranties relates mainly to paper sold during the financial years ended 31 December 2015 and 2016. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur most of the liability over the next financial year. An expected reimbursement of warranty expense incurred of RM25,000 has been recognised in other receivables following a supplier accepting responsibility for the defective products.

Restructuring

21.14(b)-(c), 8.7 During the financial year ended 31 December 2015, the Group committed to a plan to restructure one of the product lines in the Indonesian paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan, the Group recognised a provision of RM500,000 for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. RM500,000 was charged against the provision in 2016. The restructuring was completed in 2016.

During the financial year ended 31 December 2016, a provision of RM400,000 was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Papers division that will be retained when the remainder of the facility is sold. Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2017.

Site restoration

21.14(b), 8.7 A provision of RM900,000 was made during the financial year ended 31 December 2015 in respect of the Group's obligation to rectify environmental damage in Indonesia. The required work was completed during 2016 at a cost of RM500,000. The unused provision of RM400,000 was reversed.

21.14(b)-(c) In accordance with Indonesian law, land contaminated by the subsidiary in Indonesia must be restored to its original condition before the end of 2020. During the financial year ended 31 December 2016, the Group provided RM750,000 for this purpose. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are available currently. The Group has estimated a range of reasonably possible outcomes of the total cost which range from RM650,000 to RM850,000, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 10%, which is the risk-free rate in the jurisdiction of the liability. The rehabilitation is expected to occur progressively within the next four years.

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Reference

Notes to the financial statements

4.11(e)

18. Provisions (continued)

Onerous contracts

21.14(b)-(c) In 2015, the Group entered into a non-cancellable lease for office space which, due to changes in its activities, the Group ceased to use by 31 December 2016. The lease expires in 2019. The facilities have been sublet for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

Legal

21.14(b)-(c) As a result of the acquisition of Wonderful Paper Cambodia Ltd. (see note 31), the Group assumed a contingent liability related to a legal action by a former employee of Wonderful Paper Cambodia Ltd..

18.1 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Reference		Group 2016 RM'000	Group 2015 RM'000
8.7, 21.15, 9Sch2(1)(t)(i)	**Contingent liabilities not considered remote**		
	Litigation (unsecured)		
	A subsidiary is defending an action brought by an environmental agency in Asean. While liability is not admitted, if defence against the action is unsuccessful, then fines and legal costs could amount to RM950,000. Based on legal advice, the Directors do not expect the outcome of the action to have a material effect on the Group's financial position.		
21.17	In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.	950	-

9Sch2(1)(o), 4.11(d)

19. Trade and other payables

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Trade				
9Sch2(1)(o)(iv)	Trade payables	16,874	22,225	-	-
	Non-trade				
9Sch2(1)(o)(ii)	Loans from subsidiaries	-	-	1,385	-
9Sch2(1)(o)(vi)	Other payables	657	487	75	391
4.11(d)	Accrued expenses	228	188	225	41
		885	675	1,685	432
		17,759	22,900	1,685	432

33.9(b)(i) Loans from subsidiaries are unsecured, interest free and repayable on demand.

Note	Reference	Explanatory note
1.	23.31(b)-(c)	An entity discloses the following: • the methods used to determine the contract revenue recognised in the period. • the methods used to determine the stage of completion of contracts in progress.

Reference

Notes to the financial statements

23.30(b), 9Sch1(a)

20. Revenue[1]

Reference		Continuing operations 2016 RM'000	Continuing operations 2015 RM'000	Discontinued operation (see note 24) 2016 RM'000	Discontinued operation (see note 24) 2015 RM'000	Total 2016 RM'000	Total 2015 RM'000
	Group						
23.30(b)(i)	Sale of goods	84,593	79,731	7,543	23,193	92,136	102,924
23.30(b)(ii)	Services	13,120	14,786	-	-	13,120	14,786
23.31(a)	Construction contracts	659	641	-	-	659	641
23.30(b)(vi)	Commissions	451	307	-	-	451	307
23.30(b)(viii)	Rental income from investment properties	1,469	853	-	-	1,469	853
23.30(b)(v)	Dividends	360	318	-	-	360	318
23.30(b)(iii)	*Interest*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
23.30(b)(iv)	*Royalties*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
23.30(b)(vii)	*Government grants*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*	*XXX*
		100,652	96,636	7,543	23,193	108,195	119,829
	Company						
23.30(b)(v)	Dividends	1,656	615	-	-	1,656	615

21. Finance income

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
11.48(b)	Interest income of financial assets that are not measured at fair value through profit or loss	893	480	426	165
	Other finance income	4	-	-	-
		897	480	426	165

9Sch1(d)(i) Included in interest income of the Group is interest income arising from debentures quoted in Malaysia amounting to RM110,000 (2015: RM110,000).

