

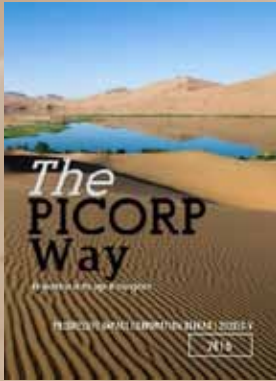


The
PICORP
Way

Reinvention in the age of disruption

PROGRESSIVE IMPACT CORPORATION BERHAD | 203352-V

2016



The graphical representation of the far-off desert vista depicts the vast opportunity that lies ahead of us. There will be tremendous challenges and unforeseen obstacles throughout the journey but we believe that in the middle of every difficulty, lies opportunity. We don't grow when things are easy; we grow when we face challenges. All because we know with our capabilities and determination, we will be able to achieve our vision and mission.

We therefore, must seize the moment and remain steadfast in our commitment to serve Allah, respect for the people and the environment.

ANNUAL REPORT 2016

COVER RATIONALE

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www.picorp.com.my



picorp_berhad



PICORP Berhad



Progressive Impact Corporation Berhad

The 2016 Annual Report

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WHAT'S
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Corporate
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P I C

VISION

To be a **world class business organisation** focused on **cost effective environmental solutions** which shall **benefit mankind**.

MISSION

To be a **world class business organisation** providing **innovative technology & quality products and services** in the field of **Environmental Solutions** for local and overseas markets through a team of highly motivated, competent and quality employees.

O R P



PICORP
PROGRESSIVE IMPACT CORPORATION BERHAD

PICORP WAY VALUES

Serving **Allah**, respect for the **people** and the **environment**.

THE COMPANY

Progressive Impact Corporation Berhad's ("PICORP") strength lies in its position as an **"Integrated Environmental Solutions Provider"**, offering a wide range of services ranging from **environmental consultancy & monitoring, wastewater treatment & solution, laboratory analysis** and **ocean data monitoring**.

OUR and PRODUCTS SERVICES

ENVIRONMENTAL MONITORING

Air Quality Management
 Continuous Particulate Monitoring: PM₁₀ & PM_{2.5}
 Continuous Emission Monitoring System (“CEMS”) and Predictive Emission Monitoring System (“PEMS”)
 Stack Monitoring
 Water Resource Management
 Ocean Data Monitoring (Wave Glider)

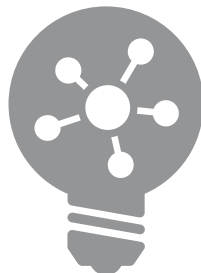


ENVIRONMENTAL DATA MANAGEMENT & GIS

Advance Statistical Analysis & Modelling
 Data Mining
 Dispersion Model
 Trend Analysis & Forecasting
 GIS- Based Modelling of Environmental Phenomena

ANALYTICAL TESTING SERVICES

Soil, Sediment, and Solid Waste Testing
 Water Testing
 Air Quality Sampling and Testing
 Water Quality Sampling and Testing
 Stack Emission Sampling and Analysis
 Food Testing (Halal)
 Tribology
 Minerals



WASTEWATER TREATMENT & SOLUTION

Hybrid Wastewater Technology:
 Bi- Act Super Dissolve Oxygen (SDO)

FINANCIAL CALENDAR

ANNOUNCEMENT OF RESULTS FOR FINANCIAL YEAR
ENDED 31 DECEMBER 2016

2016

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

1st Quarter

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

2nd Quarter

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3
4	5	6	7	8	9	10

3rd Quarter

2017

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4
5	6	7	8	9	10	11

4th Quarter

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

Annual General Meeting

2017

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	1	2	3	4
5	6	7	8	9	10	11

Proposed Date

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

Entitlement to 2016 Final
Dividend

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1
2	3	4	5	6	7	8

Proposed Payment of
2016 Final Dividend

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK ABDUL HAMID BIN SAWAL
Chairman/Senior Independent Non-Executive Director

ZAID BIN ABDULLAH
Executive Deputy Chairman

ZAIDAH BINTI MOHD SALLEH
Non-Independent Non-Executive Director

LEE WENG CHONG
Independent Non-Executive Director

DATO' HAJJAH ROSNANI BINTI IBRAHIM
Independent Non-Executive Director

USAMAH BIN ZAID
Executive Director

DATO' DR. LUKMAN BIN IBRAHIM
Independent Non-Executive Director

FATIMAH ZAHRAH BINTI ZAID
Alternate Director to Zaidah binti Mohd Salleh

AUDIT COMMITTEE

DATO' DR. LUKMAN BIN IBRAHIM
Chairman
DATUK ABDUL HAMID BIN SAWAL
ZAIDAH BINTI MOHD SALLEH

REMUNERATION COMMITTEE

DATO' DR. LUKMAN BIN IBRAHIM
Chairman
DATUK ABDUL HAMID BIN SAWAL
DATO' HAJJAH ROSNANI BINTI IBRAHIM

NOMINATING COMMITTEE

DATUK ABDUL HAMID BIN SAWAL
Chairman
DATO' HAJJAH ROSNANI BINTI IBRAHIM
DATO' DR. LUKMAN BIN IBRAHIM

BOARD RISK MANAGEMENT COMMITTEE

DATO' HAJJAH ROSNANI BINTI IBRAHIM
Chairman
DATO' DR. LUKMAN BIN IBRAHIM

COMPANY SECRETARIES

ZAIDAH BINTI MOHD SALLEH
(MIA 3313)
WONG WAI FOONG
(MAICSA 7001358)
KUAN HUI FANG
(MIA 16876)

HEAD OFFICE & REGISTERED OFFICE

Suite 5.02, Mercu PICORP
Lot 10, Jalan Astaka U8/84, Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan
Telephone No. : 03 - 7845 6566
Facsimile No. : 03 - 7845 7566

REGISTRAR

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

AUDITORS

Ernst & Young (AF No. 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Telephone No. : 03 - 7495 8000

PRINCIPAL BANKER

AmBank Islamic Berhad

NOTICE of ANNUAL GENERAL MEETING

PROGRESSIVE IMPACT CORPORATION BERHAD (203352 V)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of the Company will be held at **Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan** on **Monday, 22 May 2017, at 9:30 a.m.** to transact the following business:-

ORDINARY BUSINESS

- | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. | (Please refer to Note 1 of the Explanatory Notes) |
| 2. | To approve the payment of the Single Tier Final Dividend of 0.61 sen per share for the year ended 31 December 2016. | Resolution 1 |
| 3. | To re-elect Datuk Abdul Hamid Bin Sawal, who shall retire pursuant to Article 83 of the Constitution of the Company, as Director. | Resolution 2 |
| 4. | To re-elect Zaid Bin Abdullah, who shall retire pursuant to Article 83 of the Constitution of the Company, as Director. | Resolution 3 |
| 5. | To re-elect Lee Weng Chong, who shall retire pursuant to Article 90 of the Constitution of the Company, as Director. | Resolution 4 |
| 6. | To approve the Directors' fees of RM169,933 for the financial year ended 31 December 2016. (2015: RM185,484) | Resolution 5 |
| 7. | To approve the Directors' benefits of RM240,000.00 for the period from 1 January 2017 up to the date of the next Annual General Meeting. | Resolution 6 |
| 8. | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions of the Company:

9. **ORDINARY RESOLUTION**
- PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE
- "THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature
- Resolution 8**

with the related parties as set out in Section 2.2 of the Circular to Shareholders dated 28 April 2017 (“Related Parties”) provided that such transactions and/or arrangements are:

- (a) necessary for the day-to-day operations;
 - (b) undertaken in the ordinary course of business at arm’s length basis and are on normal commercial terms and transaction price which are not more favourable to the Related Parties than those generally available to the public; and
 - (c) not detrimental to the minority shareholders of the Company,
- (collectively known as “Shareholders’ Mandate”);

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

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (“the Act”) but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

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

10. **ORDINARY RESOLUTION**

PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE TO PURCHASE ITS OWN ORDINARY SHARES OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE COMPANY

THAT, subject always to the compliance with all applicable laws, guidelines, rules and regulations and the approval of all relevant authorities, the Company be and is hereby authorised to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad (“Bursa Securities”) upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares to be purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase; and
- (iii) the shares of the Company so purchased may be cancelled, retained as treasury shares, distributed as dividends or resold on Bursa Securities, or a combination

Resolution 9

of any of the above, or be dealt with in such manner allowed by the Companies Act 2016 and Main Market Listing Requirements (“MMLR”) of Bursa Securities from time to time.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the MMLR of Bursa Securities or any other relevant authorities.

THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the purchase by the Company of its own shares with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities.”

11. **ORDINARY RESOLUTION**

AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting.”

Resolution 10

12. **ORDINARY RESOLUTION**

CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

“THAT authority be and is hereby given to Lee Weng Chong, who has served the Company as an Independent Non-Executive Director for more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.”

Resolution 11

13. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

NOTICE OF DIVIDEND PAYMENT

Notice is hereby given that a Single Tier Final Dividend of 0.61 sen per share for the financial year ended 31 December 2016, if approved, will be paid on 30 June 2017. The entitlement date for the dividend payment is 31 May 2017.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) Shares transferred into the depositor's Securities Account on or before 4.00 p.m. on 31 May 2017 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By order of the Board
ZAIDAH BINTI MOHD SALLEH (MIA 3313)
Company Secretary
Shah Alam

28 April 2017

Notes:

- i) A member entitled to attend and vote is entitled to appoint up to 2 proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company.*
- ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, can appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- iv) Where a member or authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
- v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
- vi) The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of authority shall be deposited at the Company's registered office at Suite 5.02, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.*
- vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 15 May 2017. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his behalf.*

Explanatory Notes on Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. **Hence, this item on the Agenda is not put forward for voting.**
2. Datuk Abdul Hamid Bin Sawal, Zaid Bin Abdullah and Mr Lee Weng Chong are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 25th Annual General Meeting. The Board has through the Nominating Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) on character, experience, integrity, competence and time to effectively discharge their roles as Directors. The Board has also through the Nominating Committee, conducted an assessment on Datuk Abdul Hamid Bin Sawal and Mr Lee Weng Chong’s independence and is satisfied that they have complied with the criteria prescribed by the MMLR and Malaysian Code on Corporate Governance 2012.
3. The Directors’ benefits (being meeting allowances) are calculated based on the current Board size and number of scheduled Board and Committee meetings for 2017 up to the next Annual General Meeting. In the event the proposed amounts are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.
4. The Board has through the Audit Committee, considered the re-appointment of Messrs Ernst & Young as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 25th Annual General Meeting is stated in the Statement on Corporate Governance.

Explanatory Notes on Special Business

Resolution 8

This proposed Resolution, if passed, will enable the Company and/or its subsidiaries to renew its mandate to enter into recurrent transactions involving the interest of Related Parties, which are of a revenue or trading nature and necessary for the Group’s day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

For further information on the recurrent related party transactions, please refer to the Circular to Shareholders dated 28 April 2017 enclosed together with the Company’s Annual Report 2016.

Resolution 9

The proposed Resolution is intended to allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company at any time within the time period stipulated in the MMLR of Bursa Securities.

Please refer to the Circular to Shareholders dated 28 April 2017 for further information.

Resolution 10

This proposed Resolution, if passed, will empower the Directors to allot up to a maximum of 10% of the total number of issued shares (excluding treasury shares) in the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year’s mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders’ approval so as to avoid incurring additional costs and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or

for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 23 May 2016 and the mandate will lapse at the conclusion of the 25th Annual General Meeting.

Resolution 11

The Board has assessed the independence of Mr. Lee Weng Chong, who has served as an Independent Non-Executive Director of the Company for a term of more than nine (9) years during his previous tenure as Director, and recommended that he continues to act as an Independent Non-Executive Director of the Company based on the following justifications:-

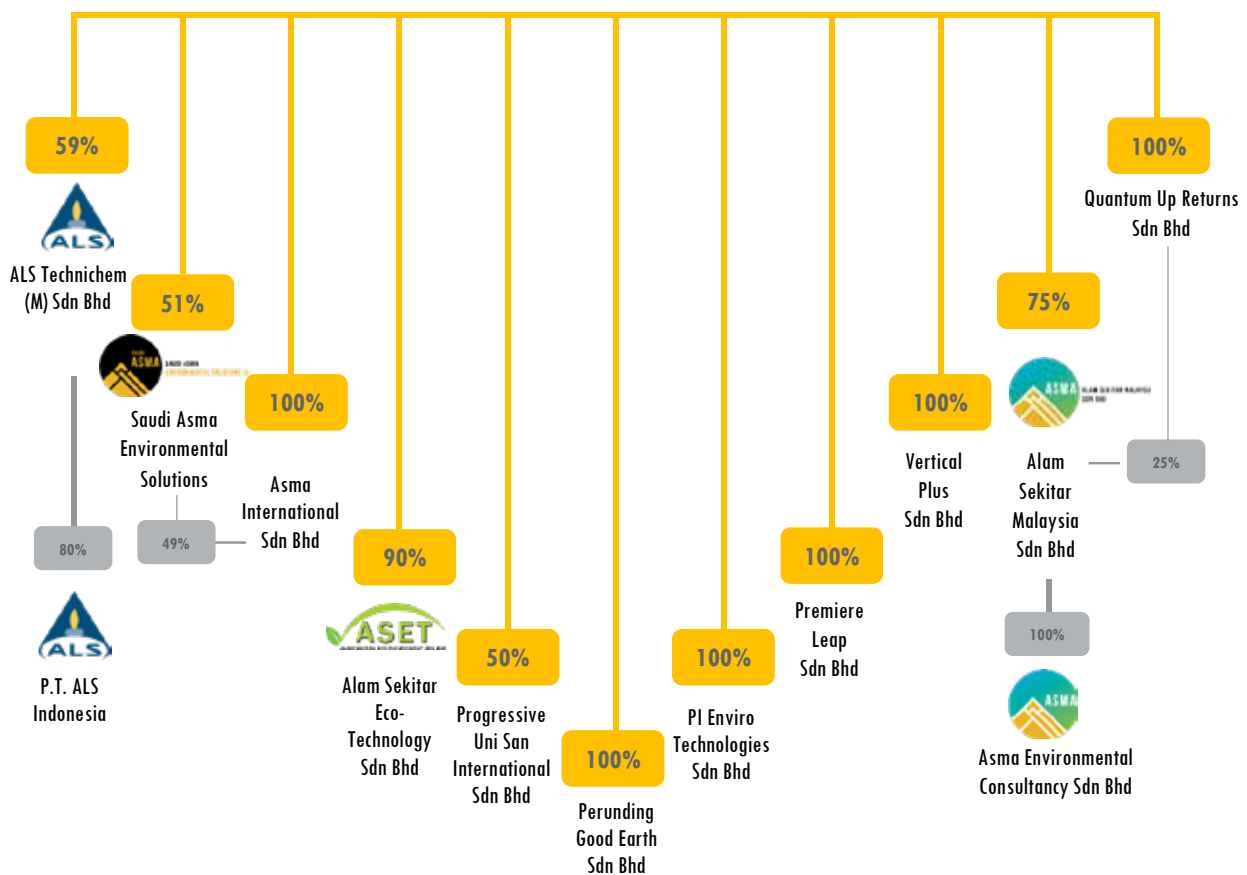
- He fulfils the criteria defined under Paragraph 1.01 of the MMLR.
- The Board holds the view that a director's independence cannot be determined arbitrarily with reference to a set period of time. Mr Lee's length of service as Independent Non-Executive Director does not in any way interfere with his exercise of objective judgment or his ability to act in the best interests of the Company.
- He has a strong understanding of the Group's corporate history and business and has devoted sufficient time and commitment to discharge his responsibilities as an Independent Non-Executive Director.
- He has exercised due care during his tenure as Independent Non-Executive Director of the Company and participated actively in meetings, giving his independent views in a constructive manner and bringing an element of objectivity to the Board's decision making.
- He does not have any business dealings with the Group.

CORPORATE STRUCTURE



PROGRESSIVE IMPACT CORPORATION BERHAD

(Company No.: 203352V)
(Incorporated in Malaysia)



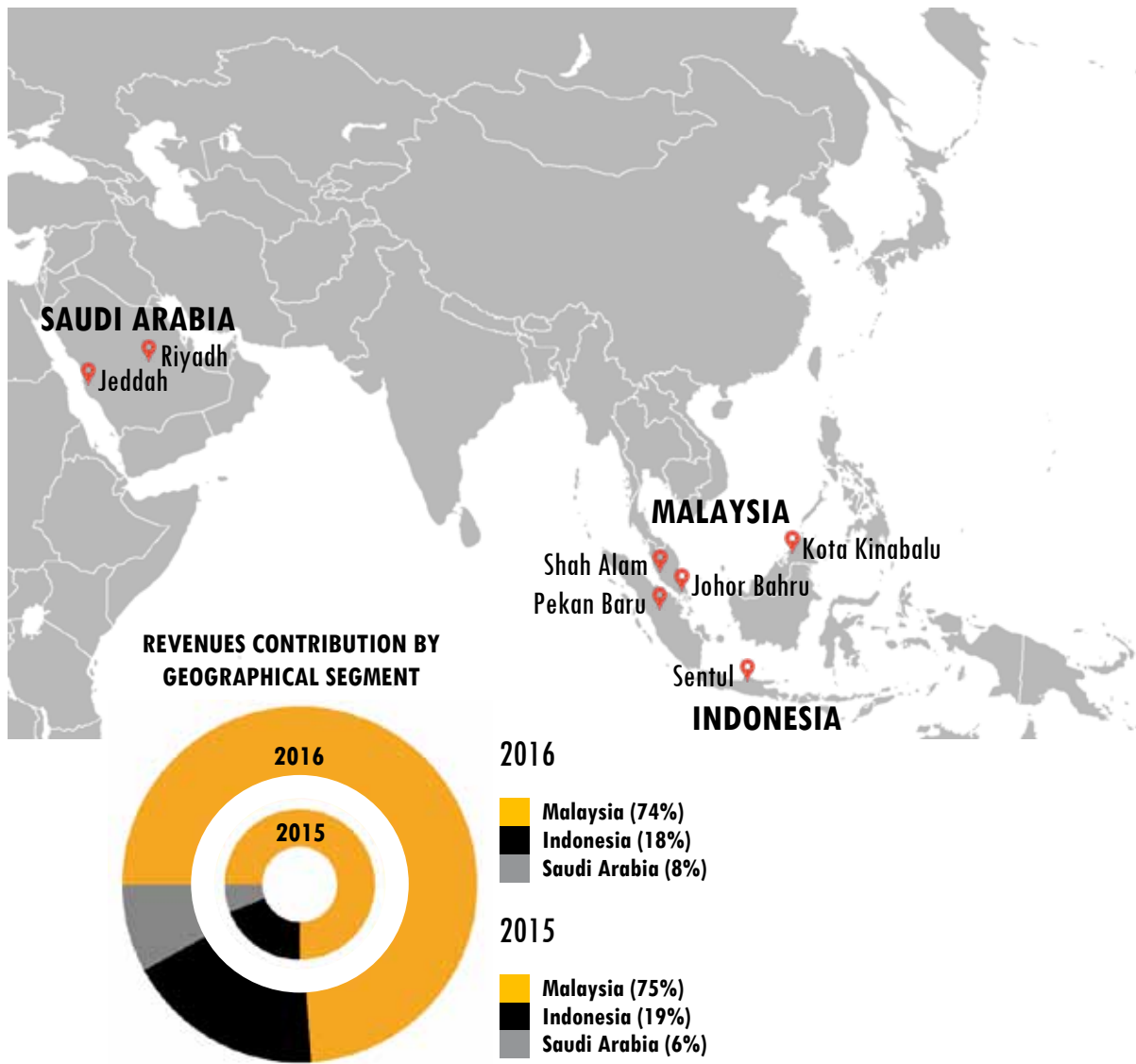
MANAGEMENT DISCUSSION and ANALYSIS STATEMENT

BUSINESS OPERATIONS AND STRATEGIES

ABOUT PICORP GROUP

Progressive Impact Corporation Berhad (“PICORP”) was incorporated in 1991 as an investment holding company. PICORP commenced its operation in 1992 and was listed on the Second Board of Bursa Malaysia Securities Berhad (“Bursa”) in October 2004. PICORP transferred its listing status to the Main Board of Bursa in January 2008. PICORP’s subsidiary companies are principally involved in the provision of environmental consulting, monitoring, monitoring equipment / systems integration, environmental data management services, laboratory testing services and wastewater treatment and solution. The Group provides its services to various governmental bodies as well as to the private sectors which are involved in the oil and gas, energy, petrochemicals, food manufacturing, industrial and manufacturing, properties developers and constructions sectors locally and internationally. Our group is a well-established participant in the Malaysian environmental market in the segment of instruments and monitoring systems and laboratory testing services, holding a market share of approximately 20%.

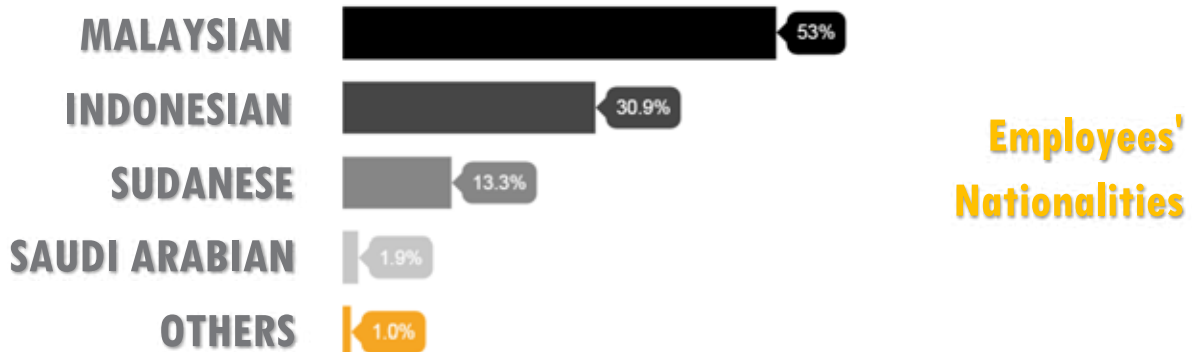
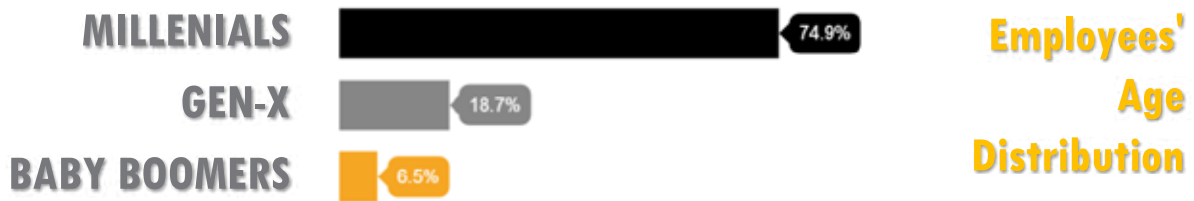
PICORP Group has operations in 7 cities in 3 countries with over 500 employees.