22. Finance costs

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
11.48(b)	Interest expense of financial liabilities that are not measured at fair value through profit or loss:				
9Sch1(g)(i)	- debentures	578	478	-	-
9Sch1(g)(i)	- loans	412	849	-	-
9Sch1(g)(i)	- overdrafts	23	20	-	-
9Sch1(g)(i)	- other borrowings	638	310	290	-
	- redeemable preference shares classified as liability	88	-	88	-
		1,739	1,657	378	-
	Other finance costs	21	19	11	-
		1,760	1,676	389	-

Note	Reference	Explanatory note
1.	29.32	An entity discloses the following separately: (a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income. (aa) the aggregate current and deferred tax relating to items that are charged or credited directly to equity. (b) an explanation of the significant differences in amounts presented in the statement of comprehensive income and amounts reported to tax authorities. (c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period. (d) for each type of temporary difference and for each type of unused tax losses and tax credits: (i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period, and (ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the period. (e) the expiry date, if any, of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position. (f) in the circumstances described in paragraph 25 of Section 29, *Income Tax*, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders.

Reference

Notes to the financial statements

23. Tax expense[1]

Recognised in profit or loss

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Income tax expense on continuing operations		2,514	1,800	94	41
	Income tax benefit on discontinued operation (excluding gain on sale)	24	(25)	(44)	-	-
	Income tax on gain on sale of discontinued operation	24	330	-	-	-
	Share of tax of equity-accounted associates*/jointly controlled entities*		265	316	-	-
	Total income tax expense		3,084	2,072	94	41
	Major components of income tax expense include:					
	Current tax expense					
9Sch1(l)(i), 29.31(a)	Malaysian – current year		59	639	35	41
9Sch1(l)(i), 29.31(b)	– prior year		97	(34)	-	-
9Sch1(l)(ii), 29.31(a)	Overseas – current year		349	542	-	-
9Sch1(l)(ii), 29.31(b)	– prior year		42	-	-	-
9Sch1(l)(iii)	*Double taxation relief*		*XXX*	*XXX*	*XXX*	*XXX*
29.31(h)	*Change in accounting policy*		*XXX*	*XXX*	*XXX*	*XXX*
29.31(e)	*Tax benefits arising from previously unrecognised:*					
	- Tax losses		*XXX*	*XXX*	*XXX*	*XXX*
	- Temporary differences		*XXX*	*XXX*	*XXX*	*XXX*
	Total current tax recognised in profit or loss		547	1,147	35	41
	Deferred tax expense					
29.31(c)	Origination and reversal of temporary differences		2,297	844	152	-
	Under/(Over) provision in prior year		13	5	(93)	-
29.31(e)	Recognition of previously unrecognised tax losses		(38)	(240)	-	-
29.31(d)	*Effect of changes in tax rate*		*XXX*	*XXX*	*XXX*	*XXX*
29.31(d)	*Adjustments to deferred tax expense (income) arising from a change in the tax status of the Group or its shareholders.*		*XXX*	*XXX*	*XXX*	*XXX*
29.31(g)	*Write-down of deferred tax assets/(Reversal of a previous write-down of deferred tax assets)*		*XXX*	*XXX*	*XXX*	*XXX*
29.31(h)	*Change in accounting policy*		*XXX*	*XXX*	*XXX*	*XXX*
	Total deferred tax recognised in profit or loss	10	2,272	609	59	-
	Share of tax of equity-accounted associates*/jointly controlled entities*		265	316	-	-
	Total income tax expense		3,084	2,072	94	41

Note	Reference	**Explanatory note**
1.		There is no specific requirement on the presentation of comparatives for discontinued operation under MPERS. In our view, an entity may apply paragraph 6 of Section 10, *Accounting Policies, Estimates and Errors* of MPERS to consider the requirements and guidance in MFRS dealing with similar and related issues. Under MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, an entity re-presents the disclosures of discontinued operation for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

Reference

Notes to the financial statements

23. Tax expense (continued)

29.32(a) **Income tax recognised as items of other comprehensive income**

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Employee benefit plans					
- deferred tax	10	18	(5)	-	-

29.32(aa) **Income tax recognised directly in equity**

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Convertible notes					
- deferred tax	10	60	-	60	-

9Sch1(m) **Income tax savings arising from tax losses**

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
9Sch1(m)(i)	Income tax savings arising from utilisation of current year tax losses	20	10	-	-
9Sch1(m)(ii)	Income tax savings arising from utilisation of prior year tax losses previously unrecognised	28	240	-	-
	Total income tax savings arising from tax losses	48	250	-	-

29.32(c) With the effect from 1 January 2016, the tax rate of the Group and the Company has been reduced from 25% to 24% due to the change in Malaysian corporate tax rate that was announced during the Malaysian Budget 2014.

29.32(b) Income tax expense of RM2,513,600 is higher than the statutory tax rate of 24% mainly due to certain items of expenses not deductible for tax purposes.

24. Discontinued operation[1]

In May 2016, the Group sold its entire Packaging division to place greater focus on the Group's core operation, being the manufacture and distribution of paper used in the printing industry.

Profit attributable to the discontinued operation was as follows:

Results of discontinued operation

	Note	Group 2016 RM'000	Group 2015 RM,000
Revenue	20	7,543	23,193
Expenses		(7,705)	(23,659)
Results from operating activities		(162)	(466)
Tax benefit	23	25	44
Results from operating activities, net of tax		(137)	(422)
Gain on sale of discontinued operation		846	-
Tax on gain on sale of discontinued operation	23	(330)	-
Profit/(Loss) for the year		379	(422)

Note	Reference	**Explanatory note**
1.	18.29	An entity discloses the aggregate amount of research and development expenditure recognised as an expense during the period (i.e. the amount of expenditure incurred internally on research and development that has not been capitalised as part of the cost of another asset that meets the recognition criteria in MPERS).

Reference

Notes to the financial statements

25. Profit for the year

Reference		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Profit for the year is arrived at after charging:					
9Sch1(q)	Auditors' remuneration:					
	- Audit fees					
	- KPMG in Malaysia		100	80	40	37
	- Overseas affiliates of KPMG in Malaysia		175	125	-	-
	- Other auditors		60	50	-	-
	- Non-audit fees					
	- KPMG in Malaysia		21	17	17	13
	- Local affiliates of KPMG in Malaysia		36	42	-	-
	- Overseas affiliates of KPMG in Malaysia		10	10	10	10
	- Other auditors		*XXX*	*XXX*	*XXX*	*XXX*
9Sch1(f)(i)	Depreciation of property, plant and equipment	3	5,001	5,122	-	-
9Sch1(f)(ii)	Amortisation of goodwill	5	508	458	-	-
18.29, 9Sch1(g)(iv)	Research and development expenses[1]		850	726	-	-
	Impairment loss:					
	- Inventories	12	-	125	-	-
9Sch1(f)(i)	- Property, plant and equipment	3	-	1,123	-	-
9Sch1(f)(ii)	- Intangible assets	5	-	285	-	-
11.48(c), 9Sch1(j)	- Trade receivables		94	233	-	-
11.48(c), 9Sch1(f)(iii)	- Other investments		20	-	-	-
30.25(a)	Net foreign exchange loss		251	323	48	-
	Personnel expenses (including key management personnel):					
28.40	- Contributions to state plans		1,468	1,267	11	9
28.41(g)(i)	- Expenses related to defined benefit plans	16	522	495	-	-
	Rental expense in respect of:					
9Sch1(g)(ii)	- Property		435	447	-	-
9Sch1(g)(iii)	- Plant and equipment		125	210	-	-
	Loss on disposal of other investments		15	-	-	-
	and after crediting:					
	Amortisation of government grant	17	38	-	-	-
	Dividend income from:					
	- Subsidiaries					
9Sch1(c)	- Unquoted shares		-	-	1,656	615
	- Other investments					
9Sch1(d)(i)	- Quoted shares in Malaysia		200	185	-	-
9Sch1(d)(iii)	- Unquoted shares		160	133	-	-
9Sch1(h)	Gain on disposal of property, plant and equipment		1,000	100	-	-
9Sch1(h)	Gain on disposal of investment properties		325	-	-	-
9Sch1(e)(ii)	Rental income from property		1,469	853	-	-
9Sch1(f)	Reversal of impairment loss:					
	- Inventories	12	32	-	-	-
	- Intangible assets	5	100	-	-	-
	- Property, plant and equipment	3	393	-	-	-
	- Trade receivables		11	126	-	-
	- Other investments		*XXX*	*XXX*	*XXX*	*XXX*

Note	Reference	Explanatory note
1.	32.8	If an entity declares dividends to holders of its equity instruments after the end of the reporting period, the entity does not recognise those dividends as a liability at the end of the reporting period. The amount of the dividend may be presented as a segregated component of retained earnings at the end of the reporting period.
2.	11.43	For all financial assets and financial liabilities measured at fair value, the entity discloses the basis for determining fair value, e.g. quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity discloses the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.
	11.44	If a reliable measure of fair value is no longer available for an equity instrument measured at fair value through profit or loss, the entity discloses that fact.
3.	11.45	If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition, the entity discloses the following for each class of such financial assets: (a) the nature of the assets. (b) the nature of the risks and rewards of ownership to which the entity remains exposed. (c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.
4.	11.41(f)	An entity discloses the carrying amounts of loan commitments measured at cost less impairment at the reporting date, in total, either in the statement of financial position or in the notes.

Reference

Notes to the financial statements

9Sch1(n)

26. Dividends

Dividends recognised by the Company:

	Total amount RM'000
2016	
Final 2015 preference (non-redeemable preference shares)	556
Final 2015 ordinary	687
Total amount	1,243
2015	
Final 2014 preference (non-redeemable preference shares)	435
Final 2014 ordinary	89
Total amount	524

32.10 After the end of the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.[1]

	Total amount RM'000
Final 2016 preference (non-redeemable preference shares)	558
Final 2016 ordinary	750
Total amount	1,308

27. Financial instruments[2,3]

11.41

27.1 Categories of financial instruments[4]

The table below provides an analysis of financial instruments categorised as follows:

11.41(a), (d) (a) Financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL");

11.41(b), (e) (b) Financial assets and financial liabilities measured at amortised cost ("AC"); and

11.41(c) (c) Financial assets that are equity instruments measured at cost less impairment ("CLI").