PICORP Group is managed by an experienced team who has vast experience in the environmental, oil & gas, chemical, manufacturing industries, waste water treatment industries and waste management either within the Group or prior to joining the Group.

525

NO. OF EMPLOYEES



PICORP WAY VALUES

The PICORP WAY is the set of principles and behaviours that underline the PICORP Group core values that we uphold throughout our operations and business worldwide. Peak Performance, Innovative, Competitive, Obedient to Allah, Result Oriented and Process Excellence are the PICORP Way that streamlines the work culture, the people and the processes within the group towards achieving the company's goals and objectives.

P	PROCESS EXCELLENCE Setting standards and deliver measurable performance in everything we do.
I	INNOVATIVE Continuously translating ideas and innovation into products and services that create values to the customers.
C	COMPETITIVE Strong desire to win and be the best in our offerings.
O	OBEDIENT TO ALLAH Abiding by the orders of Allah and avoiding His prohibitions.
R	RESULT ORIENTED Always start with the end in our mind. Defining results that we want to achieve in advance.
P	PEAK PERFORMANCE Performing to the maximum of our ability with feelings of confidence, effortlessness and total concentration on the task.

BUSINESS OBJECTIVES & STRATEGIES

On our journey to become a world class business organisation providing innovative technology and quality products and services in the field of environmental solutions for local and overseas markets, PICORP paradigm are the strategies that guide us onwards and being the business model adopted by PICORP Group to meet the business objectives. It focuses on seven strategies that cover Growth, Margins, Cash, Velocity, Customer Management, Technology and Risk Management to achieve a sustainable business performance for growth in the long-term.

PICORP PARADIGM



PICORP GOALS



OUR STRATEGIES

1 GROWTH STRATEGIES

Organic growth via market and product development in countries that the group already has its presence namely Malaysia, Indonesia & Saudi Arabia.

Inorganic growth via partners, allies and collaborators who complement our strengths to create a win-win situation.

Initiatives

- i. Create more long term contracts using concession business model.
- ii. Focus on key strategic accounts
- iii. Identify strategic partners that could complement our strength

Expected Outcome

Long term concession contracts that could contribute to the business sustainability.

2 MARGIN STRATEGIES

Offer value proposition to clients through sustainable business model.

Initiatives

- i. Focus on service based projects rather than turnkey.
- ii. Offer B-O-T / B-O-O project financing to strategic accounts that requires strategic facilities for integrated environmental monitoring system / waste water treatment plants.

Expected Outcome

Increased numbers of service based projects with operation and maintenance elements.

3 CASH STRATEGIES

Continuous improvement of operational efficiency & cost management.

Initiatives

Linking personnel's KPIs with operational & cost efficiency.

Expected Outcome

Cost optimisation and improved efficiency.

4 VELOCITY STRATEGIES

Develop competencies and skills that increases job efficiency and effectiveness resulting in higher productivity

Initiatives

Roll out talent management program where potential candidates for key positions are identified, trained and equipped with knowledge, skills and abilities to soar upwards the career ladder.

Expected Outcome

- i. Systematic alignment of the talent with business objectives with continuous assessments and coaching.
- ii. Talent retention

5 CUSTOMER MANAGEMENT STRATEGIES

Connect to customers, exceed their expectation and customer retention.

Initiatives

Putting ourselves in the customer's shoes to get a clear understanding of their needs and be able to provide strategic solution.

Expected Outcome

- i. Increased repeat orders from existing customers
- ii. Market Penetration of the strategic key accounts

6 TECHNOLOGY STRATEGIES

Focus on disruptive innovations that offers simple applications to the relevant market

Initiatives

Focus to continue marketing & promoting the innovative technologies offered by the group namely Bi Act Super Dissolved Oxygen ("SDO"), Predictive Emission Monitoring System ("PEMS") and Wave Glider to strategic accounts.

Expected Outcome

- i. Increased market awareness on the innovative technologies offered
- ii. Increased product attractiveness to customers that requires simple and cost effective solutions.

7 RISK MANAGEMENT STRATEGIES

Develop a structured and coherent approach to identifying, assessing and managing risk.

Initiatives

- i. Implementation of Enterprise Risk Management program
- ii. Streamlining the risk assessment process throughout the management and risk committees.

Expected Outcome

Improving the quality of decision making process for strategic business pursuits and investments.

FINANCIAL RESULTS AND FINANCIAL CONDITIONS

OVERVIEW OF GROUP FINANCIAL PERFORMANCE

Group revenue for 2016 increased by RM 6.8 million or 9% to RM 87.4 million as compared to RM 80.5 million in 2015 mainly due to higher revenue from all the business segments namely from the Environmental Consultancy and monitoring services across the industries, higher sales from the laboratory testing services operations in Indonesia and higher project revenue conversion from the waste water treatment and solutions segment.

Profit before tax declined by about RM 6.6 million or about 51% to RM 6.3 million as compared to RM 12.9 million in previous year mainly due to impairment of goodwill, negative impact from foreign exchange transaction differences in laboratory testing services segment and marginally offset by operational improvements for the Saudi Arabia operations of the Environmental consultancy and monitoring segment.

Cost of sales increased by about 22.8% to RM 17.8 million in 2016 as compared to 2015 mainly due to higher import cost of goods and services as a result of weak Ringgit against the importing countries' currencies.

Staff costs declined by 13.8% to RM 25.7 million in 2016 as compared to RM 29.8 million in 2015 mainly due to reduction of staff costs for the Saudi Arabia operation pursuant to the reorganisation exercise undertaken subsequent to gaining full control of the subsidiary at the end of financial year 2015.

Other operating expenses increased by about 57% to RM 33.1 million as compared to 2015 mainly due to impairment of goodwill amounting to RM 10.9 million. The impairment of goodwill is pursuant to the expiry of in the interim agreement with the Department of Environment for the Provision of Environmental Monitoring and Data Management Activities on 13 April 2017.

Finance costs increased by RM 0.7 million to RM 0.9 million as compared to RM 0.26 million in 2015 was due to higher utilisation of the Group's overdraft facilities.

CASH FLOW AND LIQUIDITY MANAGEMENT

FY 2016				
RM Thousand	Environmental Consultancy & Monitoring Services	Laboratory Testing Services	Wastewater Treatment and Solution	Group
Revenue	42,365	42,610	3,128	87,402
Profit / (Loss) from operations	5,641	17,443	(1,338)	7,264
Operating Cash flow	11,731	11,436	151	18,881
Investing activities	(9,516)	(4,674)	2	(17,019)
Free cash flow	2,215	6,762	153	1,862

FY 2015				
RM Thousand	Environmental Consultancy & Monitoring Services	Laboratory Testing Services	Wastewater Treatment and Solution	Group
Revenue	37,039	42,766	2,191	80,529
Profit / (Loss) from operations	(14,593)	22,061	(760)	13,125
Operating Cash flow	3,124	18,895	362	7,101
Investing activities	(2,924)	(5,885)	(25)	(12,524)
Free cash flow	200	13,010	337	(5,423)

The Group cash flow generation from operations this financial year has improved by RM 11.8 million compared to the previous year, largely driven by improved collections by the environmental consultancy & monitoring services and the laboratory testing services segments.

Investment activities registered an amount of RM 17 million during the year were mainly attributed by the placement of unit trusts during the year amounting RM 7.67 million and purchase of property, plant and equipment amounting to RM 9.0 million.

CAPITAL EXPENDITURE REQUIREMENTS

FINANCIAL YEAR ENDED 31 DECEMBER					
[RM THOUSAND]	2012	2013	2014	2015	2016
Current liabilities					
Trade & other payables	23,226	21,259	22,391	31,294	24,715
Borrowings	22,100	3,027	5,510	17,079	21,218
Taxation	1,493	704	1,566	1,163	990
	<u>46,819</u>	<u>24,990</u>	<u>29,467</u>	<u>49,536</u>	<u>46,923</u>
Non-current liabilities					
Retirement benefits obligation	579	739	995	1,428	1,616
Deferred tax liabilities	2,009	2,425	2,346	4,350	2,702
	<u>2,588</u>	<u>3,164</u>	<u>3,341</u>	<u>5,778</u>	<u>4,318</u>
Total liabilities	49,407	28,154	32,808	55,314	51,241
Total Equity	120,914	131,598	135,150	123,489	114,511
Borrowings / Equity	18%	2%	4%	14%	19%
Debt to Equity	41%	21%	24%	45%	45%

The Group has no long term borrowings and remain prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years. During the year, the current year borrowings increased by RM 4.1 million to RM 21.2 million as compared to RM 17.1 million in 2015 was mainly due to drawdown of overdraft facilities of RM 5.4 million for working capital purposes, offset by repayment of RM 1.3 million of short term loan during the financial year. This has increased the current borrowings to equity ratio from 14% in FY 2015 to 19% in FY 2016. The debt to equity ratio remain at 45% compared to previous financial year.

100% of the Group's current borrowings were issued in accordance with Islamic principles.

The Group's investments in various countries and currencies exposes the Group to foreign currency risk. Borrowings in the functional currency of the foreign operations mitigates this risk by acting as a hedge against the Group's foreign investments. In addition, the borrowings in the functional currency also mitigates the impact of foreign currency translation of these borrowings on the Group's profit or loss.

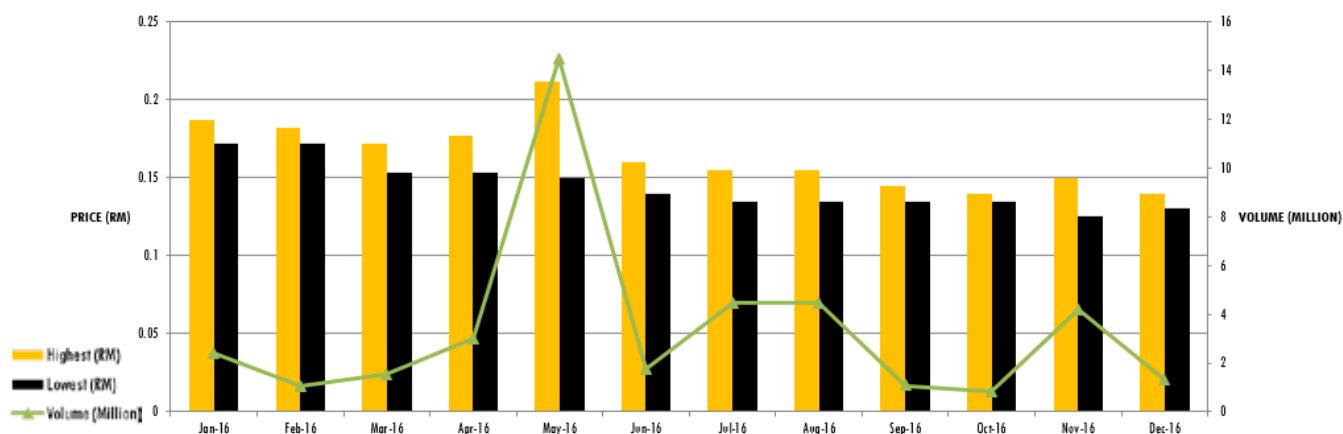
For FY 2016, trade and other payables decreased to RM 24.7 million as compared to RM 31.3 million in 2015. The decreased in payables was mainly due to settlement of payables for the Saudi Arabia operation.

The Group expects to spend approximately another RM 4.0 million capital expenditures for 2017 mainly to equip the new laboratory that the group has set up in Pekan Baru, Indonesia. The capital expenditure shall be funded through internal generated funds.

5-YEAR GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2012	2013	2014	2015	2016
Key Operating results (RM Thousand)					
Revenue	89,404	96,807	83,989	80,529	87,402
Profit from operations	20,417	33,386	22,455	13,125	7,264
Finance Costs	(1,476)	(460)	(95)	(265)	(977)
Profit before tax	18,941	32,926	22,359	12,860	6,287
Profit / (Loss) after tax	11,299	23,764	13,991	(1,006)	(2,173)
Profit / (Loss) attributable to owners of the Company	12,181	20,881	15,164	(2,283)	(7,407)
Other Key Data (RM Thousand)					
Total Assets	170,488	159,752	167,960	178,802	165,752
Total liabilities	49,574	28,154	32,809	55,313	51,242
Shareholders' Equity	103,176	110,253	111,067	96,041	88,241
FINANCIAL RATIOS					
Revenue Growth	2%	8%	-13%	-4%	9%
Operating margin	23%	34%	27%	16%	8%
Return on average shareholders' equity	11%	22%	13%	-1%	-2%
SHARE STATISTICS					
Basic earnings per share (sen)	1.10	2.40	1.30	(0.30)	(1.10)
Net dividend per share (sen)	0.57	1.10	0.61	0.61	0.61
Dividend yield (%)	4.25	7.05	3.07	3.25	4.36
Payout ratio (%)	53	49	44	>100	> 100
Price earnings ratio (times)	12	7	15	(62)	(13)
Share price as at 31st December (RM)	0.13	0.16	0.20	0.19	0.14
Net assets per share attributable to owners of the Company (RM)	0.16	0.17	0.17	0.15	0.13

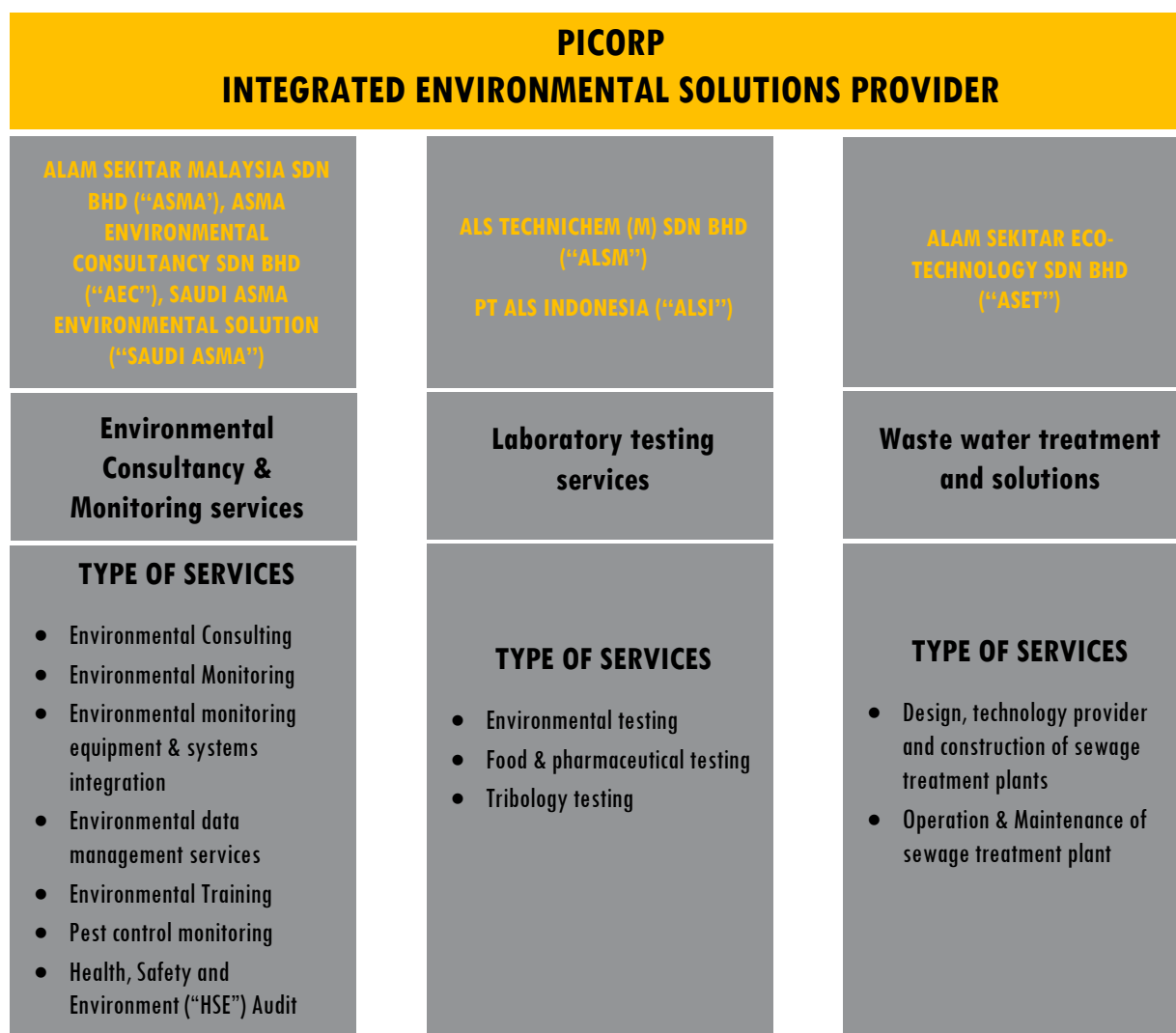
SHARE PRICE MOVEMENT



	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Highest (RM)	0.187	0.182	0.172	0.177	0.212	0.16	0.155	0.155	0.145	0.14	0.15	0.14
Lowest (RM)	0.172	0.172	0.153	0.153	0.15	0.14	0.135	0.135	0.135	0.135	0.125	0.13
Volume (Million)	2.4	1.069	1.543	3.015	14.47	1.737	4.472	4.472	1.08	0.82	4.205	1.314

REVIEW OF OPERATING ACTIVITIES

The business activities of the PICORP Group can be categorised into 3 main segments as follow:-

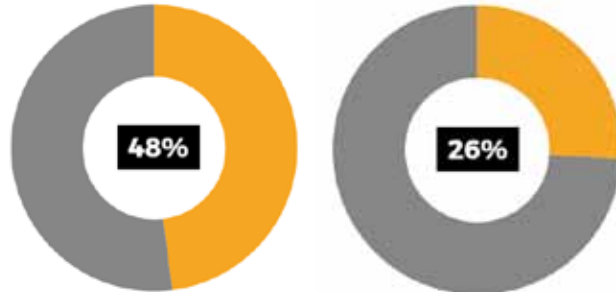


Business Segment: Environmental Consultancy & Monitoring Services

A major player in providing continuous environmental quality monitoring services via integrated network. Offers a comprehensive environmental quality monitoring services from air quality, river water quality, marine water quality, ground water quality, drinking water quality, noise to odour.

Has operation in Saudi Arabia focusing on pest control monitoring, health, safety and environment services and environmental monitoring services.

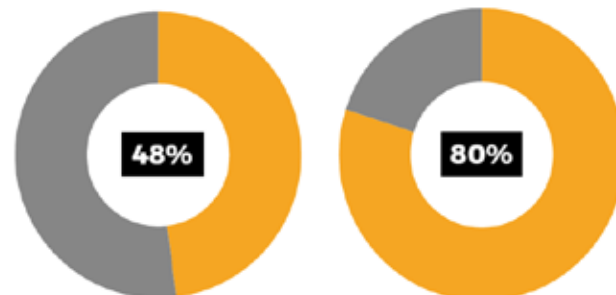
REVENUE CONTRIBUTION | PROFIT CONTRIBUTION
[FY 2016] [FY2016]



Business Segment: Laboratory Testing Services

A leading analytical laboratory with operations in Malaysia & Indonesia. Focuses on life sciences sector providing environmental testing, food & pharmaceuticals and tribology testing services. Part of Australian Lab Services Pty Limited, a diversified international analytical laboratory group.

REVENUE CONTRIBUTION | PROFIT CONTRIBUTION
[FY 2016] [FY2016]

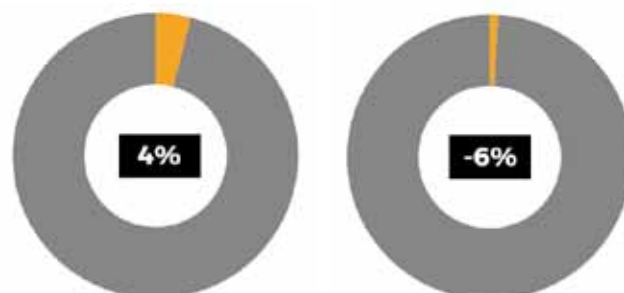


Business Segment: Wastewater Treatment and Solution

Established with a mission to be a key player in the wastewater treatment industry. Offers hybrid wastewater technology named Bi-Act SDO patented with Intellectual Property Corporation of Malaysia and certified by Suruhanjaya Perkhidmatan Air Negara ("SPAN").

The technology has been used in Malaysia since 2010 mainly for the sewage treatment plants and has widely been used in Thailand for the past 20 years both for the sewage treatment plants and industrial waste water treatment plants.

REVENUE CONTRIBUTION | PROFIT CONTRIBUTION
[FY 2016] [FY2016]



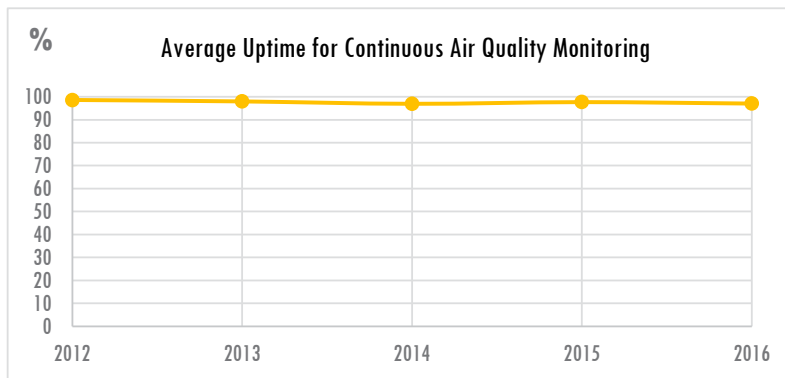
ENVIRONMENTAL CONSULTANCY AND MONITORING SERVICES

FINANCIAL YEAR ENDED 31 DECEMBER					
[RM THOUSAND]	2012	2013	2014	2015	2016
FINANCIAL RESULTS					
Revenue	51,154	54,415	41,270	37,039	42,364
Profit before tax	8,084	15,436	4,511	(15,458)	3,827
FINANCIAL RATIOS					
Revenue Growth	-3%	6%	-24%	-10%	14%
Profit before tax margin	16%	28%	11%	-42%	9%
Local : overseas revenues	64% : 36%	64% : 36%	76% : 24%	87% : 13%	82% : 18%

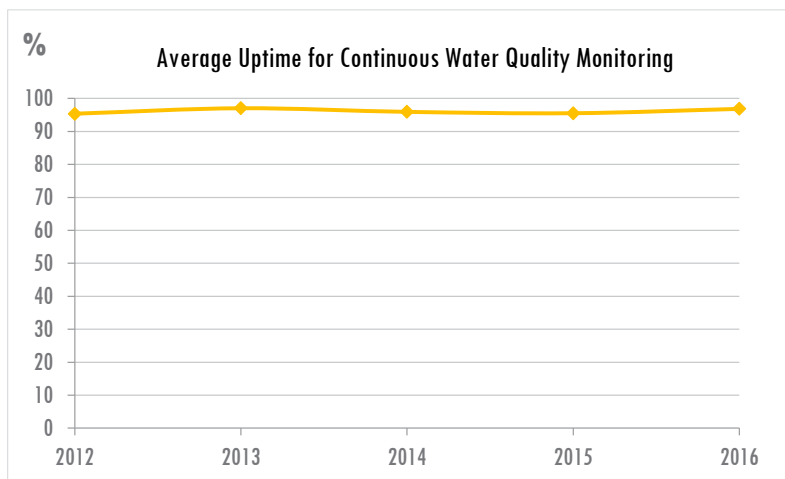
The revenues for the environmental consultancy and monitoring services segment were derived from the Malaysia and Saudi Arabia operations. For FY 2016, the Malaysia operation which is represented mainly by the revenues from ASMA, contributes 82% of the segment's total revenues whilst the Saudi Arabia operation contribute 18% of the segment's total revenues. The profit before tax for the Malaysia operation is RM 12.6 million offset by the losses recorded by the Saudi Arabia operation amounting to RM 8.8 million, giving a profit before tax of RM 3.8 million for the segment.