	Carrying amount RM'000	FVTPL RM'000	AC RM'000	CLI RM'000
2016				
Financial assets				
Group				
Other investments	4,293	2,142	1,901	250
Trade and other receivables	27,728	-	27,728	-
Derivative financial assets	223	223	-	-
Cash and cash equivalents	1,835	-	1,835	-
	34,079	2,365	31,464	250
Company				
Trade and other receivables	3,408	-	3,408	-
Cash and cash equivalents	1,498	-	1,498	-
	4,906	-	4,906	-
Financial liabilities				
Group				
Loans and borrowings	(25,977)	-	(25,977)	-
Trade and other payables	(17,759)	-	(17,759)	-
Derivative financial liabilities	(119)	(119)	-	-
	(43,855)	(119)	(43,736)	-
Company				
Loans and borrowings	(6,617)	-	(6,617)	-
Trade and other payables	(1,685)	-	(1,685)	-
	(8,302)	-	(8,302)	-

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Reference

Notes to the financial statements

27. Financial instruments (continued)

11.41

27.1 Categories of financial instruments (continued)

	Carrying amount RM'000	FVTPL RM'000	AC RM'000	CLI RM'000
2015				
Financial assets				
Group				
Other investments	4,232	2,101	1,881	250
Trade and other receivables	17,945	-	17,945	-
Derivative financial assets	325	325	-	-
Cash and cash equivalents	1,850	-	1,850	-
	24,352	2,426	21,676	250
Company				
Trade and other receivables	3,287	-	3,287	-
Cash and cash equivalents	1,149	-	1,149	-
	4,436	-	4,436	-
Financial liabilities				
Group				
Loans and borrowings	(25,174)	-	(25,174)	-
Trade and other payables	(22,900)	-	(22,900)	-
Derivative financial liabilities	(175)	(175)	-	-
	(48,249)	(175)	(48,074)	-
Company				
Trade and other payables	(432)	-	(432)	-

11.43 The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Investments in equity and debt securities
The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Derivatives
The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

27.2 Net gains and losses arising from financial instruments

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
	Net gains/(losses) on:				
11.48(a)(i)	Financial assets measured at fair value through profit or loss	(102)	-	-	-
11.48(a)(ii)	Financial liabilities measured at fair value through profit or loss	56	-	-	-
11.48(a)(iii)	Financial assets measured at amortised cost	665	212	426	165
11.48(a)(iv)	Financial liabilities measured at amortised cost	(1,865)	(1,819)	(378)	-
		(1,246)	(1,607)	48	165

27.3 Hedging activities

12.27 The Group has entered into an interest rate swap to hedge the cash flow risk in relation to the floating interest rate of a bank loan of RM5,000,000 (2015: Nil). The interest rate swap has the same nominal value of RM5,000,000 (2015: Nil) and is settled every six monthly, consistent with the interest repayment schedule of the bond.

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Reference

Notes to the financial statements

27. Financial instruments (continued)

27.3 Hedging activities (continued)

12.29(a) The following table indicates the periods in which the cash flows associated with the interest rate swap are expected to occur and affect profit or loss:

	Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
	2016						
12.27(b)	Interest rate swap	83	105	25	26	53	-

12.29(c)-(d) During the financial year, a gain of RM102,300 was recognised in other comprehensive income and RM17,000 was reclassified from other comprehensive income to profit or loss as finance income.

12.29(e) Ineffectiveness loss amounting to RM2,500 was recognised in profit or loss during the financial year in respect of the hedge.

28. Operating leases

Leases as lessee

20.16(a) Non-cancellable operating lease rentals are payable as follows:

		Group	
		2016 RM'000	2015 RM'000
20.16(a)(i)	Less than one year	417	435
20.16(a)(ii)	Between one and five years	419	486
20.16(a)(iii)	More than five years	1,764	1,805
		2,600	2,726

20.16(c) The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period between 15 and 25 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect current market rentals.

20.16(c) One of the leased properties is subject to contingent rent based on sales achieved by a sales outlet of the Group. During the year, the Group recognised contingent rent expense amounting to RM40,000 (2015: RM30,000).

Leases as lessor

20.30(a) The Group leases out its investment properties (see note 4). The future minimum lease receivables under non-cancellable leases are as follows:

		Group	
		2016 RM'000	2015 RM'000
20.30(a)(i)	Less than one year	1,469	853
20.30(a)(ii)	Between one and five years	3,890	1,050
20.30(a)(iii)	More than five years	3,550	951
		8,909	2,854

20.30(c) Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal
20.30(b) periods are 4 years. No contingent rents are charged.