The main contributor to the revenues derived from this segment in Malaysia is from the provision of Environmental Monitoring and Data Management services to the Department of Environment ("DOE") by ASMA. With the expiry of the interim agreement on 13 April 2017 for the said services, ASMA faced great challenges to sustain its performance in forthcoming years, nevertheless, various initiatives have been embarked on in order to ensure the company is able to recover the loss of revenues.

To compensate for the loss of revenues from the DOE, ASMA is pursuing multiple mini concession contracts for the provision of air and water quality monitoring services as well as continue to aggressively marketing the environmental monitoring services to the industries. ASMA offers concession business model which would be able to ease the clients' capital expenditure requirements by converting it into operating lease alike business model.



ASMA has successfully maintained its uptime for the continuous air quality monitoring for DOE way above the world standard of 75% by achieving average uptime of above 95% throughout the major period of the 22-year concession contract with DOE.



Likewise, for the continuous water quality monitoring, ASMA has successfully maintained the average uptime above 95% throughout the major period of the 22-year concession contract with DOE.



ASMA's predictive emission monitoring system



ASMA's environmental monitoring officer performing stack sampling

Saudi Arabia Operation

The Saudi Arabia operation is run by Saudi ASMA who had begun to show improvements in 2016 after showing a declining trend in 2014 and 2015. Saudi ASMA has reduced its losses by 44% to RM 8.4 million in FY 2016 from loss of RM 15 million in 2015.

Presently, Saudi ASMA carries out a pest control monitoring works for the authorities under a 3- year contract that ends at the end of FY 2018. It also carries out health and safety audit for restaurants and kitchens in Makkah city.

Saudi ASMA's present focus is in the area of pest control, HSE audits and environmental consultancy & monitoring services. The company is poised to offer quality services at competitive pricing given the know-how and expertise that it has accumulated via the Group's experience in Malaysia.

With the full control that the Group has obtained on the Saudi Arabia operation, the management believe that it will be able to turn around the performance and report a better result for year 2017. Whilst opportunities in Saudi Arabia are attractive, the group need to continue taking pro-active actions to manage the country risk associated with this foreign investment. Through its Enterprise Risk Management program, the group monitors the respective risks associated with its investment in Saudi Arabia diligently and various action plans are put in place to mitigate the risks identified.



Saudi ASMA's personnel performing mosquitoes sampling and testing for pest control monitoring works on mosquitoes control in Jeddah, Saudi Arabia

OUTLOOK & FUTURE FOCUS

Malaysia

Opportunities for environmental monitoring services are present due to several infrastructure development across the nation especially in the Klang Valley as well as the investment in nation building projects that includes Pengerang Integrated Petroleum Complex.

Continued increase in awareness towards automated air and water quality monitoring from various government agencies and private sectors is expected to translate into demand for the segment's core competency in providing environmental quality monitoring via integrated network.

The Clean Air Regulation 2014 provides opportunities to the segment in relation to the mandatory requirement for emission monitoring of all the industrial and businesses where 'matter' is burnt or 'waste' is burnt that are capable of releasing air pollutants.

Saudi Arabia

The environmental industry in Saudi Arabia is similar to the environmental industry in Malaysia where it is intimately linked and driven by the relevant laws and regulations and in Saudi Arabia context, it is regulated by the Presidential of Meteorological and Environment and also its Royal Commissions. There is demand for environmental monitoring services in Saudi Arabia which is intensified by Saudi Arabia transformation program Vision 2030 to be a vibrant society, a thriving economy and an ambitious nation. Saudi Arabia Vision 2030 has laid out 16 strategic objectives for the Ministry of Environment, Water and Agriculture.

LABORATORY TESTING SERVICES

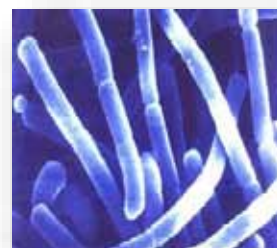
FINANCIAL YEAR ENDED 31 DECEMBER					
[RM THOUSAND]	2012	2013	2014	2015	2016
FINANCIAL RESULTS					
Revenue	34,625	35,536	39,830	42,766	42,610
Profit before tax	17,446	21,971	18,999	22,061	17,443
FINANCIAL RATIOS					
Revenue Growth	9%	3%	12%	7%	0%
Profit before tax margin	50%	62%	48%	52%	41%
Malaysia vs Indonesia revenues	69% : 31%	68% : 32%	68% : 32%	64% : 36%	62% : 38%

For 2016, the laboratory testing services segment maintained the same revenues as 2015 and continued to record healthy profitability through operational efficiency that this segment has successfully maintained throughout the years.

The contribution Indonesia operation to this segment has been on increasing trend for the past 5 years and it is forecasted that the Indonesia contribution will continue to grow given the vast opportunities that lies ahead from the country.

The laboratory testing services segments continuously offering value proposition to its clients. The recent diversification of its analysis covers the following areas amongst others:

- Testing for Lactic Acid Bacteria (LAB) that are associated to spoilage of food products particularly in reduced oxygen packaging in improving the product quality and shelf life that will lead to a reduction in food waste.
- Molecular testing for food safety testing
- Rapid Field Total Petroleum Hydrocarbons (TPH) measurements that measures TPH in soil within 30 seconds. This is instrumental in facilitating customers' decision making for site remediation for the oil and gas industry.



Other value proposition offered to the clients are:-

- Predictive maintenance schemes and data trending to help clients increase productivity
- Automation of Field and lab data
- Web-based client interface to improve tracking, quality, efficiency and business performance

Diversification of the analytical services also serves as mitigating factors in facing the risk of reduced business from the oil and gas sector.

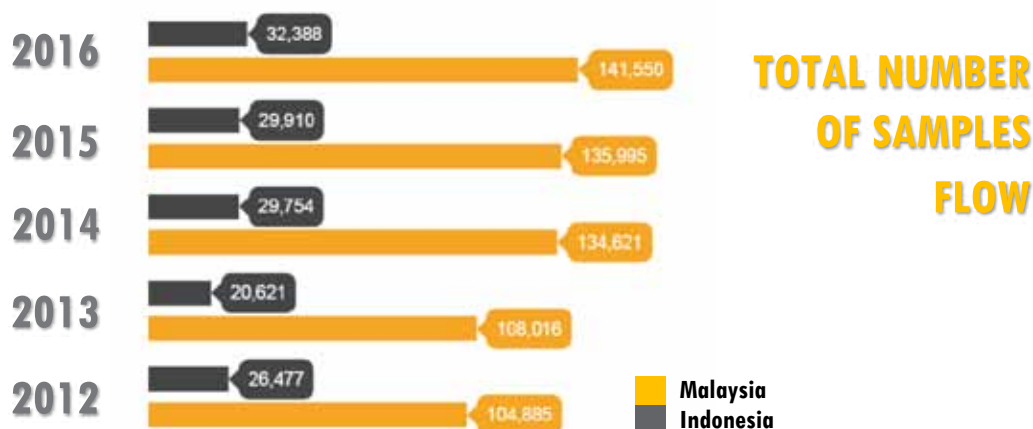
OUTLOOK & FUTURE FOCUS

The laboratory testing services segment expects a mixed performance from its businesses in the near future. The Malaysian operations are expected to grow marginally with the weak market sentiment and weak Ringgit. However, this would be mitigated by upcoming new testing analysis launch particularly testing related to food safety.



The Indonesia operations is expected to grow mainly contributed by the soil remediation opportunities from the oil and gas sector.

The laboratory testing services segment remains focused on enhancing operational efficiency. With organic growth initiatives, management of cost and working capital, improving after-sales operations as well as the execution of strategic projects in the pipeline, the segment is well positioned to continue delivering sustainable profits in the coming years.



WASTEWATER TREATMENT AND SOLUTION

FINANCIAL YEAR ENDED 31 DECEMBER					
[RM THOUSAND]	2012	2013	2014	2015	2016
FINANCIAL RESULTS					
Revenue	4,385	6,835	3,463	2,190	3,128
Profit before tax	(1,880)	191	(3,873)	(993)	(1,673)
FINANCIAL RATIOS					
Revenue Growth	-34%	56%	-49%	-37%	43%
Profit before tax margin	-43%	3%	-112%	-45%	-53%

The waste water treatment and solution segment is represented by ASET that markets and promotes the innovative technology named Bi-Act SDO used for sewage treatment plant.

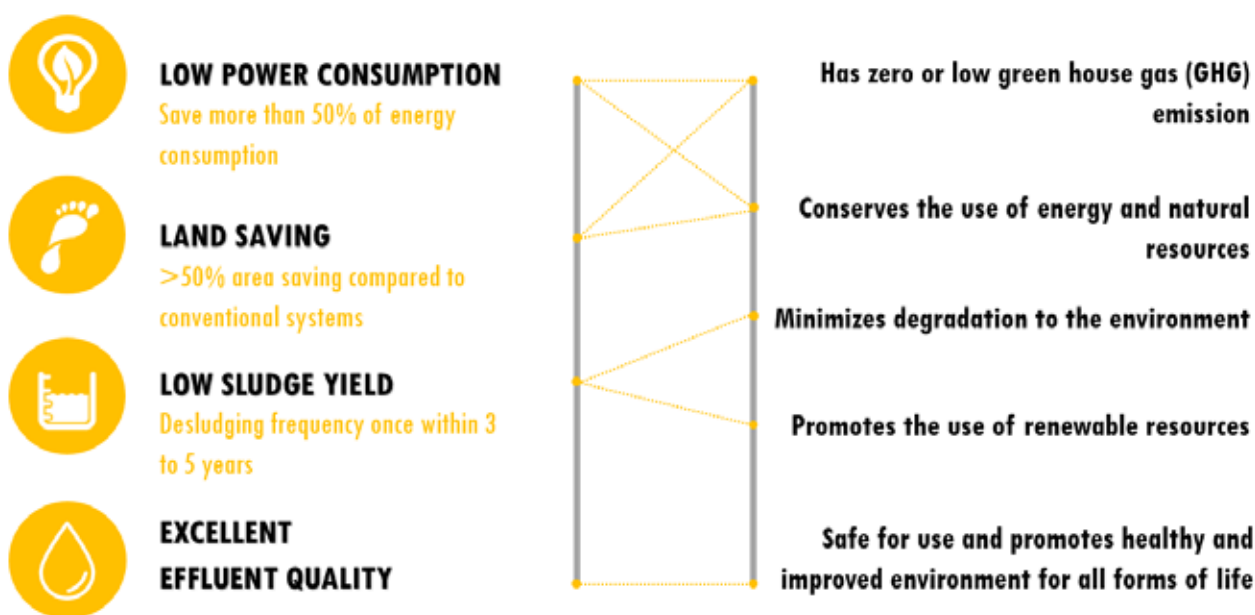
For 2016, ASET generated RM 3.1 million, a 43% growth from 2015. However, the company has yet to turn into black.

ASET has recently undergone an internal re-organisation with the view of positioning the business unit as a Research and Development outfit that focuses on expanding the application of its innovative technology and provision of technical advice to other business segment in the Group.

The rationale of this initiative is to streamline the business activities in accordance to the core competency of the respective teams so that business growth could be driven objectively. This is part of the cost management and operational efficiency initiative undertaken for better cost control.

Despite the economic challenges besetting the sewage treatment industry, ASET continues to thrive to become one of the preferred sewage treatment solution providers in Malaysia with its innovative, energy efficient, small footprint and simple sewage treatment process.

Bi-Act SDO Innovative Sewage Treatment Technology



OUTLOOK & FUTURE FOCUS

On the merits of the excellent value proposition offered by the technology, the Group has moved forward to reach out for potential use of the innovative technology in Saudi Arabia. Growth opportunities have been identified, the waste water treatment & solution segment will strive together with the environmental consultancy and monitoring services segment to seize the new available business opportunities in Saudi Arabia in the waste water treatment and solution market.

DIVIDEND

PICORP has a Dividend Policy to pay a total net dividend payout of not less than 40% of its net profit after tax and minority interest.

The Board of Directors has recommended a final single tier dividend of 0.61 sen per share for the financial year ended 31 December 2016, subject to the shareholders' approval at the forthcoming Annual General Meeting. The proposed final dividend shall be equivalent to RM4,006,357 net dividend.

AWARDS and RECOGNITION



CERTIFICATE OF APPRECIATION BY THE DEPARTMENT OF ENVIRONMENT ("DOE") MALAYSIA FOR THE 22 YEARS' CONCESSION IN ENVIRONMENTAL QUALITY MONITORING PROGRAMME



IKM LABORATORY EXCELLENCE GOLD AWARD BY INSTITUT KIMIA MALAYSIA



IKM LABORATORY EXCELLENCE AWARD BY INSTITUT KIMIA MALAYSIA



Leadership



BOARD of



DATUK ABDUL HAMID
BIN SAWAL



DATO' DR LUKMAN
BIN IBRAHIM

DIRECTORS



ZAID BIN
ABDULLAH



ZAIDAH BINTI MOHD
SALLEH



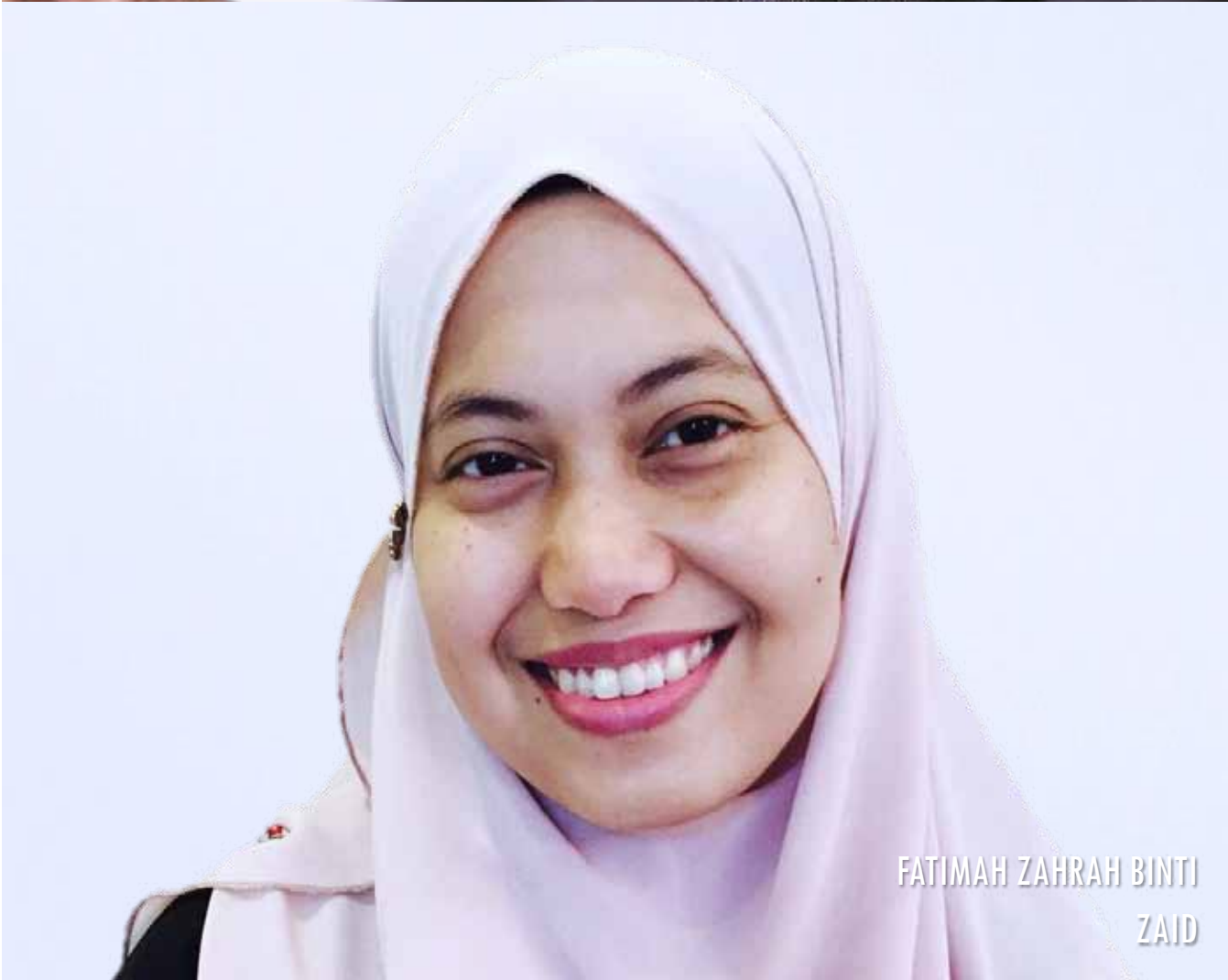
DATO' HAJJAH ROSNANI
BINTI IBRAHIM



LEE WENG CHONG



USAMAH BIN ZAID



FATIMAH ZAHRAH BINTI
ZAID

PROFILE of

DATUK ABDUL HAMID BIN SAWAL

Chairman, Senior Independent Non-Executive Director, Chairman of Nominating Committee, Member of Audit Committee, Member of Remuneration Committee

Age 68, Male, Malaysian

Datuk Abdul Hamid bin Sawal was appointed to the Board on 23 May 2011.

He graduated with Bachelor of Economics from the University of Malaya and MBA in Agribusiness from University of Santa Clara, California, USA. He joined the Malaysian Civil Service in 1971 and initially served in the Ministry of Finance Division (Treasury) and later was transferred to the Accountant General's Department. In 1974, he joined the Ministry of Primary Industries and in 1989, he was transferred to the Economic Planning Unit in the Prime Minister's Department as Head of Privatisation Task Force. In 1997, he was appointed as Deputy Director General (Sectoral) in the Economic Planning Unit. In June 1999, he was transferred back to the Ministry of Primary Industries as Deputy Secretary General and was seconded to the Malaysian Rubber Board as the Director General in January 2000 and served until his retirement from the public service in January 2006.

Datuk Abdul Hamid bin Sawal was re-designated as Independent Non-Executive Chairman of PICORP on 19 November 2012. He has no family relationship with any Director and / or substantial shareholder of the Company. He is not a director of any other public company or listed issuers. He does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' DR. LUKMAN BIN IBRAHIM

Independent Non-Executive Director, Chairman of Audit Committee, Chairman of Remuneration Committee, Member of Board Risk Management Committee, Member of Nominating Committee

Age 51, Male, Malaysian

Dato' Dr. Lukman bin Ibrahim was appointed to the Board on 9 January 2015.

He is a Member of Association of Chartered Certified Accountants (ACCA) United Kingdom, Malaysian Institute of Certified Public Accountant (CPA) and Malaysian Institute of Accountants (MIA). Dato' Dr. Lukman obtained his PhD in Accountancy from MARA University of Technology in 2014. He graduated from the Temple University, Philadelphia, USA with a Master of Business Administration Degree in 1990. Prior to obtaining his MBA, Dato' Dr. Lukman graduated Magna Cum Laude and acquired his Bachelor of Business Administration (BBA) Degree majoring in Accounting and Finance from the same institution. He graduated from Association of Certified Chartered Accountants ACCA, United Kingdom in 2001.

Dato' Dr. Lukman started his career with Sun Refining and Marketing, Philadelphia, U.S.A. in 1989 prior to joining Automotive Corporation (Malaysia) Sdn. Bhd. in 1990. He joined Proton Berhad in 1991 and built his career in automotive industry with Proton for 17 years. During his tenure with Proton, he was seconded to Proton Part Centre Sdn Bhd in 1993 for two years. He was then seconded to PHN Industry Sdn Bhd with his last position was as the Managing Director. In 2008, he joined DRB-HICOM Berhad as Group Chief Financial Officer. He was later promoted to Group Chief Operating Officer in 2011. In 2012, Dato' Dr. Lukman was entrusted the position of Deputy Chief Executive Officer of Proton Holdings Berhad, a position which he held until 2014.

Dato' Dr. Lukman bin Ibrahim has no family relationship with any Director and / or substantial shareholder of the Company. He is not a director of any other public company or listed issuers. He does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DIRECTORS

ZAID BIN ABDULLAH

Executive Deputy Chairman

Age 65, Male, Malaysian

Zaid bin Abdullah was appointed to the Board on 1 November 1990.

He is the founder of PICORP Group and holds directorships in all the subsidiary companies of the Company. He graduated with a Bachelor of Economics (Accounting) and Advance Diploma in Accounting from the University of Malaya and is a Chartered Accountant by profession. Prior to the setting up of PICORP Group in 1992, he held the position of Director of Finance in Shapadu Corporation from 1978 to 1982 and was then promoted to Group Executive Director of Shapadu Group of Companies, a position he upheld until he left in 1992 to develop PICORP Group. He set up Alam Sekitar Malaysia Sdn Bhd (ASMA) in 1993 and was the initial Managing Director for ASMA. He was directly involved in managing all the works related to setting up of ASMA that include but not limited to the finalizing of the Concession Agreement with the Government, setting up of the Continuous Air Quality Monitoring (CAQM) and Continuous Water Quality Monitoring stations as well as the Environmental Data Centre. He was also involved in the formulation of the training program for the CAQM specialists / technicians with the Alberta Institute of Technology, Calgary, Canada. The acquisition of a majority stake in ALS Technichem (M) Sdn Bhd through the joint venture agreement with Australian Laboratory Services Pty Ltd was also initiated by him and he has successfully turned around the company. With his vast experience in the corporate business world, he has contributed much to the success and growth of PICORP Group.

Zaid bin Abdullah was re-designated as Executive Deputy Chairman of PICORP on 19 November 2012. He is the spouse of Zaidah binti Mohd Salleh, father of Usamah bin Zaid and Fatimah Zahrah binti Zaid and a major shareholder of PICORP. He is not a director of any other public company or listed issuers. He does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

ZAIDAH BINTI MOHD SALLEH

Non-Independent Non-Executive Director, Member of Audit Committee

Age 62, Female, Malaysian

Zaidah binti Mohd Salleh was appointed to the Board on 1 November 1990.

She is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA). She graduated from the University of Malaya with Bachelor of Economics (Accounting) in 1977 and Advance Diploma in Accounting in 1978. She started her career in 1978 as an Accountant in Jabatan Telekom and was promoted to Financial Controller (“G”) in 1981. In 1984, she was entrusted to head the Regional Accounts Division as the Regional Accountant of Telekom Malaysia. In 1989, she was promoted to the position of a Senior Accountant (Operations), a position she upheld until she left in 1993 to join PICORP. She was initially the Group Financial Controller who oversees all financial related matters in the Group. She has been directly involved in obtaining the financial assistance from the relevant financial institutions, PUNB and PNS to facilitate the setting up of the Group and was promoted to the Group Executive Director position in year 2003.