Note	Reference	**Explanatory note**
1.	33.8	A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Examples of related party transactions that are common to private entities include, but are not limited to: (a) transactions between an entity and its principal owner(s). (b) transactions between an entity and another entity when both entities are under the common control of a single entity or person. (c) transactions in which an entity or person that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity.
	33.9	If an entity has related party transactions, it discloses the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 7 of Section 33, *Related Party Disclosures*, to disclose key management personnel compensation. At a minimum, disclosures include: (a) the amount of the transactions. (b) the amount of outstanding balances and: (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and (ii) details of any guarantees given or received. (c) provisions for uncollectible receivables related to the amount of outstanding balances. (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties. Such transactions could include purchases, sales, or transfers of goods or services; leases; guarantees; and settlements by the entity on behalf of the related party or vice versa.
	33.11	An entity is exempt from the disclosure requirements of paragraph 9 of Section 33 in relation to: (a) a state (a national, regional or local government) that has control, joint control or significant influence over the reporting entity, and (b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity. However, the entity must still disclose a parent-subsidiary relationship as required by paragraph 5 of Section 33.
	33.13	An entity does not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.
	33.14	An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.
2.	33.10	Under MPERS, an entity makes the disclosures required by paragraph 9 of Section 33 separately for each of the following categories: (a) entities with control, joint control or significant influence over the entity. (b) entities over which the entity has control, joint control or significant influence. (c) key management personnel of the entity or its parent (in the aggregate). (d) other related parties. In this Illustrative Financial Statements, a more detailed disclosure is made based on the respective relationship of the related parties to the Company to provide more relevant information on the significant related party transactions to the users of the financial statements.
3.	33.7	An entity discloses key management personnel compensation in total.

Reference

Notes to the financial statements

29. Commitments

Reference		Group 2016 RM'000	Group 2015 RM'000
	Capital expenditure commitments		
17.32(b)	**Property, plant and equipment**		
9Sch2(1)(t)(iii)	Authorised but not contracted for	2,000	200
9Sch2(1)(t)(iii)	Contracted but not provided for	2,772	-
	Investment properties		
9Sch2(1)(t)(iii)	Authorised but not contracted for	650	580
16.10(d), 9Sch2(1)(t)(iii)	Contracted but not provided for	820	780
18.28(d)	***Intangible assets other than goodwill***		
9Sch2(1)(t)(iii)	*Authorised but not contracted for*	*XXX*	*XXX*
9Sch2(1)(t)(iii)	*Contracted but not provided for*	*XXX*	*XXX*
15.19(d)	***Jointly controlled entities***		
	Share of capital commitment of the jointly controlled entities	*XXX*	*XXX*
	Other contractual obligations of investment properties		
16.10(d)	Costs for repairs, maintenance or enhancements	85	62

30. Related parties[1,2]

33.9(a)-(b) **Significant related party transactions**

The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in notes 11, 15 and 19.

Reference		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
33.10(a), 9Sch1(u)	**A. Immediate holding company**				
	Sale of goods	569	428	-	-
33.10(b), 9Sch1(u)	**B. Subsidiaries**				
	Interest income on loans	-	-	378	325
	Management fee income	-	-	449	260
33.10(b), 9Sch1(u)	**C. Associates**				
	Sale of goods	2,847	1,225	-	-
	Interest income on loans	-	160	-	-
	Administrative fee income	24	24	-	-
33.10(d), 9Sch1(u)	***D. Jointly controlled entities***				
	Sale of goods	*XXX*	*XXX*	*XXX*	*XXX*
	Administrative fee income	*XXX*	*XXX*	*XXX*	*XXX*
33.10(d), 9Sch1(u)	***E. Entities controlled by key management personnel***				
	Sale of goods	*XXX*	*XXX*	*XXX*	*XXX*
33.6, 10(c) 9Sch1(o)(i)	**F. Key management personnel[3]**				
	Directors				
	- Fees	48	45	36	34
	- Other employee benefits	221	198	99	85
		269	243	135	119
	Other key management personnel				
	- Employee benefits	470	420	-	-
		739	663	135	119

Note	Reference	**Explanatory note**
1.		There is no requirement in MPERS to disclose the reconciliation of the net cash outflow arising from the acquisition of subsidiary. In our view, the entity is encouraged to disclose the information for users' understanding.

Reference

Notes to the financial statements

30. Related parties (continued)

33.9(a)-(b)
9Sch1(o)(ii)

Significant related party transactions (continued)

The estimated monetary value of Directors' benefit-in-kind is RM86,700 (2015: RM81,100).