Zaidah binti Mohd Salleh was re-designated as Non-Independent Non-Executive Director of PICORP on 30 January 2009. She is the spouse of Zaid bin Abdullah, mother of Usamah bin Zaid and Fatimah Zahrah binti Zaid and a major shareholder of PICORP. She is not a director of any other public company or listed issuers. She does not have any conflict of interest with the Company and has no convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' HAJJAH ROSNANI BINTI IBARAHIM

Independent Non-Executive Director, Member of Nominating Committee, Member of Remuneration Committee, Chairman of Risk Management Committee

Age 63, Female, Malaysian

Dato' Hajjah Rosnani binti Ibarahim was appointed to the Board on 14 May 2012.

She graduated from the University of Leeds, United Kingdom with a Bachelor of Science Degree in Chemical Engineering. She held the post of the Director-General of the Department of Environment Malaysia from year 1998 to 2011 and fully retired on 21 October 2011. She joined the Department of Environment in 1977 immediately after graduation and worked in different sections of the Department in gaining experience in various environmental management programmes. She was one of the pioneers to set up the country's programmes on managing toxic and hazardous wastes. She was extensively involved in the development of Malaysia's policy, strategy and programmes on pollution control and monitoring/surveillance programmes including for air, noise, water and marine pollution. She has on many occasions represented Malaysia in the regional/international forum/meetings pertaining to environmental management issues. She was awarded the AECEN Award for Excellence for Environmental Governance in Malaysia in year 2011 by an international NGO known as the Asia Environmental Compliance and Enforcement Network.

Dato' Hajjah Rosnani binti Ibarahim has no family relationship with any Director and / or substantial shareholder of the Company. She is not a director of any other public company or listed issuers. She does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

LEE WENG CHONG

Independent Non-Executive Director

Age 60, Male, Singaporean

Lee Weng Chong was first appointed to the Board on 19 July 2004. He resigned on 31 December 2015 and was re-appointed to the Board on 2 September 2016.

He graduated from the University of Aston, United Kingdom with a Bachelor of Science Degree in Chemical Engineering and obtained his professional qualification as a Chartered Chemical Engineer from the Institute of Chemical Engineers, United Kingdom. He started his career with Alfa Laval in United Kingdom, a global process equipment supplier and subsequently continued to serve the company in Singapore. He then joined Invensys Software Systems (S) Pte Ltd and was operationally responsible for a number of businesses from Industrial Automation to Process Equipment to ERP Systems, covering the Asia Pacific region. He is currently the President for Asia Pacific region at Trelleborg Sealing Solutions based in Singapore, a company that provides speciality polymer seals and sealing solutions.

Lee Weng Chong has no family relationship with any Director and / or substantial shareholder of the Company. He is not a director of any other public company or listed issuers. He does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE of

USAMAH BIN ZAID

Executive Director

Age 33, Male, Malaysian

Usamah bin Zaid was appointed to the Board on 9 October 2014.

Usamah obtained his Master in Business Administration from the Management & Science University (MSU) in 2015. He also graduated in General Islamic Studies from Darul Uloom Zakariya Islamic University, South Africa in 2010. He joined Progressive Impact Corporation Berhad in July 2010 and served as Syariah Advisor to the Group. He was then seconded to a subsidiary company, i.e. PJBumi Berhad (subsequently divested in 2011) as Business Development Executive and was later transferred to Alam Sekitar Eco-Technology Sdn Bhd. He actively involves in business development of Alam Sekitar Eco-Technology Sdn Bhd and contributed to several successful project awards of the company.

Usamah is the son of Zaid bin Abdullah and Zaidah binti Mohd Salleh and brother of Fatimah Zahrah binti Zaid. He is not a director of any other public company or listed issuers. He does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

FATIMAH ZAHRAH BINTI ZAID

Alternate Director to Zaidah binti Mohd Salleh

Age 32, Female, Malaysian

Fatimah Zahrah binti Zaid was appointed as Alternate Director to Zaidah binti Mohd Salleh on 9 April 2015.

She holds a Bachelor Degree in Engineering (Chemical) from the University of Malaya. She started her career with Foxboro (Malaysia) Sdn Bhd, an oil and gas company, in 2007 as a Project Engineer and was promoted to Proposal Engineer in 2010. In 2013, she left Foxboro (Malaysia) Sdn Bhd to pursue her Master in Business Administration. She is now actively involved in business activities of the Zaiyadal Group of Companies.

Fatimah Zahrah is the daughter of Zaid bin Abdullah and Zaidah binti Mohd Salleh and sister of Usamah bin Zaid. She is not a director of any other public company or listed issuers. She does not have any conflict of interest with the Company and has no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DIRECTORS



Key

Management

PROFILE

of

GROUP CEO

Johar bin Yusof was appointed as Group Chief Executive Officer of the Company on 14 January 2011. He graduated with a Bachelor in Electrical Engineering from University of Miami, Florida, USA and Master in Business Administration (Finance) from International Islamic University of Malaysia.

He started his career with Texas Instruments (M) Sdn Bhd as Project Engineer and Training Coordinator. He joined Invensys Software System (S) Pte. Ltd. in 1999 as the Sales Account Manager for Chemical, Oil & Gas Industry. He has vast experience in oil & gas industry especially in project management and business development.

He then joined Foxboro (Malaysia) Sdn Bhd in 2003 as the General Manager before he was promoted as the Managing Director of Progressive Impact Technology Sdn Bhd in 2006. He was also the Group Managing Director of PJBumi Berhad from 2008 till 2011.

Johar has direct shareholding of 1,523,000 (0.231%) ordinary shares in the Company. He has no family relationship with any Director and/or major shareholder of the Company. He does not hold any directorships in public companies and listed issuers.

He does not have conflict of interest with the Company and no conviction for offences within the past 5 years.



JOHAR YUSOF

Group Chief Executive Officer

Age 52, Male, Malaysian

PROGRESSIVE IMPACT CORPORATION BERHAD

PROFILE of KEY MANAGEMENT

PROFILE OF CHIEF FINANCIAL OFFICER OF PROGRESSIVE IMPACT CORPORATION BERHAD

Nadzrah Hashim was appointed as Chief Financial Officer of Progressive Impact Corporation Berhad (“PICORP”) on 1 October 2011. She graduated with a Bachelor (Honours) in Accounting and Financial from South Bank University, London.

She gained experience in accounting field from various companies prior to joining Progressive Impact Corporation Berhad in 1998 as an Accountant. After receiving numerous promotions, in 2011, she was entrusted with the position of Chief Financial Officer, responsible for planning, implementing, managing and controlling all financial-related activities of the Group. This includes direct responsibility for accounting, managerial finance, forecasting and strategic planning, developing financial and tax strategies, risk planning activities, ongoing monitoring of control systems and strategic negotiations.

She was directly involved in the listing exercise of PICORP in Bursa Malaysia in 2004. She also gained various international experience in Indonesia and Saudi Arabia and was involved in several merger and acquisition exercises undertaken by the Group.

She has direct shareholding of 481,200 ordinary shares in the Company. She has no family relationship with any Director and/or major shareholder of the Company. She does not hold any directorships in public companies and listed issuers. She does not have conflict of interest with the Company and no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



NADZRAH HASHIM

Chief Financial Officer
Age 48, Female, Malaysian
PROGRESSIVE IMPACT CORPORATION BERHAD

PROFILE OF CHIEF OPERATING OFFICER OF ALAM SEKITAR MALAYSIA SDN BHD

Shamuddin Sulaiman was appointed as Chief Operating Officer of Alam Sekitar Malaysia Sdn Bhd (“ASMA”) on 13 April 2012. He graduated with a Bachelor of Science in Civil Engineering from University of Wisconsin, Milwaukee, USA.

Shamuddin is a civil engineer by training and has more than 20 years of technical and administrative experience in construction site management and project management. Prior to joining ASMA, he was a Senior Project Manager of CH2M HILL Malaysia Sdn Bhd, steering the Water Business Group for over nine years. He was involved in the management of numerous types of projects in the areas of civil works, water, wastewater, and environmental in various countries such as Singapore, Thailand, New Zealand and USA.

He joined ASMA on 1 October 2006 as a General Manager – Operations & Engineering and was later promoted to his existing position as Chief Operating Officer in 2012.

He has no family relationship with any Director and/or major shareholder of the Company. He does not hold any directorships in public companies and listed issuers. He does not have conflict of interest with the Company and no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



SHAMUDDIN SULAIMAN

Chief Operating Officer
Age 52, Male, Malaysian
ALAM SEKITAR MALAYSIA SDN BHD

GENERAL MANAGER OF ALS TECHNICHEM MALAYSIA SDN BHD

Dr Chin Teen Teen was appointed as the General Manager of ALS Technichem Malaysia Sdn Bhd (“ALS”) on 1 November 1998 within a short period after joining ALS on 5 March 1997.

In 1993, she obtained her Ph.D in Analytical and Inorganic Chemistry from University of Vermont, USA. She graduated from University of British Columbia, Canada with Master of Science (Chemistry) in 1989. Prior to obtaining her M.Sc, she acquired her Bachelor of Science (First Class Honours) from University of New Brunswick, Canada in 1986.

Dr Chin has more than 30 years’ experience in the area of laboratory management and chemical research. With her vast experience, she has been contributing significantly to the overall performance and growth of the Company which includes expanding the Company’s business operation where todate, ALS is operating in five cities throughout Malaysia and Indonesia.

She has direct shareholding of 525,000 ordinary shares in the Company. She has no family relationship with any Director and/or major shareholder of the Company. She does not hold any directorships in public companies and listed issuers. She does not have conflict of interest with the Company and no conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



DR. CHIN TEEN TEEN

General Manager
Age 53, Female, Malaysian
ALS TECHNICHEM MALAYSIA SDN BHD





PICORP

“Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do.”

-- Steve Jobs

at WORK





**ALAM SEKITAR MALAYSIA
SDN BHD**

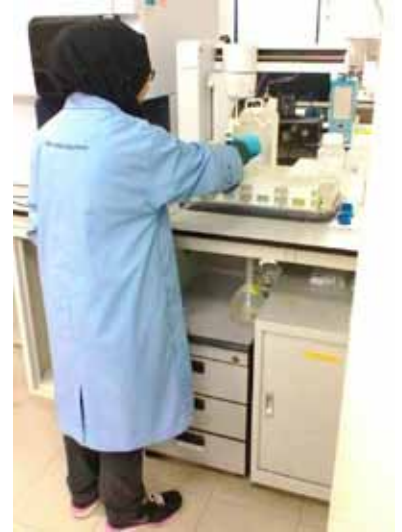


ASMA

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."
-- Charles Darwin

at WORK





ALS

"Leadership is lifting a person's vision to high sights, the raising of a person's performance to a higher standard, the building of a personality beyond its normal limitations."
-- Peter Drucker

at WORK



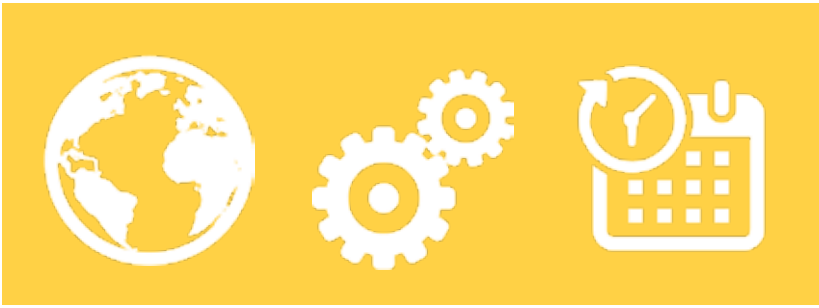


ASET

"I'm as proud of many of the things we haven't done as the things we have done. Innovation is saying no to a thousand things."
-- Steve Jobs

at WORK





SAUDI ASMA
ENVIRONMENTAL SOLUTIONS LLC



SAUDI ASMA

“Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall.”
-- Peter Drucker

at WORK





Corporate
Social
Responsibilities

CORPORATE Social RESPONSIBILITIES



28

June

2016

"He who gives iftar to another fasting person shall earn a reward equivalent to a fasting man without detracting from the reward of latter" (Nisai and Tirmidhi)

- Prophet Muhammad SAW

It is that time of the year once again! It is the advent of a month that is filled with innumerable blessings, the thirty days which require a Muslim to observe one of the five pillars of Islam, fasting. Ramadan is the month of reflection, commitment and communal worship hence, PICORP aspires to give more to the the community. In the holy month of Ramadan, PICORP organized a CSR programme to provide free food for Iftar to university students in Shah Alam, Selangor. The volunteer teams from PICORP Group thoughtfully anticipated the students within the campus vicinity, near the bus stop area as well as near the exam hall outside the campus area. We targeted students as we believe that they need the nutritious meal the most to break their fast with. We hope our small gesture would warm their hearts and make a little difference in their life.



They ask you, [O Muhammad], what they should spend. Say, "Whatever you spend of good is [to be] for parents and relatives and orphans and the needy and the traveller. And whatever you do of good - indeed, Allah is Knowing of it". (2:215)





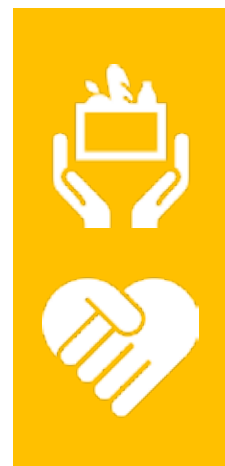
3
December
2016

"What actions are most excellent? To gladden the heart of human beings, to feed the hungry, to help the afflicted, to lighten the sorrow of the sorrowful, and to remove the sufferings of the injured." (Bukhari)

- Prophet Muhammad SAW

Sentuhan Budi

Kuala Lumpur is a lively city. Despite being the capital city of Malaysia with rapid modernization, some lowest social group in the city suddenly seeing their life being thrown away- some people curl up under bridges, sleep on sidewalks /dark corners. It is sad to see how the reality hits these homeless people who clearly cannot afford any roof above their head. PICORP Group of Companies collaborated with National Welfare Foundation (YKN) Kuala Lumpur, an organization that aimed at helping the nation's homeless persons improve their preparedness to return to a better life, to hold a CSR programme in supporting the homeless at Anjung Singgah, KL. The programme included handing out bags of clothes, food and beverages, toiletries to homeless persons within Kuala Lumpur as well as providing free haircuts to revive their spirits and encourage them to be strong again.



And give the relative his right, and the poor and the traveler, and do not squander recklessly. Surely, the squanderers are brothers of the Satan, and ever has Satan been to his Lord ungrateful. (17:26-27)



We can't help everyone, but everyone can help someone. - Ronald Reagan

SENTUHAN BUDI
03 / 12 / 2016
ANJUNG SINGGAH YKN, KL

Sumbangkan 99 diperolehi:

- Biskut / Biskut (Saiz: 5, 14, 1)
- Sabun / Sabun (Saiz: 24 - 35)
- Makanan / Makanan (Makanan 3 in 1, Air Kotak & dll)
- Bekas / Bekas (Bekas 3 in 1, Sabun & dll)
- Miscellaneous: Biskut, Sabun, Ubat-ubatan

Program CSR anjuran: PICORP YKN



Calendar of Events

CALENDAR of EVENTS

JOURNEY INTO 2016

March

3 March 2016

TELEDYNE API 2016 ASIA SALES MEETING

Alam Sekitar Malaysia Sdn Bhd ("ASMA") had a fruitful knowledge sharing session with all the exclusive distributors in Asia Pacific region during the "Teledyne API 2016 Asia Sales Meeting" held in Bali, Indonesia. ASMA is an exclusive distributor in Malaysia for Teledyne Technologies in Ambient Air Monitoring Services and Continuous Emission Monitoring System ("CEMS") since 1995 and the pioneer in environmental monitoring with a mission to be the "Total Environmental Solutions Provider".



5 March 2016

INTER-COMPANY BADMINTON TOURNAMENT

Progressive Impact Corporation Berhad ("PICORP") organized an Inter- Company Badminton Tournament held at Setia Badminton Academy in Setia Alam, Selangor. The main objective of the tournament was to create a platform for social interaction and to strengthen the working relationship amongst PICORP Group of Companies' employees while at the same time to promote a healthy lifestyle. Heartiest congratulations to all winners and a big thank you to all who participated in making this event a successful one!



12 March 2016

PERTANDINGAN FOTOGRAFI TASIK & WETLAND PUTRAJAYA

ASMA, together with Putrajaya Corporation (“PJC”) worked hand in hand in organizing “Pertandingan Fotografi Tasik & Wetland Putrajaya” held at Wetland Putrajaya. This event aimed to instil public awareness in appreciating flora and fauna whilst translating the valuation value in an individual to play their role in taking care of the environment.



22 March 2016

KEM PEMIMPIN MUDA PRIHATIN AIR KEBANGSAAN UNESCO-IHP 2016

In conjunction with World Water Day 2016, ASMA co-organized in “Kem Pemimpin Muda Prihatin Air Kebangsaan UNESCO-IHP 2016” by Putrajaya Corporation (“PJC”) held in Kompleks Perbadanan Putrajaya. The programme endeavoured to expose the young leaders on how to efficiently manage the Malaysia water resources and the challenges that they will face in future.



30 March 2016

PICORP Way Challenge 2016

With the concept of American Idol during the initial selection process coupled with an open presentation session for the semi-final round, PICORP Way Challenge 2016 was indeed a distinctive one as compared to the previous years. The final round, held at Auditorium Perpustakaan Awam Selangor (PPAS), presented a highly competitive aura among the final contestants along with the introduction of a new category: Company Corporate Video which received mass participation among the staff.



6-8 April 2016

Asia Water 2016

Asia Water 2016 is the largest water and wastewater industry event in Asia Pacific region. It is also a platform to market Alam Sekitar Eco- Technology Sdn Bhd's ("ASET") hybrid waste water technology, Bi-Act SDO and other water related services by ASMA.



6-9 April 2016

Liquid Robotics Asia Pacific Conference

Liquid Robotics Asia Pacific Conference was held in Koh Samui, Thailand to gather all Liquid Robotics partners in Asia Pacific region in understanding the challenges faced by the partners and how to accommodate to the changes in the business industry. It was a great knowledge transfer and sharing session for ASMA to remain steadfast in the industry.



15 April 2016

International Conference and Exhibition on Geospatial & Remote Sensing 2016

ASMA took part in this conference by presenting a paper on Real-time Web GIS to monitor marine water quality using Wave Glider to the private and government sector.



28 April 2016

Occupational Safety and Health Day 2016 ("OSH Day")

This annual event has received quite a participation from the employees and visitors based on the programmes carried out in lieu to the event such as health screening and blood donation. Held at Mercu Picorp, OSH Day is an awareness-raising campaign to promote and create a safety and healthy culture at work.



May

23 May 2016

World Oceans Week (WoW) 2016: Official Launch

Home to a great diversity of marine life, the world's oceans have a profound impact on each and every one of us. In conjunction with 'World Oceans Day' celebrated on 8th June annually, Universiti Malaysia Terengganu ("UMT") organised a week full of interesting activities from 12 May to 8 June 2016. The official launch for WoW was officiated by our Prime Minister, Dato' Seri Mohd Najib Tun Abdul Razak at Dewan Sultan Mizan, UMT. It was a great honour to introduce our marine technology, Wave Glider to the Prime Minister during the event.



21 May 2016

Kejohanan Bowling Piala Agong 2016

Saudi ASMA Environmental Solution LLC ("Saudi ASMA") participated in the bowling tournament organised by the Consulate General of Malaysia, Jeddah and Malaysia-Jeddah Bowlers Group which was held at Jeddah Lanes Bowling Centre. This annual event was held to gather and unite the Malaysian working in Jeddah through games.



July

4 July 2016

Iftar with Saudi ASMA

Ramadan is the holy month of blessings and giving. It is a time of togetherness as the Muslim community all around the world gather to celebrate this blessed month. Saudi ASMA Environmental Solutions LLC ("Saudi ASMA") took this opportunity to host an Iftar programme and honour the universal values of love, giving and unity. In doing so, we just might remind ourselves that we all have so much more in common than we think.



29 July 2016

PICORP Hari Raya Open House & New Company Logo Launch

Hari Raya Aidilfitri is a special day for Muslims in celebrating the joy after a month of fasting in Ramadhan. PICORP celebrated the spirit of sharing, caring and forgiving in Hari Raya Open House celebration held at Mercu PICORP. In conjunction to this festive celebration, PICORP also hosted a rebranding session with the official launch of three (3) company logo for PICORP, ASMA and Saudi ASMA.



31 July 2016

Saudi ASMA Hari Raya Open House

Meanwhile in Jeddah, Saudi ASMA also celebrated Aidilfitri with family members, colleagues, business partners and Muslim community in Jeddah during the Hari Raya Open House celebration.



August

14 August 2016

Batang Ai Mountain Bike Jamboree 2016

Sarawak Energy Berhad (“SEB”) organised its first state-level mountain bike jamboree in the vicinity of its Batang Ai Hydroelectric Dam at Sri Aman, Sarawak. Themed ‘Riding into the Green’, the event was held in conjunction with the 30th anniversary of the Batang Ai Hydroelectric Plant and also as SEB’s effort to introduce more activities at the hydro dam area. PICORP was invited to take part in Men’s Open category represented by PICORP mountain biking enthusiasts to test their skills and endurance amidst the greenery of the Batang Ai landscape.



25 August 2016

Visit by Ministry of Natural Resources and Environment (“NRE”) and Department of Environment (“DOE”)

ASMA’s Environmental Data Center (EDC) has always been the pioneer in environmental data management. We were honoured to have a group of visitors from the NRE and DOE to our EDC while having a proactive discussion and sharing session about our product, services and the environment issue.



27 August 2016

PICORP 2016 Big Walk

Employee health affects more than home life; it also affects work productivity. Hence, Finance Department from PICORP Group of Companies was selected to organize a get-together session with colleagues and family members via “PICORP 2016 Big Walk” held at Taman Botani Shah Alam to promote a healthy lifestyle with the loved ones.



October

4 October 2016

River Water Quality & Ambient Air Quality Modeling Malaysia 2016

Held at Star City Hotel Alor Star Kedah, ASMA efficaciously conducted a 5- day seminar on 'River Water Quality & Ambient Air Quality Modeling Malaysia 2016" for the Department of Environment (“DOE”) staff to facilitate them in serving the environment and mankind in a more effective way. It was a very productive session for it gained immense interest on the subject which has definitely increased their knowledge and understanding on modelling.



22 October 2016

Hari Alam Sekitar Negara (HASN) Peringkat Kebangsaan 2016

Hari Alam Sekitar Negara (HASN) is a rebranding programme by the Ministry of Natural Resources and Environment (“NRE”) based on ‘Sambutan Hari Alam Sekitar Malaysia’ and ‘Minggu Alam Sekitar Malaysia’ being celebrated in the past years. With the theme “Alam Sekitar Tanggungjawab Bersama”, it was celebrated simultaneously in several states with the grand opening held at Kuching Waterfront Sarawak. ASMA participated in Hari Alam Sekitar Negara Peringkat Negeri Johor, Melaka and Sarawak.



November

9 - 10 November 2016

The New Dimension Of EIA in Malaysia 2016

ASMA was invited to take part in an exhibition in conjunction with the “Seminar on The New Dimension of EIA in Malaysia 2016” held at Hotel Marriott Putrajaya. The seminar addressed the DOE’s new approach of mainstreaming environmental agenda and demonstrated the latest EIA Guideline In Malaysia. ASMA took this opportunity to showcase their range of products and services, which generated a great interest from the industries and foreign investor.



21 - 22 November 2016

Hands-On Course on The Procedure And Execution of Isokinetic Sampling in Industries

ASMA thrived further ahead in organising a “Hands- On Course on the Procedure and Execution of Isokinetic Sampling in Industries” under Environment Institute of Malaysia (“EiMAS”) which was conducted by ASMA internal expert. This training was mostly attended by DOE officer to give them a great technical exposure and knowledge on the right isokinetic sampling techniques.



November 2016

ALS Seminar

ALS Technichem (M) Sdn Bhd (“ALS”) has been conducting regular seminar successively since 2016 which then intensifies to monthly session, covering topics ranging from Food to Environmental testing services. Following on ALS business plan to promote and expand molecular testing services, their very first Genetically Modified Organism (GMO) in Food Safety Testing seminar in November 2016 which received good feedback from customer. Besides molecular testing seminar, ALS also conducted various food safety seminars (3-MCPDseminar), environmental testing (Legionella pneumophila testing with culture and molecular technique).



December

20 - 22 December 2016

2017 PICORP Group Brainstorming and Business Plan

Brainstorming is the key component of successful idea generation in business whilst a business plan is an essential roadmap for the success of an organisation. Held at Colmar Tropicale, Bukit Tinggi, a group of key people from PICORP Group of Companies was brought together to contribute and present significant ideas to be translated into a lucrative 2017 Business Plan.



Accountability

STATEMENT ON CORPORATE GOVERNANCE

Progressive Impact Corporation Berhad (“the Company”) and its Board of Directors (“the Board”) remain steadfast in its commitment in maintaining highest standards of corporate governance. The Board firmly believes that the integrity and commitment of its Board and employees, supported by a comprehensive framework of policies, guidelines and internal controls, will serve to strengthen the Company’s sustainability, organizational effectiveness and drive a high-performance culture within the organization.

This report has been prepared in accordance to the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“the Code”). In order to ensure that the best interests of shareholders and other stakeholders are effectively served, the Board continues to play an active role in improving governance practices and monitors the development in corporate governance including the Code.

The Board is pleased to report to the shareholders on the Group’s application of the principles in the Code and the extent to which the Group has complied with the recommendations set out in the Code during the financial year ended 31 December 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board’s principal role is to review and oversee the overall strategic direction, development and control of the Group in an effective and responsible manner. A Board Charter which clearly sets out these functions was adopted on 21 April 2014 and would be reviewed periodically. The role of Management is to run the general business operations and activities and manage the Group’s financial matters in accordance with established delegated authority from the Board.

The following Board Committees have been set up to handle certain functions delegated by the Board in order to facilitate decision making:-

- Audit Committee (“AC”);
- Board Risk Management Committee (“BRMC”);
- Nominating Committee (“NC”);
- Remuneration Committee (“RC”).

Although specific powers had been delegated to the Board Committees, the Board keeps itself abreast with the relevant key issues and decisions via presentation of Board Committees’ reports and minutes of meetings.

The Board Charter and the Terms of Reference (“TOR”) for the respective Board Committees are available at the Company’s website, www.picorp.com.my.

1.2 Clear Roles and Responsibilities

The Board assumes the following responsibilities, in discharging its duty of stewardship of the Company:-

- a. Review and adopt a strategic plan for the Company

The BOD plays a critical role in establishing corporate objective and developing a strategic plan for the Company.

In 2016, the Company continued to market the new technologies such as the Predictive Emission Monitoring Systems (“PEMS”), Bi-Act Super Dissolve Oxygen (“SDO”) and the ocean data monitoring (Wave Glider) and expanding the customer base in Middle East and Indonesia.

b. Oversee the conduct of the Group’s business

The Group Chief Executive Officer (“GCEO”) is responsible for the day-to-day management of the Group’s businesses and operation activities. He is assisted by Chief Financial Officer (“CFO”) and various divisional heads in monitoring the day-to-day activities. Management meetings and project progress meetings are held regularly to update Management on the latest financial and operational positions of the Company as well as the projects.

The GCEO regularly updates the Executive Deputy Chairman (“EDC”) on business operations of the Group. A quarterly review on the Group’s business performance against its approved business plan is carried out at quarterly meetings of the AC and the Board.

c. Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures

The Board had set up a Risk Management Committee on 23 February 2015. On 27 February 2017, the Board restructured the Risk Management Committee and re-named it as the Board Risk Management Committee (“BRMC”). The BRMC is tasked to oversee the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the organisation as well as identification and management of strategic business risks of the Group. The BRMC consists of two Independent Non-Executive Directors.

Through the BRMC, the Board oversees the Enterprise Risk Management (“ERM”) framework of the Group. The BRMC reviews and identifies potential high risk areas encountered by the Group or projects, if any. Advice and recommendations will be put to Management to establish adequate control procedures to mitigate the potential risks.

d. Succession planning

The NC is responsible for formulating nomination, selection and succession policies for members of the Board and Board Committees. In order to ensure sustainability and prevent disruptions in the Company’s daily activities, talent management and succession planning programmes have been outlined by Management. The full establishment of the talent management program and succession planning will be undertaken in 2017.

The BOD is satisfied that the NC has effectively discharged the duties as listed in the TOR, which is available on the Company’s website.

e. Review the adequacy and integrity of management information and internal controls system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company’s internal control system. Details pertaining to the Company’s internal control system and its effectiveness are available in the Statement of Risk Management and Internal Control (“SORMIC”) of this Annual Report.

1.3 Code of Ethics and Conducts

The Directors shall be guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Directors shall observe high ethical business standards of honesty and integrity and to apply these values in all aspects of the business and professional practices. The Directors shall also continue to act in good faith in the best interest of the Company and its shareholders.

1.4 Whistleblowing Policy

On 22 August 2016, a Whistleblowing Policy was established as an avenue for employees and stakeholders to report genuine concerns about malpractices, unethical behaviour, misconduct or failure to comply with regulatory requirements without fear of reprisal. The Whistleblowing reports can be addressed directly to the Chairman of the Board or Chairman of the AC via their mobile numbers and email addresses.

All staff were notified via email and informed that any information received including the identity of the individual who discloses such information shall be provided with the legal protection accorded under the Whistleblower Protection Act 2010 (ACT 711). All reports/information received shall be investigated and acted upon accordingly as detailed out in the Whistleblowing Policy which is made available at the Company's website, www.picorp.com.my.

1.5 Strategies Promoting Sustainability

The Board is cognizant of the importance of business sustainability and, in conducting the Group's business, the impact on the environment, social and governance shall be taken into consideration which is also in line with PICORP Way Values — "Serving Allah, Respect for the People and Environment".

1.6 Access to Information and Advice

The Board and its Committees have full and unrestricted access to the advice of the Company Secretary. They may seek advice and interact directly with, or request further explanation, information or updates on any aspect of the Company's operations, financial or businesses' concerns from Management. In addition, the Directors are also at liberty to take independent professional advice on any matter connected with the discharge of their responsibilities as they may deem necessary and appropriate, at the Company's expense. They may exercise their right to obtain independent professional advice subject to the following:-

- Discuss with the Chairman;
- Provide a written notice to the Company Secretary of the intention to seek independent advice with brief summary of the subject matter; and
- The Board shall be notified and approval be obtained prior to the engagement of the professional advisors.

The Board and other Committee meetings are organized with a pre-set agenda, providing the Directors with relevant and timely information to enable them to discharge their fiduciary duties and responsibilities. The board papers which contain updates on the operational, financial and corporate developments are circulated prior to the meetings to enable the directors to analyze the matters arising / possible outcome and obtain clarification, where necessary, to facilitate sound decision-making.

Senior management officers will be invited to attend Board meetings as and when necessary, to provide insights and furnish clarification on relevant issues tabled at the Board meetings for discussion and deliberation.

1.7 Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The roles of Company Secretary include:

- Ensure compliance of regulatory requirements;
- Updating the Board on changes to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
- Support the Board by ensuring adherence to board policies and procedures, rules, relevant laws and best practices on corporate governance;

- Ensure that deliberations at the Board meetings are recorded in the minutes, minutes are well documented and maintain a secured retrieval system which stores meeting papers, etc.

The Board is satisfied with the performance and support rendered by the Company Secretary in assisting them to discharge their duties.

1.8 Board Charter

The Board Charter outlines the roles, responsibilities and commitment of the Board along with the roles of the Chairman, Executive Directors, Directors, Independent Non-Executive Directors and the GCEO. The Board Charter is reviewed periodically to ensure that it complies with applicable legislation and best practices while remaining effective. The last review was carried out on 27 February 2017 and it is available on the Company's website at www.picorp.com.my.

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee

The NC was established on 26 February 2013. The NC held two (2) meetings in 2016, i.e. on 25 February 2016 and 22 August 2016. The Chairman of the NC is the Senior Independent Director and other members of the Committee are Independent Directors.

a. Meeting Attendance

Details of their attendance of meeting during the year are:

MEMBER	ATTENDANCE	%
Datuk Abdul Hamid bin Sawal (Chairman) Senior Independent Non-Executive Director	2/2	100%
Dato' Hajjah Rosnani binti Ibarahim Independent Non-Executive Director	2/2	100%
Dato' Dr Lukman bin Ibrahim Independent Non-Executive Director *	1/1	100%

* Appointed to the NC on 12 April 2016

The TOR adopted by the NC can be found at the Company's website at www.picorp.com.my.

b. Appointments to the Board

The NC makes independent recommendations for appointments to the Board. In making these recommendations, the NC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment, and other qualities of the candidates, before recommending their appointment to the Board for approval.

During the financial year, the NC considered the appointment of Mr Lee Weng Chong, a former Independent Non-Executive Director of the Company, to the Board. The NC, after having given consideration to the following, recommended the appointment of Mr Lee Weng Chong as an Independent Non-Executive Director to the Board for approval:

- his ability to act objectively and constructively in exercising his duties as Director during his previous tenure as Director;
- his active participation at board and committee meetings during his previous tenure as Director;
- his critical analytical skills and judgement; and

- his demonstration of professional ethical standards and integrity during his previous tenure as Director.

Based on the NC's recommendation, the Board appointed Mr Lee Weng Chong on 2 September 2016.

The NC carries out annual assessment to evaluate the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual director through the following:

- Directors' Evaluation Form (self and peer assessment);
- Board & Board Committee Evaluation Form;
- Assessment on Mix of Skill and Experience of Board;
- Audit Committee Evaluation Form; and
- Declaration of Independence Form

On 27 February 2017, the NC conducted an assessment and considered the re-election of Datuk Abdul Hamid bin Sawal, Zaid bin Abdullah and Mr Lee Weng Chong and collectively agreed that they met the criteria of character, experience, integrity, competence and time to effectively discharge their roles as Directors as prescribed by the MMLR. Based on the recommendation of the NC, the Board would be seeking shareholders' approval for their re-election as Directors at the 25th AGM.

c. Activities of the NC

During the financial year, the following activities were undertaken by the NC:-

- Assisted the Board in undertaking an annual assessment on the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director. The assessment considered the contribution and performance of Directors on their competency, time commitment, integrity and experience in meeting the needs of the Group. The evaluation process involved a peer and self-review assessment;
- assessed the independence of the Independent Non-Executive Directors and reported the same to the Board;
- reviewed and made recommendations to the Board on the re-election of Directors based on the assessments conducted;
- reviewed and recommended the appointment of AC member to the Board; and
- reviewed and recommended the appointment of BRMC members to the Board.

d. Embracing Equal Opportunity, Diversity and Inclusiveness

The Company has adopted a Boardroom Diversity Policy on 27 February 2017 to formalize its approach to boardroom diversity covering gender, age and ethnicity. The Board currently has two female Directors and a female alternate Director.

The Company is also committed to the positive promotion of equality, diversity and inclusion in its workforce throughout the group. The Company is an equal opportunity employer and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organization. Below sets out the summary on gender, ethnicity and age mix of the workforce:-

GENDER

Category	Total Headcount	Male Employees		Female Employees	
		Headcount	%	Headcount	%
All staff (below managerial level)	476	319	67.0%	157	33.0%
Management staff (Manager & above)	49	28	57.1%	21	42.9%

ETHNICITY

Category	Total Head count	Malay		Chinese		Indian		Others	
		Head count	%	Head count	%	Head count	%	Head count	%
All staff (below managerial level)	476	353	74.2%	21	4.4%	11	2.3%	91	19.1%
Management staff (Manager & above)	49	41	83.7%	7	14.3%	0	0	1	2.0%

AGE

Category	Total Head count	60 to 69		50 to 59		40 to 49		30 to 39		20 to 29	
		Head count	%	Head count	%	Head count	%	Head count	%	Head count	%
All staff (below managerial level)	476	3	0.6%	20	4.2%	77	16.2%	190	39.9%	186	39.1%
Management staff (Manager & above)	49	1	2.0%	10	20.4%	21	42.9%	17	34.7%	0	0

e. Re-Election of Directors and Re-Appointment of Directors who are over the age of 70

In accordance with the Company's Constitution, all Directors who are appointed by the Board may only hold office until the next following AGM subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM.

The Company's Constitution also provides that at least one-third of the Board shall retire from office at least once in every three years.

On 27 February 2017, the BOD approved the recommendation of the NC to table the re-election of Datuk Abdul Hamid bin Sawal, Zaid bin Abdullah and Mr Lee Weng Chong who are due to retire at the forthcoming 25th AGM. All three (3) Directors who are eligible for re-election have expressed their intention to seek re-election at the 25th AGM.

2.2 Remuneration Committee

a. Meeting and Composition

The RC held a meeting on 22 August 2016. The RC consists of Non-Executive Directors and the members are:

MEMBER
Dato' Dr Lukman bin Ibrahim (Chairman) Independent Non-Executive Director
Dato' Hajjah Rosnani binti Ibarahim Independent Non-Executive Director
Datuk Abdul Hamid bin Sawal Senior Independent Non-Executive Director

The TOR adopted by the RC can be found at the Company's website at www.picorp.com.my.

b. Remuneration Policy

Executive Directors and Group Chief Executive Officer

- The RC recommends to the Board the remuneration framework and remuneration packages of Executive Directors and GCEO.
- Their remuneration packages are designed with the aim to attract, motivate and retain high-calibre executives who will deliver success to the business.
- The level of remuneration reflects the experience and level of responsibilities undertaken by the Executive Directors and GCEO.
- The RC recommends the basic salary and increment (inclusive of statutory employer contributions to the Employees Provident Fund), taking into account the performance of the individual and the achievement of Key Performance Indicators set for the Group's business activities as measured against targets.

Non-Executive Directors

- The determination of the remuneration packages of Non-Executive Directors (whether in addition to or in lieu of their fees as Directors), is a matter for the Board as a whole subject to approval of shareholders at the AGM.
- Non-Executive Directors are paid monthly fees and attendance allowance for each Board meeting attended.

All members of the Board are covered under a Directors and Officers Liability Insurance Policy against any liability incurred by them in discharging their duties while holding office as Directors of the Group.

The details on the aggregate remuneration of the Directors during the financial year ended 31 December 2016 is categorized into the appropriate components as follows:-

Remuneration	Executive Director		Non-Executive Director	
	RM			
	Company	Group	Company	Group
Fees	48,000	66,000	121,933	133,933
Salaries, allowance & other emoluments	1,090,000	1,213,500	140,000	164,000
Social security costs	346	1,053	-	-
Pension costs — defined contributions plans	199,500	214,320	-	-
Pension costs — defined benefit plans	133,590	133,590	-	-
Benefits in kind	63,901	63,901	-	-
Total	1,535,337	1,692,364	261,933	297,933

Remuneration Bands	Number of Directors			
	Executive Director		Non-Executive Director	
	Company	Group	Company	Group
Below RM 50,000*	1		2	2
RM 50,001 — RM 100,000			3	2
RM 100,001 — RM 150,000				1
RM 150,001 — RM 200,000		1		
RM 1,350,001 — RM 1,400,000	1			
RM 1,500,001 — RM 1,550,000		1		
Total	2	2	5	5

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board, through the NC, assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

At the annual assessment carried out on 27 February 2017, the Board was satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during deliberations at the Board meetings.

The NC is satisfied that all Independent Directors are independent of the management and is free from any business or other relationship which could interfere with their exercise of independent judgment, objectivity or ability to act in the best interest of the Company.

The Board therefore recommends and supports the proposed re-election of the retiring Independent Directors namely, Datuk Abdul Hamid bin Sawal and Mr Lee Weng Chong, at the forthcoming 25th AGM to be held on 22 May 2017.

3.2 Tenure of Independent Directors and Shareholders' Approval for the Re-appointment of Independent Directors Who Have Served More than 9 Years

The Code recommends that the tenure of an Independent Director should not exceed nine (9) years cumulatively. Upon completion of the nine (9) years, an Independent Director may continue to serve on the board subject to his re-designation as a Non-Independent Director. Notwithstanding that Mr. Lee Weng Chong has served on the Board as an Independent Director for more than nine (9) years during his previous tenure, the Board proposes to retain his status as an Independent Director. The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Group benefits from long serving Directors, such as Mr. Lee Weng Chong, who has a strong understanding of the Group's corporate history and business, has devoted sufficient time and commitment to discharge his responsibilities as an Independent Director.

The Board has assessed Mr. Lee Weng Chong to be independent in character and judgment, independent of management and free from any relationships or circumstances which are likely to affect or could appear to affect his judgment. The Board will table a proposal to retain Mr. Lee Weng Chong as an Independent Director for shareholders' approval at the upcoming AGM of the Company.

3.3 Separation of Positions of the Chairman and GCEO

The Chairman of the Board leads the Board with a dedication and focus on governance and compliance. The Board also monitors the Board Committees' functions to ascertain effectiveness in accordance with their respective TOR.

The positions of Chairman and GCEO are held by two different individuals. There is clear division of roles and responsibilities between the Chairman of the Board and the GCEO to ensure that there is a balance of power and authority and that no individual has unfettered powers of decision. The GCEO, guided by the EDC, manages the day-to-day business and operations and also implements the Board's directives, strategies and policies.

3.4 Board Composition and Balance

The Board is made up of one (1) Independent Non-Executive Chairman, one (1) Executive Deputy Chairman, three (3) Independent Non-Executive Directors, one (1) Executive Director and one (1) Non-Independent Non-Executive Director.

The Board has a balanced composition of Executive and Non-Executive Directors (including Independent Directors) such that no individual or group of individuals can dominate the Board's decision-making powers and processes. The Independent Non-Executive Directors make up 57% of the Board membership.

The Board is made up of individuals who are highly experienced in their respective fields of endeavor and whose knowledge, background and judgement is valuable in ensuring that the Group achieves the highest standards of performance, accountability and ethical behaviour as expected by the stakeholders.

The Board has appointed Datuk Abdul Hamid bin Sawal as the Senior Independent Non-Executive Director to whom queries pertaining to the Company may be conveyed by shareholders and the public. The shareholders and any other interested parties may contact Datuk Abdul Hamid bin Sawal to address any concerns in writing at dhamid@picorp.com.my.

4. FOSTER COMMITMENT

4.1 Time Commitment

Board meetings are scheduled in advance and an annual meeting calendar is circulated to all Directors at the beginning of the new financial year to enable Directors to plan ahead and fit the year's meetings into their own schedules. The Board meets at least four (4) times a year, once in every quarter.

During the financial year ended 31 December 2016, the Board met five (5) times on the following dates:

BOARD MEETING	DATE
01/2016	25 February 2016
02/2016	14 April 2016
03/2016	23 May 2016
04/2016	22 August 2016
05/2016	21 November 2016

The attendance of members at the Board and Board Committee meeting held during financial year ended 31 December 2016 is set out below:

Name	Designation	Number of Meetings Attended				
		BOD	AC	NC	RC	BRMC
Datuk Abdul Hamid bin Sawal	Independent Non-Executive Chairman	5/5	5/5	2/2	1/1	-
Zaid bin Abdullah	Executive Deputy Chairman	5/5	-	-	-	-
Zaidah binti Mohd Salleh	Non-Independent Non-Executive Director	5/5	5/5	-	-	-
Dato' Hajjah Rosnani binti Ibarahim	Independent Non-Executive Director	5/5	-	2/2	1/1	4/4
Dato' Dr Lukman bin Ibrahim	Independent Non-Executive Director	5/5	5/5	2/2	1/1	3/4
Usamah bin Zaid	Executive Director	5/5	-	-	-	-
Lee Weng Chong *	Independent Non-Executive Director	1/1	-	-	-	-

Note:

BOD – Board of Directors

AC – Audit Committee

NC – Nominating Committee

RC – Remuneration Committee

BRMC – Board Risk Management Committee

* Appointed on 2 September 2016

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings. The Directors are also supportive and they dedicate their time to attend operational meetings where their advice, knowledge and expertise are sought after. Thus, the Board does not set any specific time commitment expected from each of the Director.

The Directors do not hold more than 5 directorships in public listed companies as prescribed by Bursa Securities Listing Requirements. The Directors shall notify the Chairman before accepting any new directorship. Such notification is expected to include an indication of time that will be spent on the new appointment.

4.2 Training

The Board emphasize strongly on the importance of continuing education and development for the Directors. This is to ensure that the Directors are equipped with the necessary skills and updated knowledge to enhance and meet the challenges of the Company and effectively discharge their duties as Directors.

All Directors have completed the Mandatory Accreditation Programme. The Directors will continue to undergo relevant training programmes, seminars and talks to gain insight into the state of the economy as well as the latest regulatory and developments relevant to the Company's business. During the year under review, the Directors have attended training programmes in areas of corporate governance, sustainability, regulatory developments, financial and leadership as detailed below:-

Course Title	Trainer/Organiser	Date	Attended By
The Annual General Meeting – A Practical Insight and Managing Shareholders' Expectations	Bursatra Sdn Bhd	14 December 2016	Usamah bin Zaid
CG Breakfast Series with Directors: "Anti-Corruption & Integrity – Foundation of Corporate Sustainability"	Bursa Malaysia Berhad	8 December 2016	Dato' Dr Lukman bin Ibrahim
Designing Directors' Performance Assessment for Directors' Independence & Effectiveness	Bursatra Sdn Bhd	18 November 2016	Lee Weng Chong
Amendments to Bursa Malaysia's Listing Requirements – With Latest Cases on Directors' Duties	Bursatra Sdn Bhd	16 November 2016	Datuk Abdul Hamid bin Sawal Zaid bin Abdullah Zaidah binti Mohd Salleh Dato' Hajjah Rosnani binti Ibarahim Fatimah Zahrah binti Zaid
Comprehending Financial Statements for Directors and Senior Management	Bursatra Sdn Bhd	11 October 2016	Usamah bin Zaid
CG Breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board"	Bursatra Sdn Bhd	6 May 2016	Datuk Abdul Hamid bin Sawal

Apart from the above training programmes, the Board is regularly updated at Board meetings on the relevant legal/regulatory updates applicable to the Company.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance and Applicable Financial Reporting Standards

The Board is committed to ensure that the shareholders, stakeholders or potential investors are provided with comprehensive understanding of the Company's financial position and future prospects through the issuances of Audited Financial Statements, quarterly financial reports and corporate announcements on significant development affecting the Company, in accordance with the MMLR and the provisions of the Companies Act, 2016.