31. Acquisition of subsidiary

19.25(a)-(d)

On 31 March 2016, the Group acquired all the shares in Wonderful Paper Cambodia Ltd. for RM2,500,000, satisfied in cash. The company manufactures and distributes recycled paper.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

19.25(d)

Fair value of consideration transferred

	Group 2016 RM'000
Cash and cash equivalents	2,500
Contingent consideration	*XXX*
Equity instruments issued (XXX ordinary shares)	*XXX*
Settlement of pre-existing relationship	*(XXX)*
	2,500

19.25(e)

Identifiable assets acquired and liabilities assumed

	Note	Group 2016 RM'000
Property, plant and equipment	3	1,955
Intangible assets	5	327
Inventories		375
Trade and other receivables		317
Cash and cash equivalents		375
Loans and borrowings		(500)
Deferred tax liabilities	10	(79)
Provision for legal case	18	(20)
Trade and other payables		(400)
Total identifiable net assets		2,350

8.7

The following fair values have been determined on a provisional basis:

- the fair value of intangible assets (Wonderful Paper Cambodia Ltd.'s patents and trademarks) has been determined provisionally pending completion of an independent valuation.
- the fair values of inventories as well as property, plant and equipment are pending completion of certain physical inventory counts and the confirmation of the physical existence and condition of certain property, plant and equipment.
- the amounts for legal contingencies are pending finalisation of examination and valuation of the filed cases.

7.5(c)

Net cash outflow arising from acquisition of subsidiary[1]

	Group 2016 RM'000
Purchase consideration settled in cash and cash equivalents	(2,500)
Cash and cash equivalents acquired	375
	(2,125)

Note	Reference	Explanatory note
1.	19.25(f)	For each business combination that was effected during the period, the acquirer discloses the amount of any excess recognised in profit or loss in accordance with paragraph 24 of Section 19, *Business Combinations and Goodwill*, and the line item in the statement of comprehensive income (and in the income statement, if presented) in which the excess is recognised.
2.		MPERS does not require an entity to disclose its interest in jointly controlled operations. However, in our view, an entity discloses this information for an understanding of the type of operations that the entity has interests in it.
3.	32.11	The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure; the disclosures will reflect information that becomes known after the end of the reporting period but before the financial statements are authorised for issue: (a) a major business combination or disposal of a major subsidiary. (b) announcement of a plan to discontinue an operation. (c) major purchases of assets, disposals or plans to dispose of assets, or expropriation of major assets by government. (d) the destruction of a major production plant by a fire. (e) announcement, or commencement of the implementation, of a major restructuring. (f) issues or repurchases of an entity's debt or equity instruments. (g) abnormally large changes in asset prices or foreign exchange rates. (h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and deferred tax assets and liabilities. (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees. (j) commencement of major litigation arising solely out of events that occurred after the end of the reporting period.
4.	35.11	If it is impracticable for an entity to restate the opening statement of financial position at the date of transition for one or more of the adjustments required by paragraph 7 of Section 35, *Transition to the MPERS*, the entity applies paragraphs 7 to 10 of Section 35 for such adjustments in the earliest period for which it is practicable to do so, and identifies the data presented for periods that are not comparable with data for the period in which it prepares its first financial statements that conform to MPERS. If it is impracticable for an entity to provide any disclosures required by MPERS for any period before the period in which it prepares its first financial statements that conform to MPERS, the omission is to be disclosed.
	35.14	If an entity becomes aware of errors made under its previous financial reporting framework, the reconciliations required by paragraph 13(b) and (c) of Section 35, to the extent practicable, distinguish the correction of those errors from changes in accounting policies.
	35.15	If an entity did not present financial statements for previous periods, it discloses that fact in its first financial statements that conform to MPERS.

Reference

Notes to the financial statements

31. Acquisition of subsidiary (continued)

Goodwill

19.25(e) Goodwill was recognised as a result of the acquisition as follows:

	Group 2016 RM'000
Total consideration transferred	2,500
Fair value of identifiable net assets	(2,350)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	*XXX*
Fair value of existing interest in the acquiree	*XXX*
Goodwill[1]	150

32. Interest in jointly controlled operation[2]

The Group has a 50% (2015: 50%) ownership interest in a jointly controlled operation, Growth R & D with Universe Star Sdn. Bhd. Growth R & D's principal place of business is in Malaysia. Growth R & D performs research and development on new paper types and is strategic for the Group's innovation and future growth.

33. Subsequent event[3]

32.10, 11(e) At the end of January 2017, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it is intended to reduce the Group's workforce by 400 positions worldwide by the end of 2017, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in workforce to cost the Group between RM600,000 and RM850,000 in 2017.

35.12 34. Explanation of transition to the MPERS[4]

As stated in note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MPERS.

The accounting policies set out in note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2016, and the comparative information presented in these financial statements for the financial year ended 31 December 2015.

The transition to MPERS does not have financial impact to the separate financial statements of the Company.