The Chairman of the AC, Dato' Dr. Lukman bin Ibrahim, not only is a Chartered Accountant of Malaysian Institute of Accountant, but also a Member of Malaysian Institute of Certified Public Accountant and a Fellow Member of Association of Chartered Certified Accountants, UK. The other AC members, Puan Hajjah Zaidah binti Mohd Salleh is also a Chartered Accountant of Malaysian Institute of Accountant while Datuk Abdul Hamid bin Sawal has substantial accounting and financial experience. The AC members will review the Company's financial statements together with the GCEO and CFO and the External Auditors prior to recommending the same for approval by the Board and issuance to the shareholders.

The GCEO, assisted by the CFO, formally presents the quarterly and year-end financial results to the AC and the Board for review. The CFO provided assurance to the AC and the Board that applicable Malaysian Financial Reporting Standards ("MFRS") and disclosure requirements of the MMLR had been adopted and applied consistently to the Audited Financial Statements and the quarterly results prior to the release to Bursa Securities. Additionally, the CFO ensures that these financial results does not contain material misstatements and provides a true and fair view of the financial position of the Group for the financial year.

The Statement of Directors' Responsibility in respect of the preparation of the Audited Financial Statements for the financial year ended 31 December 2016 is set out on page 85 of this Annual Report.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the AC. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the AC meetings to facilitate the exchange of view on issues requiring attention. The Board established the Policy on External Auditors on 22 August 2016. This Policy shall be reviewed periodically and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the AC's duties and responsibilities.

On 27 February 2017, the AC conducted an annual assessment on the suitability and independence of the External Auditors, Messrs. Ernst & Young ("EY") to consider the following factors, amongst others:

- Experience;
- Competency;
- Resources and reliability of staff assigned;
- Non-audit fees;
- Tenure of engagement.

EY has provided a confirmation that they are independent in providing the audit services up to the date of this statement.

The AC, being satisfied with the suitability and independence of EY, has recommended to the Board on re-appointment of EY as the External Auditors for the financial year ending 31 December 2017. On 27 February 2017, the Board based on the AC's recommendation, agreed to table the re-appointment of EY to the shareholders' approval at the forthcoming 25th AGM.

A full Audit Committee report is set out on pages 79 to 81 of this Annual Report.

6. RECOGNIZE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Board is assisted by the BRMC in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets as required by the Code. The Group adheres to Bursa Securities' Statement on Internal Control; Guideline for Directors of Listed Issuer, as guidance for compliance with these requirements.

In 2016, the BRMC was assisted by an external consultant who was appointed as a facilitator in the implementation of risk management i.e. coordinating and reporting (risk management function) and reviewing of risk statutes (internal audit function). In December 2016, the Company recruited an in-house Risk Management & Compliance Manager to effectively manage this function for the Group.

The Risk Management framework is further enhanced through adoption of TOR of the BRMC, Risk Management Statement and Risk Management Policy which have been approved by the BOD on 25 February 2016. The rationale for implementation of Risk Management framework is to:

- Safeguard people, assets, property, environment and image;
- Enhance effectiveness and efficiency of the Group's business management;
- Encourage proactive rather than reactive management;
- Provide a basis for strategic planning;
- Ensure compliance with mandatory requirements;
- Provide assurance to stakeholders that risk identification and management of risk plays a key role in delivering the Group's business objectives.

The Risk Management framework constitutes of the following six main elements:-

- **Risk Strategy:** The mechanism by which the board ensures the Risk Management framework is defined and implemented with shareholder value considerations at its core. The risk strategy is aligned to the overall strategy of the organization. A well-defined risk strategy consists of a common risk framework, a link to stakeholder (particularly shareholder), and a Risk Management strategic plan.
- **Governance:** The necessary internal governance requirements by which the Board ensures the whole business act in the best interest of the Group's stakeholders and define the responsibilities of the different risks. This structure has three main components — risk ownership & accountability, Board & BRMC, and a system for regulatory compliance;
- **Risk management process:** The processes in place, both discrete and integrated, to continually manage the Risks that Matter to the Group. The processes include risk identification, evaluation, treatment, monitoring, and assurance that these actions are being carried out correctly;
- **Culture and capability:** The mechanism in place to ensure the right capability exists to manage the risks being accepted by the organization and to have a culture that enables the relevant individuals to make informed decisions that reflect the risk appetite of the board. This includes policies and procedures, job profiles, appraisal process, communication strategy, and education/awareness process;
- **Risk management functions:** These are existing management functions (such as Internal Audit, Finance, Legal, Health & Safety) that have a clear role in, or an input to, the management of risks. They can be at Group level, embedded in the business unit, or outsourced. Risk Management activities performed by the respective function needs to be aligned, integrated and coordinated via the BRMC or the Risk Working Committee.
- **Technology:** Leverage technology to achieve the most from the risk management efforts such as early warning systems, a common database, intranet, etc.

The External Auditors have reviewed the SORMIC and nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control system. The full SORMIC is furnished on pages 82 to 84 of this Annual Report.

6.2 Internal Audit Function

The Board acknowledges the importance of the internal audit function and has outsourced to consultant, as part of its efforts in ensuring that the Group's systems of internal control are adequate and effective. The internal audit activities of the Group are carried out according to an annual internal audit plan approved by the AC.

The internal audit function was performed by an external consultant during the financial year to identify and assess the principal risks and to review the adequacy and effectiveness of the internal controls of the Group. Areas for improvement were highlighted and the implementation of recommendations was monitored. The results of the internal audit assessment were reported periodically to the AC.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Company recognizes the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decision.

The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities with the consultation of the Company Secretary, advisers and/or other service providers. However, the Board will review the necessity for formalizing an internal corporate disclosure policies and procedures if required.

7.2 Investor Relations

The Company strives to ensure that shareholders and the general public would have an easy and convenient access to the Group's latest Annual Reports and other corporate information via its website www.picorp.com.my. The Company's subsidiaries also have established their own websites as a source of information and medium of communication.

On 10 February 2016, the Company has initiated alternative channels to reach out to a broader range of the public, shareholders and interested parties using the following social networks:-



The digital marketing fanpage above were created to share information on activities of the Company, product knowledge, etc.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

In addition to the quarterly financial reports and Annual Reports, the AGM remains the principal opportunity for communication with shareholders and investors. The Company sends the Notice of AGM and Annual Report to

shareholders at least twenty-one (21) days before the meeting and advertises the Notice of the AGM in a major local newspaper.

To further promote participation of members through proxy(ies), which is in line with the insertion of Paragraph 7.21 of the Main Market Listing Requirements, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow and restriction on proxy's qualification.

At the 24th AGM held on 23 May 2016, all six (6) Directors were present in person to engage directly with shareholders and be accountable for their stewardship of the Company. The Chairman invited the members, corporate representatives and proxies who were present to raise questions pertaining to the Company's Audited Financial Statement and proposed resolutions set out in the Notice of the 24th AGM, before putting the resolution to vote. The GCEO, CFO and the External Auditors were also present to respond to the shareholders' queries.

8.2 Encourage Poll Voting

At the commencement of the 24th AGM, the Chairman informed the shareholders of the substantive resolutions put forth for shareholders' approval and encouraged the voting of all substantive resolutions by polling pursuant to the Code. To assist the shareholders in exercising their rights, the Chairman read out the provisions of the Articles of Association on the shareholders' right to demand a poll vote.

During the 24th AGM, all resolutions were voted by a show of hands. The Chairman declared the outcome of each resolution was proposed and seconded by the shareholders.

Pursuant to the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all the resolutions as set out in the forthcoming 25th AGM and future general meetings will be conducted as such. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

8.3 Effective Communication and Proactive Engagement

The Board acknowledges the need of its shareholders and potential investors to be informed of the Group's performance and major developments. As such, the Company ensures that the quarterly announcements of the Group's financial results are made on timely basis to provide its shareholders with an overview of the Group's performance and operations. In addition, general announcements and press releases are made to update the shareholders on any significant developments.

The results of all resolutions proposed during the 24th AGM were made available on Bursa Securities' website on the close of business on 23 May 2016.

Information on the Group's products and services is also available at the Company's website at www.picorp.com.my.

AUDIT Committee REPORT

The Board of Directors of Progressive Impact Corporation Berhad is pleased to present the report on the Audit Committee (“AC”) of the Board for the financial year ended 31 December 2016.

The AC Report provides insights into the manner in which the AC discharged its functions in 2016.

The AC consists the following members:-

Dato’ Dr. Lukman bin Ibrahim

Independent Non-Executive Director
Chairman of Audit Committee
Fellow Member of Association of Chartered Certified Accountants, UK
Member of Malaysian Institute of Certified Public Accountants
Member of Malaysian Institute of Accountants

Datuk Abdul Hamid bin Sawal

Senior Independent Non-Executive Director
Member of Audit Committee

Zaidah binti Mohd Salleh

Non-Independent Non-Executive Director
Member of Audit Committee
Member of Malaysian Institute of Accountants

TERMS OF REFERENCE (“TOR”)

The TOR of the AC is available on the Company’s website, www.picorp.com.my. The TOR was last reviewed on 21 November 2016.

SUMMARY OF ACTIVITIES OF THE AC

Members and their Attendance at AC Meetings (“ACM”)

The AC held a total of five (5) meetings during the financial year 2016 and the details of attendance of the AC members are as follows:

Name of Director	1 st ACM 25/02 2016	2 nd ACM 14/04 2016	3 rd ACM 23/05 2016	4 th ACM 22/08 2016	5 th ACM 21/11 2016
Dato’ Dr. Lukman bin Ibrahim (Chairman)	✓	✓	✓	✓	✓
Datuk Abdul Hamid bin Sawal	✓	✓	✓	✓	✓
Zaidah binti Mohd Salleh	✓	✓	✓	✓	✓

The AC meets on scheduled basis at least once every quarter. The Executive Deputy Chairman, Group Chief Executive Officer, Chief Financial Officer and internal auditors also attended the meetings by invitation to brief the AC on specific issues. In some of the meetings, the presence of external auditors are also required.

The quorum for each meeting shall be two (2) members. The Company Secretary is responsible for the co-ordination of administrative details including calling for meetings, voting and keeping of minutes.

The AC Chairman briefs the Board on matters discussed at every AC meeting. The Chairman is also responsible for updating the Board about the AC's activities and recommendations. This is to ensure that the Board is aware of matters that may significantly impact the financial condition or affairs of the business.

The AC has explicit right to convene meeting with both the Internal and External Auditors without the presence of other Directors and employees.

The AC carried out the following work during the year in discharging its duties and responsibilities as stipulated in its TOR:

Risks and Controls

- (a) Evaluated the overall effectiveness of the system of internal controls through the review of the results of work performed by Internal and External Auditors and discussions with senior management.
- (b) Reviewed the Statement on Risk Management and Internal Control and AC Report prior to their inclusion in the Company's Annual Report to ensure the contents therein are accurate and in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Financial Results

- (a) Reviewed the Group's quarterly unaudited financial results before recommending them for the approval by the Board and release of the Group's results to Bursa Securities, focusing on the following areas, where relevant:
 - MMLR
 - Provisions of the Companies Act 1965;
 - Applicable approved accounting standards; and
 - Other legal and regulatory requirements.
- (b) Reviewed the Audited Financial Statements with the External Auditors prior to approval by the Board.

External Audit

- (a) Reviewed with the External Auditors the audit plan, strategy and scope of the statutory audits of the Group accounts for the financial year ended 31 December 2016. Reviewed and discussed the areas of audit emphasis with the External Auditors.
- (b) Reviewed the results and issues arising from their audit of the year-end financial statements and their resolution of such issues highlighted in their report to the AC.
- (c) Reviewed the External Auditors' performance and independence before recommending to the Board their re-appointment and remuneration. The AC carried out an evaluation on the External Auditors vide an evaluation form and the summary of evaluation was reported to the Board.
- (d) Held private discussions with the External Auditors. The AC was satisfied that there were no issues on independence and Management had extended its full co-operation to the External Auditors during the audit process.

Internal Audit

- (a) Assess and recommended the appointment of a new service provider namely, Baker Tilly Monterio Heng Governance Sdn Bhd ("Baker Tilly" or "the Internal Auditor"), to carry out the internal audit function of the Group. The selection was made after having interviewed 3 internal audit firms to assess their suitability for appointment. In recommending the appointment to the Board, the AC had taken into consideration, the experience of the Baker Tilly team, adequate resources of Baker Tilly, their comprehensive proposal that covered financial and operational aspects in the review and the reasonableness of their fees.
- (b) Reviewed the internal audit plan for the financial year ended 31 December 2016 ensuring the principal risk areas were adequately identified and covered in the plan and went through the entities covered under the scope, key auditable areas, proposed timing of audit visits and proposed reporting dates.
- (c) Reviewed and deliberated on audit reports prepared by the Internal Auditor, assessed the findings highlighted by the Internal Auditor and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.
- (d) Reviewed and deliberated on the follow-up reports issued by the Internal Auditor and assessed the status of corrective actions taken by Management in implementing the agreed action plan within the agreed timeline.

Other Activities

- (a) Reviewed and approved the minutes of the AC meetings.
- (b) Reviewed the recurrent related party transactions of the Group and circular to shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions.

INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function. The internal audit review of the Company's operations encompasses an independent assessment of the Company's compliance with its internal controls and makes recommendations for improvements.

The Internal Auditor provides independent and objective advice on the effectiveness of the Group's internal control to the AC and thereafter to Management.

During the financial year, internal audit reviews were carried out on the following areas:-

- On Alam Sekitar Malaysia Sdn Bhd
 - Preventive maintenance & calibration of instruments and equipment;
 - Customer satisfaction, including sample handling and analysis reporting;
 - Vendor & contractor assessment and evaluation;
 - Procurement & receiving control; and
 - Accounts payable management and payment controls.
- On the Company, Alam Sekitar Malaysia Sdn Bhd, ALS Technichem (M) Sdn Bhd and Alam Sekitar Eco-Technology Sdn Bhd
 - Recruitment and resignation controls;
 - Training, career development & performance review;
 - Payroll compensation and benefits management;
 - Payroll system & records access controls; and
 - Timeliness of statutory payments made.
- On PT ALS Indonesia
 - Preventive maintenance and calibration of instruments and equipment;
 - Sample handling and analysis reporting;
 - Vendor and contractor assessment and evaluation;
 - Procurement and receiving control; and
 - Accounts payable management and payment controls.
- On the Company
 - Review on corporate governance compliance

At the conclusion of the internal audit reviews, the weaknesses, recommended corrective actions to be taken and Management's response were highlighted and reported to the AC. Subsequently, follow-up reviews were conducted to ensure that corrective actions were accordingly implemented by Management. Total cost incurred to carry out the internal audit function in the financial year was RM80,000.00.

This report is made on the recommendation of the AC to the Board of Directors and as per the Board's resolution dated 27 February 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THIS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL IS MADE PURSUANT TO PARAGRAPH 15.26(B) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA MALAYSIA”) FOR THE MAIN MARKET.

THE BOARD OF DIRECTORS (“THE BOARD”) OF PROGRESSIVE IMPACT CORPORATION BERHAD (“PICORP” OR “THE COMPANY”) IS PLEASED TO PRESENT BELOW ITS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FOR THE FINANCIAL YEAR UNDER REVIEW UP TO THE DATE OF THIS REPORT, PREPARED IN ACCORDANCE WITH THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS (“THE GUIDELINES”).

BOARD RESPONSIBILITY

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity so as to safeguard shareholders’ interests and the Group’s assets.

Due to the inherent limitations in any risk management and internal control system, such systems put into effect by Management are designed to manage rather than eliminate risks that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement, fraud or loss.

The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group that has been in place for the year and up to the date of approval of this Statement for inclusion in Annual Report. The process is regularly reviewed by the Board and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers and the Group’s Risk Management Policies and Procedures.

RESPONSIBILITY AND ACCOUNTABILITY

The Board recognises its responsibility and accountability for the Group’s system of risk management and internal control towards the establishment of an appropriate control environment and review of its adequacy and integrity on a regular basis to ensure its effectiveness. This is achieved via the Board Risk Management Committee (“BRMC”), Board Audit Committee as well as the establishment of PICORP Risk Management Policy and the Corporate Risk Management Committee (“CRMC”).

The BRMC, chaired by a non-executive director and consists of two (2) Board members, assists the Board to discharge its overall responsibility for risk oversight within the Group. Specifically, the BRMC oversees the overall risk management processes, reviews and identifies key risks and ensures that infrastructure, resources, processes and systems for risk management are in order. Supporting the BRMC is the CRMC chaired by the GCEO. The members of CRMC comprise the CFO, head of companies as well as the head of group human capital development and group legal department. The responsibility of CRMC includes implementing the risk management processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the Board that the processes have been carried out.

KEY ELEMENTS OF INTERNAL CONTROL

Key elements of the Group’s risk management and internal control system that have been established to facilitate the proper conduct of the Group’s businesses are described below:-

1. Risk Management System

The Board is dedicated to strengthen the Group's risk management framework to manage its key business risks within the Group and to implement appropriate risk management and internal control system to manage its significant risks.

In February 2016, PICORP Risk Management Policy was approved detailing the process of identifying, analysing and evaluating the whole spectrum of risks encompassing but not limited to operational, strategic, financial, market and reputational risks. A 3 by 3 matrix characterised by the impact and the likelihood of a risk event occurring is incorporated in the framework to enhance the risk assessment process. Thereafter, the risk parameters were established based on financial and non-financial measures to determine the severity of the risks to the Group.

During the year under review, an independent risk consultancy firm is engaged to facilitate the risk management process of identifying, evaluating and managing all the high risks for the Group while the low and medium risks are managed internally.

2. Internal Control System

The Directors shall be guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Directors shall observe high ethical business standards of honesty and integrity and to apply these values in all aspects of the business and professional practices. The Directors shall also continue to act in good faith in the best interest of the Company and its shareholders.

- **Organisation Structure & Authorisation Procedures**

The Group maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures within the internal control system of the Group's various business units.

- **Periodical and/or Annual Budget**

An annual budget is prepared by management and is tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget in order to identify any significant variances arising and to facilitate the formulation and implementation of remedial action plans.

- **Group Policies and Procedures**

Documented policies and procedures are in place and are regularly reviewed and updated so as to ensure that it maintains its effectiveness and continues to support the Group's business activities as the Group continues to grow.

- **Human Resource Policy**

The Group has in place, a comprehensive Human Resource Policy and Procedure Manual, approved by the Board that sets the tone of control consciousness and employee conduct. Supporting procedures for the reporting and resolution of actions contravening these policies are also in place.

- **Information and Communication**

Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- **Monitoring and Review**

Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison of actual performances against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in deliberating and reviewing the business plans, strategies, performance and risks faced by the Group.

- **Key Performance Indicators (KPI)**

The Group has also in place a “Management by Objective” (MBO) which linked to and guided by Key Performance Indicators and accountability. KPIs help in defining and measuring progress towards attaining organisation goals. KPIs are quantifiable measurements, agreed to beforehand, that reflect the critical success factors of an organization.

- **Whistle-Blowing Policy**

In August 2016, the Group formalised a policy on Whistle-Blowing. This policy provides an avenue for all employees of PICORP and members of the public to come forward and voice their concerns. The policy sets out a specific means by which employees, shareholders or members of the public can report or disclose through established channels, any improper conduct and irregularities such as unethical behaviour, malpractices, fraud and corruption etc. The policy also sets out the steps the Group will take in respect of the report received from the employees and members of the public. With effective enforcement, this policy will reduce the risk to the Group’s reputation from fraudulent acts.

3. Internal Audit Function

The Group’s internal audit function is outsourced to a professional services firm to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group’s internal control system.

During the financial year ended 31 December 2016, internal audit reviews were carried out in accordance with the approved risk based internal audit plan. Findings from the internal audit reviews, including the recommended corrective actions, were presented to the Audit Committee in their scheduled meetings. In addition, follow up reviews were also conducted to ensure that corrective actions have been implemented on a timely manner.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

ASSURANCE BY MANAGEMENT

The GCEO and the CFO to the best of their ability and knowledge confirm that the Company’s risk management and internal control system is operating adequately and effectively as at 31 December 2016.

CONCLUSION

The Board believes that the development of the system of risk and internal controls is an on-going process and has taken steps throughout the year to improve its risk management and internal control system and will continue to do so.

The Board is of the view that the Group’s system of risk management and internal control is adequate to safeguard shareholder s’ investments and the Group’s assets. However, the Board is also cognizant of the fact that the Group’s system of risk management and internal control must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of risk management and internal control framework.

This statement which is prepared for inclusion in the Annual Report of the Company for the year ended 31 December 2016 has been reviewed by the Audit Committee and BRMC prior to their recommendation to the Board for approval.

This statement is made on the recommendation of the Audit Committee and BRMC to the Board of Directors and was approved by the Board of Directors on 17 April 2017.

STATEMENT *of the* **DIRECTORS' RESPONSIBILITY**

The Companies Act, 1965 ("Act") requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and the Group for that period. As required by the Act and the Main Market Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing the financial statements for the year ended 31 December 2016, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at all times the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Act. The Directors are also responsible for safeguarding the assets of the Group and the Company and, hence, for taking reasonable steps in the prevention and detection of fraud and other irregularities.

This Statement of the Directors' Responsibility is made in accordance with the resolution of the Board of Directors dated 17 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the financial year ended 31 December 2016.

2. Recurrent Related Party Transactions (“RRPT”)

The breakdown of aggregate value of transactions conducted during the financial year is as follows:-

Company Involved	Transacting Parties	Categories of Recurrent Transactions	Actual value transacted (RM)	Interested Directors / Major Shareholders and persons connected to them
Alam Sekitar Malaysia Sdn Bhd (“ASMA”)	Progressive Impact Technology Sdn Bhd (“PITECH”)	Reselling of predictive emission monitoring system by PITECH as a non-exclusive distributor for ASMA	Nil	PITECH is a company in which Zaid Bin Abdullah (“Zaid”) and Zaidah Binti Mohd Salleh (“Zaidah”) are directors with shareholdings of 72% in PITECH held through Zaiyadal Keluarga Sdn Bhd (“ZKSB”) and Johar Bin Yusof (“Johar”) is a director of PITECH with 10% interest in PITECH. Usamah Bin Zaid (“Usamah”) and Fatimah Zahrah Binti Zaid (“Fatimah Zahrah”) are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
Progressive Impact Corporation Berhad (“PICORP”)	PITECH	Rental of office space of 6,634 sq. ft in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to PITECH	129,284	
PICORP	IAM-Wonderware Sdn Bhd (“IAM-Wonderware”)	Rental of office space of 7,000 sq. ft in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to IAM-Wonderware	162,737	IAM-Wonderware is a company in which Zaid and Johar are Directors with shareholdings of 30% held through PITECH.
PICORP	Foxboro (M) Sdn Bhd (“Foxboro”)	Rental of office space of 15,057 sq. ft. in MERCU PICORP, Lot. 10 Jalan Asaka U8/84, Bukit Jelutong, 40150 Shah Alam to Foxboro	481,814	Foxboro is a company in which Zaid, Zaidah and Johar are Directors with shareholdings of 51% held through PITECH.

				Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP	Untung Aquaculture Sdn Bhd ("Untung Aqua")	Rental of 22.5 acres of leasehold land located at Lot No. PT 7605, Mukim of Lumut, Manjung, Perak to Untung Aqua	22,800	Untung Aqua is a company in which Zaid and Zaidah are Directors with 100% interest in Untung Aqua held through ZKSB. Usamah and Fatimah Zahrah are also deemed interested by virtue of their family relationship to Zaid and Zaidah.
PICORP	Cosasco Sdn Bhd ("Cosasco")	Rental of office space of 2,151 sq. ft in MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam to Cosasco	54,705	Cosasco is a company in which Zaid and Johar are directors. Cosasco is a wholly-owned subsidiary of Progressive Impact Engineering Sdn Bhd which in turn is wholly owned by PITECH.

3. Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving the interests of the Directors, Group Chief Executive Officer and major shareholders during the financial year ended 31 December 2016.

4. Non-Audit Fees

There were no non-audit fees incurred for services rendered to the Company and its subsidiaries during the financial year by the Company's auditors or a company affiliated to the auditor's firm.

List of Properties Information on the Group's properties is available at the Company's website www.picorp.com.my.

Financial Statements

Directors' Report
Statement by Directors
Statutory Declaration
Independent Auditors' Report
Statements of Comprehensive Income
Statements of Financial Position
Consolidated Statement of Changes in Equity
Statement of Changes in Equity
Statements of Cash Flow
Notes to the Financial Statements
Supplementary Information

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding, property investment and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 14(a) to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss net of tax	(2,173,219)	(9,453,502)
<hr/>		
Attributable to:		
Owners of the parent	(7,406,670)	(9,453,502)
Non-controlling interest	5,233,451	-
	(2,173,219)	(9,453,502)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not been substantially affected by any item, transaction or event of a material and unusual nature, other than impairment of goodwill of RM10,898,499 and other receivables of RM23,161,798 respectively.

TREASURY SHARES

During the financial year, the Company acquired 1,220,000 of own ordinary shares. The total amount paid to acquire the shares was RM163,336. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2016, the Company held as treasury shares a total of 1,355,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM189,964 and further relevant details are disclosed in Note 25 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIVIDENDS

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

	RM
In respect of the financial year ended 31 December 2015:	
Final dividend of 0.23 sen per share tax exempt under single-tier system on 657,457,826 ordinary shares, approved on 23 May 2016 and paid on 20 June 2016	1,512,151

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2016 of 0.61 sen per share on 656,779,900 ordinary shares amounting to dividend payable of RM4,006,357 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Zaid bin Abdullah	
Zaidah bt Mohd Salleh	
Datuk Abdul Hamid bin Sawal	
Dato' Hajjah Rosnani Binti Ibarahim	
Dato' Dr. Lukman bin Ibrahim	
Usamah bin Zaid	
Fatimah Zahrah binti Zaid	(alternate director to Zaidah bt Mohd Salleh)
Lee Weng Chong	(appointed on 2 September 2016)

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Directors have received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

DIRECTORS' REPORT
(CONT'D)

Directors' interests

According to the register of Directors' shareholdings, the interest of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.10 each			
	1.1.2016	Acquired	Sold	31.12.2016
The Company				
Direct interest:				
Zaid bin Abdullah*	47,925,100	–	–	47,925,100
Zaidah bt Mohd Salleh*	8,703,000	66,400	–	8,769,400
Lee Weng Chong	1,050,000	–	–	1,050,000
Usamah bin Zaid **	112,000	–	–	112,000
Fatimah Zahrah binti Zaid **	110,300	–	–	110,300

Indirect interest:

Zaid bin Abdullah and Zaidah bt Mohd Salleh	308,712,922	1,220,700	–	309,933,622
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* Both of these Directors are in a spousal relationship

** These Directors are the children of Zaid bin Abdullah and Zaidah bt Mohd Salleh

	Number of ordinary shares of RM0.10 each			
	1.1.2016	Acquired	Sold	31.12.2016
Subsidiary				
- ALS Technichem (M) Sdn. Bhd.				
Direct:				
Zaid bin Abdullah	9,000	–	–	9,000

The Directors, by virtue of their interest in the shares of the Company, are deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other statutory information (cont'd.)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it is necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Significant event

During the year, a subsidiary of the Company has terminated its work arrangement and subsequently disposed its foreign operations. Details are disclosed in Note 14 to the financial statements.

Subsequent event

Details of subsequent event are disclosed in Note 36 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 April 2017.

Zaid bin Abdullah

Datuk Abdul Hamid bin Sawal

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Zaid bin Abdullah and Datuk Abdul Hamid bin Sawal, being two of the Directors of Progressive Impact Corporation Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 99 to 178 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 to the financial statements on page 178 have been prepared in accordance with the Guidance on Special Matter No.1, Determination Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and directives of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 April 2017.

Zaid bin Abdullah

Datuk Abdul Hamid bin Sawal

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Nadzrah binti Hashim, being the Officer primarily responsible for the financial management of Progressive Impact Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 99 to 178 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Nadzrah binti Hashim
at Shah Alam in Selangor
on 17 April 2017

Nadzrah binti Hashim

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROGRESSIVE IMPACT
CORPORATION BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Progressive Impact Corporation Berhad, which comprise statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 99 to 178.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PROGRESSIVE IMPACT
CORPORATION BERHAD (INCORPORATED IN MALAYSIA)
(CONT'D)

Impairment assessment of goodwill on consolidation

The Group is required to perform annual impairment test of cash generating units (CGUs) to which goodwill has been allocated, namely its environmental consultancy and monitoring services and lab testing services. The Group estimated the recoverable amount of its CGUs to which the goodwill is allocated based on value-in-use (VIU). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGUs and discounting them at an appropriate rate.

Included in the Group's statement of comprehensive income for the year ended 31 December 2016 is impairment loss amounting to RM10.9 million relating to the CGU derived from environmental consultancy and monitoring services. Due to the impairment recognised, the goodwill on consolidation amount has decreased from RM11.8 million to RM0.9 million as at 31 December 2016. We focused on the impairment review of the goodwill relating to this segment as it has contributed significantly to the Group's profit or loss for the year and estimation was involved in the assessment of future revenue and the determination of the appropriate discount rates, which may cause possible variations in the recoverable amount of the CGU to which the goodwill has been allocated.

We have obtained an understanding of the relevant internal control over estimating the recoverable amount of the CGUs. We have assessed whether the assumptions used to estimate future revenues are supportable when compared to the past trends and existing customer contracts. We also engaged internal valuation experts to assess the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money, and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

In addition, we also evaluated the adequacy of the disclosures of each key assumptions on which the Group has based its cash flow projections. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Note 16 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PROGRESSIVE IMPACT
CORPORATION BERHAD (INCORPORATED IN MALAYSIA)
(CONT'D)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PROGRESSIVE IMPACT
CORPORATION BERHAD (INCORPORATED IN MALAYSIA)
(CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

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

*INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PROGRESSIVE IMPACT
CORPORATION BERHAD (INCORPORATED IN MALAYSIA)
(CONT'D)*

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14(a) to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Other reporting responsibilities

The supplementary information set out in Note 37 on page 178 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
17 April 2017

Muhammad Affan Bin Daud
No. 3063/02/18(J)
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4(a)	87,402,041	80,529,140	18,634,948	15,914,670
Other income	5	4,467,678	5,066,971	4,328,059	3,357,101
Staff costs	6	(25,726,252)	(29,849,195)	(3,741,988)	(3,830,754)
Cost of sales	4(b)	(17,761,502)	(14,461,529)	(1,563,620)	(1,556,381)
Depreciation and amortisation		(7,989,077)	(7,044,697)	(1,254,029)	(1,250,963)
Other operating expenses		(33,128,309)	(21,115,787)	(24,448,531)	(12,552,307)
Profit from operations		7,264,579	13,124,903	(8,045,161)	81,366
Finance costs	8	(977,112)	(265,399)	(1,041,975)	(348,233)
Profit/(loss) before tax	9	6,287,467	12,859,504	(9,087,136)	(266,867)
Taxation	10	(8,460,686)	(13,865,875)	(366,366)	(1,409,476)
Loss net of tax		(2,173,219)	(1,006,371)	(9,453,502)	(1,676,343)
Other comprehensive income to be reclassified to profit or loss in subsequent period:					
Foreign currency translation					
- recognised during the year		1,068,882	329,142	-	-
- transfer to profit or loss upon disposal		1,544,868	-	-	-
Other comprehensive income for the year, net of tax		2,613,750	329,142	-	-
Total comprehensive income/ (loss) for the year		440,531	(677,229)	(9,453,502)	(1,676,343)
(Loss)/profit attributable to:					
Owners of the parent		(7,406,670)	(2,283,148)	(9,453,502)	(1,676,343)
Non-controlling interest		5,233,451	1,276,777	-	-
		(2,173,219)	(1,006,371)	(9,453,502)	(1,676,343)
Total comprehensive (loss)/ income attributable to:					
Owners of the parent		(6,124,834)	(2,795,001)	(9,453,502)	(1,676,343)
Non-controlling interest		6,565,365	2,117,772	-	-
		440,531	(677,229)	(9,453,502)	(1,676,343)
Earnings per share (sen) attributable to owners of the parent					
Basic/Diluted	11	(1.1)	(0.3)		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Assets					
Non current assets					
Property, plant and equipment	12	45,070,945	42,479,973	792,685	1,193,572
Investment properties	13	38,598,558	39,274,040	42,592,456	43,267,938
Investment in subsidiaries	14	–	–	2,796,522	2,796,522
Prepaid land lease payment	15	1,054,388	1,119,780	225,000	250,000
Goodwill on consolidation	16	860,972	11,759,471	–	–
Deferred tax assets	28	–	1,129,733	–	–
		85,584,863	95,762,997	46,406,663	47,508,032
Current assets					
Inventories	17	630,498	1,003,248	–	–
Trade and other receivables	18	33,017,205	39,256,547	43,552,805	46,348,155
Amount due from customer on contract	19	1,070,208	1,543,265	–	–
Tax recoverable		4,360	290,102	–	–
Other current financial assets	20	14,998,952	7,293,802	35,030	38,119
Cash and bank balances	21	30,446,498	33,652,044	7,108,002	6,908,045
		80,167,721	83,039,008	50,695,837	53,294,319
Total assets		165,752,584	178,802,005	97,102,500	100,802,351

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(CONT'D)

	Note	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Equity and liabilities					
Current liabilities					
Trade and other payables	22	24,715,173	31,293,816	25,020,402	17,893,974
Borrowings	23	21,218,425	17,078,706	243,920	56,681
Taxation		989,859	1,162,929	83,154	180,065
		46,923,457	49,535,451	25,347,476	18,130,720
Non current liabilities					
Retirement benefit obligation	24	1,615,865	1,427,944	792,734	659,144
Deferred tax liabilities	28	2,702,536	4,349,768	283,619	204,827
		4,318,401	5,777,712	1,076,353	863,971
Total liabilities		51,241,858	55,313,163	26,423,829	18,994,691
Equity attributable to owners of the parent					
Share capital	25	65,800,000	65,800,000	65,800,000	65,800,000
Share premium		170,290	170,290	170,290	170,290
Treasury shares	25	(189,964)	(26,628)	(189,964)	(26,628)
Other reserves	26	318,472	(963,364)	–	–
Retained earnings	27	22,142,000	31,060,821	4,898,345	15,863,998
		88,240,798	96,041,119	70,678,671	81,807,660
Non-controlling interest		26,269,928	27,447,723	–	–
Total equity		114,510,726	123,488,842	70,678,671	81,807,660
Total equity and liabilities		165,752,584	178,802,005	97,102,500	100,802,351

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Note	Attributable to equity holders of the Company					Total equity RM		
		Share capital RM (Note 25)	Share premium RM	Treasury shares RM (Note 25)	Other reserves RM (Note 26)	Retained earnings RM (Note 27)		Non-controlling interest RM	
		<----- Non-distributable -----> Distributable							
At 1 January 2016		65,800,000	170,290	(26,628)	(963,364)	31,060,821	96,041,119	27,447,723	123,488,842
Total comprehensive income		-	-	-	1,281,836	(7,406,670)	(6,124,834)	6,565,365	440,531
Transactions with owners									
Purchase of treasury shares	25	-	-	(163,336)	-	-	(163,336)	-	(163,336)
Dividends paid to non-controlling interest		-	-	-	-	-	-	(7,743,160)	(7,743,160)
Dividends	29	-	-	-	-	(1,512,151)	(1,512,151)	-	(1,512,151)
At 31 December 2016		65,800,000	170,290	(189,964)	318,472	22,142,000	88,240,798	26,269,928	114,510,726
At 1 January 2015		65,800,000	170,290	-	(451,511)	45,547,640	111,066,419	24,084,279	135,150,698
Total comprehensive income		-	-	-	(511,853)	(2,283,148)	(2,795,001)	2,117,772	(677,229)
Transactions with owners									
Purchase of treasury shares	25	-	-	(26,628)	-	-	(26,628)	-	(26,628)
Acquisition of non-controlling interest	14	-	-	-	-	(9,703,271)	(9,703,271)	4,730,672	(4,972,599)
Dividends paid to non-controlling interest		-	-	-	-	-	-	(3,485,000)	(3,485,000)
Dividends	29	-	-	-	-	(2,500,400)	(2,500,400)	-	(2,500,400)
At 31 December 2015		65,800,000	170,290	(26,628)	(963,364)	31,060,821	96,041,119	27,447,723	123,488,842

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Company	Note	Non Distributable			Distributable Retained earnings RM (Note 27)	Total equity RM
		Share capital RM (Note 25)	Share premium RM	Treasury shares RM (Note 25)		
At 1 January 2016		65,800,000	170,290	(26,628)	15,863,998	81,807,660
Total comprehensive income		-	-	-	(9,453,502)	(9,453,502)
Transaction with owners						
Purchase of treasury shares		-	-	(163,336)	-	(163,336)
Dividends	29	-	-	-	(1,512,151)	(1,512,151)
At 31 December 2016		65,800,000	170,290	(189,964)	4,898,345	70,678,671
At 1 January 2015		65,800,000	170,290	-	20,040,741	86,011,031
Total comprehensive income		-	-	-	(1,676,343)	(1,676,343)
Transaction with owners						
Purchase of treasury shares		-	-	(26,628)	-	(26,628)
Dividends	29	-	-	-	(2,500,400)	(2,500,400)
At 31 December 2015		65,800,000	170,290	(26,628)	15,863,998	81,807,660

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from operating activities				
Profit/(loss) before taxation	6,287,467	12,859,504	(9,087,136)	(266,867)
Adjustments for:				
Depreciation	7,859,360	7,019,697	1,229,030	1,225,963
Amortisation of prepaid lease rental	129,717	25,000	25,000	25,000
Provision for retirement benefit obligations	187,921	432,516	133,590	133,591
Gain on disposal of foreign operations	1,571,222	–	–	–
Gain on disposal of property, plant and equipment, net	(590)	(100,885)	–	(53)
Property, plant and equipment written off	–	1,647,978	–	–
Impairment of other receivables	23,454	–	23,161,798	6,719,001
Bad debts written-off	–	577,503	–	–
Impairment of trade receivables	1,087,951	2,402,142	–	–
Reversal of impairment of receivables	(23,127)	(82,288)	–	–
Fair value (gain)/loss of other current financial assets	(38,706)	(143,718)	78,664	53,741
Unrealised foreign exchange gain	(2,137,370)	(3,670,843)	(1,982,557)	(2,129,652)
Finance cost	977,112	265,399	1,041,975	348,233
Dividends received	–	–	(14,670,000)	(12,015,001)
Profit income from deposits	(365,305)	(75,296)	(217,025)	(113,596)
Profit income from intercompany loans	–	–	(2,104,471)	(1,074,526)
Dividend from unit trust	(338,932)	(214,035)	(24,006)	(21,016)
Inventories written off	281,944	–	–	–
Impairment of goodwill	10,898,499	1,540,055	–	–
Impairment of investment of unquoted subsidiaries	–	–	–	4,972,599
Operating profit/(loss) before working capital changes	26,400,617	22,482,729	(2,415,138)	(2,142,583)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONT'D)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from operating activities (cont'd.)				
Operating profit/(loss) before working capital changes (brought forward)	26,400,617	22,482,729	(2,415,138)	(2,142,583)
Working capital changes:				
Decrease/(increase) in receivables	14,420,697	(12,586,259)	(16,351,647)	(11,537,174)
Decrease/(increase) in work-in-progress	90,806	(334,836)	-	-
(Decrease)/increase in payables	(11,902,862)	8,204,843	7,115,702	8,952,378
<hr/>				
Cash generated from/(used in) operations	29,009,258	17,766,477	(11,651,083)	(4,727,379)
Financing cost paid	(977,112)	(265,399)	(1,041,975)	(348,233)
Taxation paid	(9,151,255)	(10,400,324)	(373,759)	(1,602,489)
<hr/>				
Net cash generated from/ (used in) operating activities	18,880,891	7,100,754	(13,066,817)	(6,678,101)
<hr/>				
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	37,210	385,861	-	53
Placement of unit trust	(7,666,444)	(4,278,457)	-	-
Purchase of property, plant and equipment	(9,033,266)	(4,904,211)	(141,856)	(139,082)
Purchase of investment properties	(14,153)	(4,500)	(14,153)	(4,500)
Payment for addition of investment in a subsidiary	-	(503,960)	-	(503,960)
Net cash outflow from disposal of foreign operation	(835,093)	-	-	-
Net dividend received	-	-	14,670,000	12,015,001
Profits received from deposits	365,305	75,296	217,025	113,596
Dividend from unit trust	338,932	214,035	24,006	21,016
Movement in restricted deposits	(211,614)	(3,508,279)	(211,614)	(6,699,552)
<hr/>				
Net cash (used in)/generated from investing activities	(17,019,123)	(12,524,215)	14,543,408	4,802,572
<hr/>				

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONT'D)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from financing activities				
(Repayment)/drawdown of loans and borrowings	(1,258,340)	1,069,866	–	–
Purchase of treasury shares	(163,336)	(26,628)	(163,336)	(26,628)
Dividend paid	(1,512,151)	(2,500,400)	(1,512,151)	(2,500,400)
Dividend to non-controlling interest	(7,743,160)	(3,485,000)	–	–
Net cash used in financing activities	(10,676,987)	(4,942,162)	(1,675,487)	(2,527,028)
Net decrease in cash and cash equivalents	(8,815,219)	(10,365,623)	(198,896)	(4,402,557)
Cash and cash equivalents at beginning of the year	12,806,386	23,172,009	151,812	4,554,369
Cash and cash equivalents at end of the year	3,991,167	12,806,386	(47,084)	151,812
Cash and cash equivalents:				
Cash and bank balances	30,446,498	33,652,044	7,108,002	6,908,045
Overdraft	(19,544,165)	(14,146,106)	(243,920)	(56,681)
	10,902,333	19,505,938	6,864,082	6,851,364
Less: Restricted deposits	(6,911,166)	(6,699,552)	(6,911,166)	(6,699,552)
	3,991,167	12,806,386	(47,084)	151,812

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 5.02, Mercu PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong Business and Technology Centre, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are that of investment holding and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are described in Note 14(a).

The financial statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 17 April 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and the Company have been prepared under the historical basis, unless otherwise disclosed in the significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM).

As of 1 January 2016, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 2.3.

2.2 Summary of significant accounting policies

(a) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee by way of existing rights that give it the current ability to direct the relevant activities of the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Summary of significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interest at the reporting period, being the portion of the net assets of the subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note 2.2(e). Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(a) Basis of consolidation (cont'd.)

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of revenue in the Company's separate profit or loss.

(b) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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

The principal exchange rates used for each respective unit of foreign currency ruling at the reporting date are as follows:

	2016	2015
	RM	RM
United States Dollar	4.49	4.29
Saudi Riyal	1.20	1.14
Australian Dollar	3.24	3.13
Singapore Dollar	3.10	3.04
Indonesia Rupiah	0.03	0.03

(iii) Foreign operations

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

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

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Property, plant and equipment (cont'd.)

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Buildings	2% - 10%
Renovation	20%
Plant and machinery	12.5% - 20%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	20%

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

(d) Investment properties

Investment properties are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 2.2(c).

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Investment properties (cont'd.)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(c) up to the date of change in use.

(e) Goodwill on consolidation

Goodwill on consolidation is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.2(b)(iii).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(f) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

(g) Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Financial assets (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

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

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

The Group and the Company designate its other current financial assets as financial assets at fair value through profit or loss.

(ii) Loans and receivables

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

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

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

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

(iii) Held-to-maturity investments

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Financial assets (cont'd.)

(iii) Held-to-maturity investments (cont'd.)

The Group and the Company did not have any held-to-maturity investments during the year ended 31 December 2016.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

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

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

The Group and the Company did not have any available-for-sale financial assets during the year ended 31 December 2016.

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Impairment of financial assets

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Impairment of financial assets (cont'd.)

(ii) Available-for-sale financial assets (cont'd.)

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with banks with an original maturity of 3 months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and the Company's cash management, less restricted deposits.

(j) Construction contracts

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Financial liabilities

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(m) Financial liabilities (cont'd.)

(i) Financial liabilities at fair value through profit or loss (cont'd.)

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

(ii) Other financial liabilities

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

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

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(n) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(o) Share capital

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme.

The Group has established an unfunded fixed contribution plan for its eligible key management personnel. The fixed contribution is recognised as an expense in the period which the related services is performed by the key management personnel. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Defined benefit plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(q) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(q) Leases (cont'd.)

(i) As lessee (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rendering of services

Revenue from services rendered is recognised net of taxes and discount as and when the services are performed.

(iii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(j).

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(r) Revenue (cont'd.)

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Management fees

Management fees are recognised when services are rendered.

(vi) Dividend income

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

(vii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(s) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(s) Taxation (cont'd.)

(ii) Deferred tax (cont'd.)

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(iii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(s) Taxation (cont'd.)

(iii) Goods and services tax ("GST") (cont'd.)

Receivables and payables are recognised inclusive of GST.

The net amount of GST, being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other receivables or other payables in the statements of financial position.

(t) Financial guarantee contracts

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

(u) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

(v) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(w) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(x) Fair value measurement

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

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- discounted cash flow analysis or other valuation models.