35.13(b) 34.1 Reconciliation of equity

	Note	Group 31.12.2015 RM'000	Group 01.01.2015 RM'000
Total equity previously reported		34,892	28,577
Borrowing costs expensed off	a	(1,568)	(995)
Fair value adjustment to investment properties	b	102	158
Amortisation of goodwill	c	(1,381)	(923)
Development costs expensed off	*d*	*(XXX)*	*(XXX)*
Deferred tax	e	89	59
Total equity under MPERS		32,134	26,876

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Reference

Notes to the financial statements

35.12 **34. Explanation of transition to the MPERS (continued)**

35.13(c) **34.2 Reconciliation of profit**

	Note	Group 2015 RM'000
Profit for the year previously reported		6,566
Borrowing costs expensed off	a	(573)
Fair value adjustment to investment properties	b	(56)
Amortisation of goodwill	c	(458)
Development costs expensed off	*d*	*(XXX)*
Deferred tax	e	30
Profit for the year under MPERS		5,509

35.13(a) The transition to MPERS has resulted in the following changes in accounting policies:

(a) Borrowing costs expensed off

In the prior years' financial statements, the Group capitalised borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset. Upon adoption of MPERS, borrowing costs are expensed off in the profit or loss in the period in which they are incurred.

(b) Fair value adjustment to investment properties

In the prior years' financial statements, investment properties were classified as property, plant and equipment and were measured at cost less any accumulated depreciation and any accumulated impairment losses. Upon adoption of MPERS, investment properties whose fair value can be measured reliably without undue cost or effort are measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

(c) Amortisation of goodwill

In the prior years' financial statements, intangible assets with indefinite useful lives, including goodwill were not amortised. Upon adoption of MPERS, all intangible assets, including goodwill are considered to have a finite useful life and are amortised.

(d) Development costs expensed off

In the prior years' financial statements, the Group capitalised development costs of a project when all of the following criteria are met:

(a) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably;
(b) the technical feasibility of the product or process can be demonstrated;
(c) the enterprise intends to produce and market, or use, the product or process;
(d) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
(e) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Upon adoption of MPERS, all expenditures for development activities are expensed off in the profit or loss in the period in which they are incurred.

(e) Deferred tax

The deferred tax adjustments relate to the above transitional adjustments.

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 13 to 113 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of 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 then ended.

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

....
Dato' Yusof bin Othman

....
Christine Ting Wei Ling

Kuala Lumpur
25 April 2017

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

I, Mike Lee Wai Keat, the officer primarily responsible for the financial management of Wonderful SME Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 13 to 113 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 the above named in Kuala Lumpur in the Federal Territory on 25 April 2017.

....
Mike Lee Wai Keat

Before me:
Dhvani a/p Rujul (No. W008010)
Commissioner for Oaths
Kuala Lumpur

Appendix 1

Specimen: Statements of income and retained earnings

For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Continuing operations				
Revenue	XXX	XXX	XXX	XXX
Cost of sales	(XXX)	(XXX)	(XXX)	(XXX)
Gross profit	XXX	XXX	XXX	XXX
Other income	XXX	XXX	XXX	XXX
Distribution expenses	(XXX)	(XXX)	-	-
Administrative expenses	(XXX)	(XXX)	(XXX)	(XXX)
Other expenses	(XXX)	(XXX)	(XXX)	(XXX)
Results from operating activities	XXX	XXX	XXX	XXX
Finance income	XXX	XXX	XXX	XXX
Finance costs	(XXX)	(XXX)	(XXX)	-
Net finance (costs)/income	(XXX)	(XXX)	XXX	XXX
Share of profit of equity-accounted associates/jointly controlled entities, net of tax	XXX	XXX	-	-
Profit before tax	XXX	XXX	XXX	XXX
Tax expense	(XXX)	(XXX)	(XXX)	(XXX)
Profit from continuing operations	XXX	XXX	XXX	XXX
Discontinued operation				
Profit/(Loss) from discontinued operation, net of tax	XXX	(XXX)	-	-
Profit for the year	XXX	XXX	XXX	XXX
Other comprehensive income, net of tax				
Actuarial gain/(loss) on employee benefit obligations	XXX	(XXX)	-	-
Share of gain/(loss) of equity-accounted associates/jointly controlled entities	XXX	XXX	-	-
Change in fair value of hedging instrument	XXX	-	-	-
Foreign currency translation differences for foreign operations	XXX	XXX	-	-
Other comprehensive income for the year, net of tax	XXX	XXX	-	-
Total comprehensive income for the year	XXX	XXX	XXX	XXX
Retained earnings at the beginning of the year	XXX	XXX	XXX	XXX
Dividends paid to the owners of the Company	(XXX)	(XXX)	(XXX)	(XXX)
Retained earnings at the end of the year	XXX	XXX	XXX	XXX
Profit attributable to:				
Owners of the Company	XXX	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	-	-
Profit for the year	XXX	XXX	XXX	XXX
Total comprehensive income attributable to:				
Owners of the Company	XXX	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	-	-
Total comprehensive income for the year	XXX	XXX	XXX	XXX

Appendix 2

Specimen: Income statements (Two-statement approach)

For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Continuing operations				
Revenue	XXX	XXX	XXX	XXX
Cost of sales	(XXX)	(XXX)	(XXX)	(XXX)
Gross profit	XXX	XXX	XXX	XXX
Other income	XXX	XXX	XXX	XXX
Distribution expenses	(XXX)	(XXX)	-	-
Administrative expenses	(XXX)	(XXX)	(XXX)	(XXX)
Other expenses	(XXX)	(XXX)	(XXX)	(XXX)
Results from operating activities	XXX	XXX	XXX	XXX
Finance income	XXX	XXX	XXX	XXX
Finance costs	(XXX)	(XXX)	(XXX)	-
Net finance (costs)/income	(XXX)	(XXX)	XXX	XXX
Share of profit of equity-accounted associates/jointly controlled entities, net of tax	XXX	XXX	-	-
Profit before tax	XXX	XXX	XXX	XXX
Tax expense	(XXX)	(XXX)	(XXX)	(XXX)
Profit from continuing operations	XXX	XXX	XXX	XXX
Discontinued operation				
Profit/(Loss) from discontinued operation, net of tax	XXX	(XXX)	-	-
Profit for the year	XXX	XXX	XXX	XXX
Profit attributable to:				
Owners of the Company	XXX	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	-	-
Profit for the year	XXX	XXX	XXX	XXX

Appendix 2

Specimen: Statements of comprehensive income (Two-statement approach)

For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit for the year	XXX	XXX	XXX	XXX
Other comprehensive income, net of tax				
Actuarial gain/(loss) on employee benefit obligations	XXX	(XXX)	-	-
Share of gain/(loss) of equity-accounted associates/jointly controlled entities	XXX	XXX	-	-
Change in fair value of hedging instrument	XXX	-	-	-
Foreign currency translation differences for foreign operations	XXX	XXX	-	-
Other comprehensive income for the year, net of tax	XXX	XXX	-	-
Total comprehensive income for the year	XXX	XXX	XXX	XXX
Total comprehensive income attributable to:				
Owners of the Company	XXX	XXX	XXX	XXX
Non-controlling interests	XXX	XXX	-	-
Total comprehensive income for the year	XXX	XXX	XXX	XXX

Appendix 3

Specimen: Statements of cash flows (Direct method)

For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from operating activities				
Cash receipts from customers	XXX	XXX	XXX	XXX
Cash paid to suppliers and employees	(XXX)	(XXX)	(XXX)	(XXX)
Cash generated from operating activities	XXX	XXX	XXX	XXX
Dividends received	-	-	XXX	XXX
Interest paid	(XXX)	(XXX)	(XXX)	(XXX)
Tax paid	(XXX)	(XXX)	(XXX)	(XXX)
Net cash from operating activities	XXX	XXX	XXX	XXX
Cash flows from investing activities				
Acquisition of investment properties	(XXX)	(XXX)	-	-
Acquisition of other investments	(XXX)	(XXX)	-	-
Acquisition of property, plant and equipment	(XXX)	(XXX)	-	-
Acquisition of subsidiary, net of cash and cash equivalents acquired	(XXX)	-	(XXX)	-
Dividends received	XXX	XXX	-	-
Interest received	XXX	XXX	XXX	XXX
Loans to subsidiaries	-	-	(XXX)	(XXX)
Proceeds from disposal of investment properties	XXX	XXX	-	-
Proceeds from disposal of other investments	XXX	XXX	-	-
Proceeds from disposal of property, plant and equipment	XXX	XXX	-	-
Net cash used in investing activities	(XXX)	(XXX)	(XXX)	(XXX)
Cash flows from financing activities				
Dividends paid to owners of the Company	(XXX)	(XXX)	(XXX)	(XXX)
Proceeds from the issue of convertible notes	XXX	-	XXX	-
Proceeds from the issue of redeemable preference shares	XXX	-	XXX	-
Proceeds from the issue of share capital	XXX	-	XXX	-
Repayment of other borrowings	(XXX)	-	-	-
Repayment of finance lease liabilities	(XXX)	(XXX)	-	-
Repayment of loan from associate	(XXX)	-	-	-
Net cash from/(used in) financing activities	XXX	(XXX)	XXX	(XXX)
Net (decrease)/increase in cash and cash equivalents	(XXX)	(XXX)	XXX	XXX
Effect of exchange rate fluctuations on cash held	XXX	XXX	-	-
Cash and cash equivalents at 1 January	XXX	XXX	XXX	XXX
Cash and cash equivalents at 31 December	XXX	XXX	XXX	XXX

Cash and cash equivalents included in the statements of cash flows comprise the following statement of financial position amounts:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits	XXX	XXX	XXX	XXX
Less: Pledged deposits	(XXX)	(XXX)	(XXX)	(XXX)
	XXX	XXX	XXX	XXX
Cash and bank balances	XXX	XXX	XXX	XXX
Bank overdraft	(XXX)	(XXX)	(XXX)	(XXX)
	XXX	XXX	XXX	XXX

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