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

(ii) Non-financial assets

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

- Level 1 -Quoted price (unadjusted) in active markets for identical assets and liabilities.
- Level 2 -Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 -Inputs for the asset or liability that are not based on observable market data (unobservable input).

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

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2016.

2. Significant accounting policies (cont'd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

The nature and impact of the new and amended MFRSs are described below:

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

2. Significant accounting policies (cont'd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

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

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS.

These amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Company's financial statements.

2. Significant accounting policies (cont'd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard does not apply.

Annual Improvements to MFRSs 2010-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

2. Significant accounting policies (cont'd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

Standards	Descriptions
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	<p>The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.</p>
MFRS 7 Financial Instruments: Disclosures	<p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.</p> <p>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.</p>
MFRS 119 Employee	<p>The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.</p>
MFRS 134 Interim Financial Reporting	<p>The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.</p>

2. Significant accounting policies (cont'd.)

2.4 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2014 - 2016 Cycle:	
MFRS 12 Disclosure of Interests in Other Entities (Amendments to MFRS 12)	1 January 2017
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Amendments to MFRS 1)	1 January 2018
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 15 Revenue from Contracts with Customers: Clarifications (Amendments to MFRS 15)	1 January 2018
Annual Improvements to MFRSs 2014 - 2016 Cycle:	
MFRS 128 Investments in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2018
MFRS 140 Investment Property: Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and the Company in the period of initial application except as mentioned below:

(i) MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

2. Significant accounting policies (cont'd.)

2.4 Standards issued but not yet effective (cont'd.)

(ii) MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

(iii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

2. Significant accounting policies (cont'd.)

2.4 Standards issued but not yet effective (cont'd.)

(iv) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

(v) MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying Group's accounting policies, management does not make any significant judgements which may have significant effect on the amount recognised in the financial statements.

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 16.

(ii) Construction contracts

The Group recognises construction contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(iii) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. The carrying amount of the Group and the Company's loans and receivable at the reporting date is disclosed in Note 18.

3. Significant accounting judgements and estimates (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

(iv) Deferred tax assets

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

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

The carrying amounts of the Group's recognised and unrecognised deferred tax assets are disclosed in Note 28.

4. (a) REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Provision of services	81,164,210	74,956,023	–	–
Construction contracts	2,758,846	2,190,507	–	–
Rental income	3,478,985	3,382,610	3,964,948	3,899,669
Dividend income from subsidiaries	–	–	14,670,000	12,015,001
	87,402,041	80,529,140	18,634,948	15,914,670

(b) COST OF SALES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Provision of services	13,978,779	12,182,601	–	–
Construction contracts	2,219,103	722,547	–	–
Rental income	1,563,620	1,556,381	1,563,620	1,556,381
	17,761,502	14,461,529	1,563,620	1,556,381

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

5. OTHER INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit income from deposits	365,305	75,296	217,025	113,596
Dividend from unit trust	338,932	214,035	24,006	21,016
Profit income from intercompany loans	–	–	2,104,471	1,074,526
Gain on disposal of property, plant and equipment	14,228	100,885	–	53
Foreign exchange gain				
- realised	4,158	494,063	–	–
- unrealised	2,405,531	3,670,843	1,982,557	2,129,652
Fair value gain of other current financial assets	38,706	143,718	–	–
Compensation for termination of contract	1,000,000	–	–	–
Others	300,818	368,131	–	18,258
	4,467,678	5,066,971	4,328,059	3,357,101

6. STAFF COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, bonus and other emoluments	20,367,583	23,880,505	2,657,413	2,748,957
Social security cost	273,557	223,823	10,328	7,292
Pension costs:				
- defined contribution plan	2,334,041	2,067,320	383,084	377,222
- defined benefit plan	187,921	432,516	133,590	133,591
Termination benefits	579,673	1,369,928	–	–
Other staff related expenses	1,983,477	1,875,103	557,573	563,692
	25,726,252	29,849,195	3,741,988	3,830,754

Included in staff costs of the Group and of the Company are Executive Directors' and Non-Executive Directors' remuneration amounting to RM1,990,297 (2015: RM1,804,930) and RM1,797,270 (2015: RM1,660,873) respectively as further disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

7. DIRECTORS' REMUNERATION

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive:				
Salaries and other emoluments	992,553	980,903	880,346	876,000
Pension costs:				
- defined contribution plan	214,320	181,215	199,500	172,900
- defined benefit plan	133,590	133,591	133,590	133,591
Fees	66,000	62,242	48,000	48,000
Bonus	222,000	70,000	210,000	70,000
Benefits-in-kind	63,901	70,898	63,901	70,898
	1,692,364	1,498,849	1,535,337	1,371,389
Non-executive:				
Fees	133,933	190,081	121,933	137,484
Other remuneration	164,000	152,000	140,000	152,000
	297,933	342,081	261,933	289,484
Total	1,990,297	1,804,930	1,797,270	1,660,873

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

	Number of Directors	
	2016	2015
Executive Directors:		
RM100,001 - RM150,000	–	1
RM150,001 - RM200,000	1	–
RM1,350,500 - RM1,400,000	–	1
RM1,500,001 - RM1,550,000	1	–
Non-Executive Directors:		
RM1 - RM50,000	2	2
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	1	1
	7	7

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

8. FINANCE COSTS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit charges on:				
Overdraft	977,112	265,399	14,431	3,332
Advance from subsidiaries	–	–	1,027,544	344,901
	977,112	265,399	1,041,975	348,233

9. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging/(crediting):

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
Statutory audits				
- Company's auditors	293,200	283,500	152,800	146,000
- Other auditors	119,234	73,975	–	–
Other services				
- Company's auditors	6,800	6,500	6,800	6,500
Gain on disposal of property, plant and equipment	(590)	(100,885)	–	(53)
Loss on disposal of foreign operations	1,571,222	–	–	–
Lease rentals	4,358	6,657	–	–
Rental of premises	384,281	366,545	–	–
Foreign exchange gain, net:				
- realised	(42,028)	(494,063)	–	–
- unrealised	(2,137,370)	(3,670,843)	(1,982,557)	(2,129,652)
Impairment of investments in unquoted subsidiaries	–	–	–	4,972,599
Impairment of trade receivables	1,087,951	2,402,142	–	–
Reversal of impairment of receivables	(23,127)	(82,288)	–	–
Impairment of other receivables	23,454	–	23,161,798	6,719,001
Bad debts written-off	–	577,503	–	–
Provision for retirement benefit obligations	187,921	432,516	133,590	133,591

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

9. PROFIT/(LOSS) BEFORE TAX (CONT'D.)

Profit/(loss) before tax is stated after charging/(crediting): (Cont'd)

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Depreciation				
- Property, plant and equipment	7,169,725	6,329,866	539,395	536,132
- Investment properties	689,635	689,831	689,635	689,831
Property, plant and equipment written off	-	1,647,978	-	-
Inventories written off	281,944	-	-	-
Amortisation of prepaid lease payment	129,717	25,000	25,000	25,000
Impairment of goodwill	10,898,499	1,540,055	-	-
Fair value (gain)/loss of other current financial assets	(38,706)	(143,718)	78,664	53,741

10. TAXATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Income tax:				
Malaysian income tax	6,719,918	7,083,667	322,155	269,565
Foreign income tax	1,308,215	2,001,673	-	-
	8,028,133	9,085,340	322,155	269,565
(Over)/Under provision in prior years:				
Malaysian income tax	(16,896)	1,167,824	(34,581)	823,104
	8,011,237	10,253,164	287,574	1,092,669
Deferred tax (Note 28):				
Relating to origination/ (reversal) of temporary differences	426,426	1,792,499	72,252	(10,734)
Relating to reduction in Malaysian income tax rate	-	(31,449)	-	(8,982)
Under provision in prior years	23,023	1,851,661	6,540	336,523
	449,449	3,612,711	78,792	316,807
Income tax expense recognised in profit or loss	8,460,686	13,865,875	366,366	1,409,476

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10. TAXATION (CONT'D.)

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

Taxation for foreign subsidiaries are calculated at the current rates prevailing in each respective countries.

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit/(loss) before tax	6,287,467	12,859,504	(9,087,136)	(266,867)
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	1,508,992	3,214,876	(2,180,913)	(66,717)
Effect of taxation in other country	40,106	21,713	-	-
Effect of income not subject to tax	(129,403)	(522,133)	(3,923,579)	(3,193,017)
Effect on opening deferred tax of reduction in Malaysian income tax rate	-	(31,449)	-	(8,982)
Effect of expenses not deductible for tax purposes	6,448,135	6,068,542	6,498,899	3,518,565
(Over)/under provision of income tax in prior years	(16,896)	1,167,824	(34,581)	823,104
Deferred tax liabilities recognised on withholding tax on foreign dividend	195,274	1,885,570	-	-
Under provision of deferred taxation	23,023	1,851,661	6,540	336,523
Deferred tax asset not recognised during the year	391,455	209,271	-	-
Income tax expense recognised in profit or loss	8,460,686	13,865,875	366,366	1,409,476

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue held by the Company as at the date of the financial statement.

	2016	2015
Loss attributable to ordinary equity holders of the Company (RM)	(7,406,670)	(2,283,148)
Number of ordinary shares for basic earnings per share computation* ('000)	656,780	657,865
Basic earnings per share (sen)	(1.1)	(0.3)

* The number of shares takes into account the effect of changes in treasury shares transactions during the year.

(b) Diluted

For the current year, there are no instruments in issuance which will have a dilutive effect to the earnings per share of the Group.

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12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM (Note a)	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Work in progress RM	Total RM
Group						
2016						
Cost						
At 1.1.2016	22,147,053	65,721,726	6,453,385	17,414,360	894,277	112,630,801
Additions	–	5,828,811	2,314,946	889,509	–	9,033,266
Disposals	–	(72,202)	(358,674)	(57,972)	–	(488,848)
Disposal of foreign operations (Note 14)	–	–	(832,374)	(892,132)	–	(1,724,506)
Reclassification	894,277	–	–	–	(894,277)	–
Exchange differences	524,217	627,593	977,165	1,036,547	–	3,165,522
At 31.12.2016	23,565,547	72,105,928	8,554,448	18,390,312	–	122,616,235
Accumulated depreciation						
At 1.1.2016	1,695,199	52,694,650	5,205,888	10,555,091	–	70,150,828
Charge for the year	630,964	3,378,054	976,230	2,184,477	–	7,169,725
Disposals	–	(71,825)	(327,964)	(52,439)	–	(452,228)
Disposal of foreign operations (Note 14)	–	–	(701,885)	(769,837)	–	(1,471,722)
Exchange differences	84,651	244,300	827,794	991,942	–	2,148,687
At 31.12.2016	2,410,814	56,245,179	5,980,063	12,909,234	–	77,545,290
Net carrying amount						
At 31.12.2016	21,154,733	15,860,749	2,574,385	5,481,078	–	45,070,945

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(CONT'D)

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

	Land and buildings RM (Note a)	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Work in progress RM	Total RM
Group						
2015						
Cost						
At 1.1.2015	20,893,532	63,125,918	5,208,045	16,283,544	1,375,758	106,886,797
Additions	–	2,433,192	899,465	718,131	853,423	4,904,211
Disposals	–	(418,331)	–	(120,089)	–	(538,420)
Write-offs	–	–	–	–	(1,647,978)	(1,647,978)
Exchange differences	1,253,521	580,947	345,875	532,774	313,074	3,026,191
At 31.12.2015	22,147,053	65,721,726	6,453,385	17,414,360	894,277	112,630,801
Accumulated depreciation						
At 1.1.2015	1,160,650	49,187,385	4,623,362	8,278,663	–	63,250,060
Charge for the year	442,833	3,556,514	335,649	1,994,870	–	6,329,866
Disposals	–	(393,209)	–	(119,525)	–	(512,734)
Exchange differences	91,716	343,960	246,877	401,083	–	1,083,636
At 31.12.2015	1,695,199	52,694,650	5,205,888	10,555,091	–	70,150,828
Net carrying amount						
At 31.12.2015	20,451,854	13,027,076	1,247,497	6,859,269	894,277	42,479,973

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

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

	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
Company				
2016				
Cost				
At 1.1.2016	399,117	843,041	1,619,823	2,861,981
Additions	–	–	141,856	141,856
Disposals	–	–	(4,900)	(4,900)
At 31.12.2016	399,117	843,041	1,756,779	2,998,937
Accumulated depreciation				
At 1.1.2016	102,994	843,041	722,374	1,668,409
Charge for the year	7,982	–	531,413	539,395
Disposals	–	–	(1,552)	(1,552)
At 31.12.2016	110,976	843,041	1,252,235	2,206,252
Net carrying amount				
At 31.12.2016	288,141	–	504,544	792,685
2015				
Cost				
At 1.1.2015	399,117	843,041	1,484,987	2,727,145
Additions	–	–	139,082	139,082
Disposals	–	–	(4,246)	(4,246)
At 31.12.2015	399,117	843,041	1,619,823	2,861,981
Accumulated depreciation				
At 1.1.2015	95,012	843,041	198,470	1,136,523
Charge for the year	7,982	–	528,150	536,132
Disposals	–	–	(4,246)	(4,246)
At 31.12.2015	102,994	843,041	722,374	1,668,409
Net carrying amount				
At 31.12.2015	296,123	–	897,449	1,193,572

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

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

(a) Group - Land and buildings

	Freehold land RM	Building RM	Total RM
2016			
Cost			
At 1.1.2016	7,727,122	14,419,931	22,147,053
Reclassification	–	894,277	894,277
Exchange difference	–	524,217	524,217
At 31.12.2016	7,727,122	15,838,425	23,565,547
Accumulated depreciation			
At 1.1.2016	–	1,695,199	1,695,199
Charge for the year	–	630,964	630,964
Exchange differences	–	84,651	84,651
At 31.12.2016	–	2,410,814	2,410,814
Net carrying amount			
At 31.12.2016	7,727,122	13,427,611	21,154,733
2015			
Cost			
At 1.1.2015	7,727,122	13,166,410	20,893,532
Exchange differences	–	1,253,521	1,253,521
At 31.12.2015	7,727,122	14,419,931	22,147,053
Accumulated depreciation			
At 1.1.2015	–	1,160,650	1,160,650
Charge for the year	–	442,833	442,833
Exchange differences	–	91,716	91,716
At 31.12.2015	–	1,695,199	1,695,199
Net carrying amount			
At 31.12.2015	7,727,122	12,724,732	20,451,854

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

13. INVESTMENT PROPERTIES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost				
At 1 January	41,862,555	41,858,055	44,187,470	44,182,970
Additions	14,153	4,500	14,153	4,500
At 31 December	41,876,708	41,862,555	44,201,623	44,187,470
Accumulated depreciation				
At 1 January	2,588,515	1,898,684	919,532	229,701
Charge for the year	689,635	689,831	689,635	689,831
At 31 December	3,278,150	2,588,515	1,609,167	919,532
Net book value	38,598,558	39,274,040	42,592,456	43,267,938

Included in the investment properties are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Buildings	38,598,558	39,274,040	42,592,456	43,267,938

As at 31 December 2016, the fair value of the investment property was estimated to be RM45,100,000 (2015: RM43,000,000).

The valuation of investment property has been performed by Khong & Jaafar Sdn. Bhd., an independent professional valuer.

13. INVESTMENT PROPERTIES (CONT'D.)

Fair value disclosed in the financial statements is categorised within the Level 3 fair value hierarchy which is described as inputs for the asset or liability that are based on unobservable market data.

Investment property	Valuation technique	Range	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Mercu PICORP, Lot 10 Jalan Astaka U8/84 Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan	Income Approach	1.8 - 2.50	<u>Office & Warehouse</u> Market rental rate (RM/psf/month)	The estimated fair value would increase/(decrease) if: - expected market rental growth were higher/(lower) - expected outgoings rate were lower/(higher) - term yield rate were lower/(higher) - void rate were lower/(higher) - reversionary yield were lower/(higher)
		0.35 - 0.4 6.5 10 7	Outgoings (RM/psf/month) Term Yield (%) Void Rate (%) Reversionary yield (%)	
	Comparison Approach	160 - 17 150 - 180	<u>Freehold Land</u> Transaction land price (RM psf) Building Costs (RM psf)	- Transacted price were higher/(lower) - building costs were (higher)/lower
No. 18 Jalan Liku 8/B Section 8, 40000 Shah Alam Selangor Darul Ehsan	Comparison Approach	270 - 300	<u>Shop lot (leasehold)</u> Building costs (RM psf)	- Transacted price were higher/(lower)
H.S. (D) 9844, PT 7605 Mukim of Lumut, District of Manjung, Perak	Comparison Approach	250 - 300	<u>Agricultural Land (leasehold)</u> Transaction land price (RM'000 per acre)	- Transacted price were higher/(lower)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

13. INVESTMENT PROPERTIES (CONT'D.)

Comparison approach to value the land

Entails analysing recent transactions of similar properties in and around the locality for comparison purposes to derive the market value with adjustments made for differences in time, shape, size and condition and location to arrive at the market value.

Income approach to value the building

Entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void.

The investment property is at its highest and current best use.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM	RM
Unquoted shares, at cost	9,196,123	4,223,524
Additions during the year	–	4,972,599
Less: Impairment in investment	(6,399,601)	(6,399,601)
	2,796,522	2,796,522

Disposal of foreign operations

During the year, the Company's subsidiary, ASMA International Sdn. Bhd. ("AIS") has terminated its work arrangement and subsequently disposed its foreign operations for a total consideration of RM7,292,920.

The disposal has the following effects on the financial position of the Group as at the end of the year:

	RM
Property, plant and equipment	252,784
Trade and other receivables	13,623,335
Cash and bank balances	835,093
Trade and other creditors	(7,391,938)
Net assets disposed	7,319,274
Transfer from foreign exchange reserve	1,544,868
Total disposed proceeds	8,864,142
Loss on disposal to the Group	1,571,222
Cash flow arising on disposals:	
Cash and cash equivalents of foreign operations disposed	(835,093)
Net cash outflow on disposal	(835,093)

14. INVESTMENT IN SUBSIDIARIES (Cont'd)

Acquisition of non-controlling interest

In the previous financial year, the Group acquired an additional 30% equity interest in Saudi ASMA Environmental Solution LLC ("SAES") from its non-controlling interest for a cash consideration of RM4,972,599. An initial sum of RM503,960 was paid in prior year and the remaining balance was accrued as at year end. As a result of this acquisition, SAES became wholly-owned subsidiary of the Group.

The following is the additional interest acquired in SAES in previous year:

	RM
Cash consideration to non-controlling interests	4,972,599
Fair value of the additional interest in SAES at the date of acquisition	(4,730,672)
	<hr/>
Decrease in the equity attributable to the owners of the Company	9,703,271

On 23 February 2017 and 22 March 2017, the balance of the cash consideration of RM4,468,639 was settled to the non-controlling interest in accordance to the terms and conditions of the sale and purchase of shares agreement.

(a) The details of the subsidiaries are as follows :

Name of subsidiaries	Ownership interest and voting interest		Principal activities
	2016 %	2015 %	
(i) Incorporated in Malaysia :			
Held by the Company :			
Alam Sekitar Malaysia Sdn. Bhd.	100	100	Provision of environmental consultancy and monitoring services
ALS Technichem (M) Sdn. Bhd.	59	59	Laboratory analysis and reports services and consulting services
Quantum Up Returns Sdn. Bhd.*	100	100	Investment holding company
ASMA International Sdn. Bhd.	100	100	Investment holding company
PI Enviro Technologies Sdn. Bhd.*	100	100	Provision of ocean data monitoring services
Perunding Good Earth Sdn. Bhd.*	100	100	Environment, safety and health consulting and training

14. INVESTMENT IN SUBSIDIARIES (Cont'd)

(a) The details of the subsidiaries are as follows :

Name of subsidiaries	Ownership interest and voting interest		Principal activities
	2016 %	2015 %	
Premiere Leap Sdn. Bhd.*	100	100	Dormant
Vertical Plus Sdn. Bhd.*	100	100	Property investment holding company
Alam Sekitar Eco-Technology Sdn. Bhd. ("ASET")	90	90	Provision of waste management and consultancy services

(ii) Incorporated outside Malaysia

Held through subsidiaries :

Name of subsidiaries	Ownership interest and voting interest		Principal activities
	2016 %	2015 %	
ASMA Environmental Consultancy Sdn. Bhd.*	100	100	Environmental training and consulting services
Progresive Uni San International Sdn. Bhd.*	50	50	Dormant
Incorporated in Indonesia:			
PT ALS Indonesia * ("PT ALS")	80	80	Laboratory analysis and reports and consulting services
Incorporated in the Kingdom of Saudi Arabia:			
Saudi ASMA Environmental Solution LLC* ("SAES")*	100	100	Provision of environmental consultancy and monitoring services

* Audited by firms other than Ernst & Young

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Non-controlling interests ("NCI")

	ALS Group* RM	ASET RM	Total RM
2016			
NCI percentage of ownership and voting interest	53%	10%	
Carrying amount of NCI	26,692,047	(422,119)	26,269,928
Profit/(loss) allocated to NCI	5,400,671	(167,220)	5,233,451

	ALS Group* RM	SAES RM	ASET RM	Total RM
2015				
NCI percentage of ownership and voting interest	53%		10%	
Carrying amount of NCI	27,702,622	–	(254,899)	27,447,723
Profit/(loss) allocated to NCI	6,332,113	(4,832,552)	(222,784)	1,276,777

* Included non-controlling interest percentage of ownership interest and voting interest of PT ALS Indonesia.

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income/(loss) for 2016:

	ALS Group RM	ASET RM	Total RM
Revenue	38,799,386	3,128,011	41,927,397
Profit/(loss) for the year	12,495,775	(1,672,195)	10,823,580
Total comprehensive income/(loss)	14,250,540	(1,672,195)	12,578,345

Summarised statement of comprehensive income/(loss) for 2015:

	ALS Group RM	SAES RM	ASET RM	Total RM
Revenue	37,916,666	841,126	2,190,507	40,948,299
Profit/(loss) for the year	13,097,100	(16,108,507)	(2,227,837)	(5,239,244)
Total comprehensive income/(loss)	16,032,467	(16,131,399)	(2,227,837)	(2,326,769)

NOTES TO THE FINANCIAL STATEMENTS
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14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Summarised statement of financial position as at 31 December 2016:

	ALS Group RM	ASET RM	Total RM
Non-current assets	36,400,172	65,786	36,465,958
Current assets	41,588,396	2,571,469	44,159,865
Non-current liabilities	(2,227,919)	–	(2,227,919)
Current liabilities	(19,008,463)	(9,794,991)	(28,803,454)
Net assets/(liabilities)	56,752,186	(7,157,736)	49,594,450

Summarised statement of financial position as at 31 December 2015:

	ALS Group RM	ASET RM	Total RM
Non-current assets	34,263,611	86,985	34,350,596
Current assets	40,318,085	2,095,024	42,413,109
Non-current liabilities	(2,760,777)	–	(2,760,777)
Current liabilities	(13,906,113)	(7,667,551)	(21,573,664)
Net assets/(liabilities)	57,914,806	(5,485,542)	52,429,264

Summarised statement of cash flows for 2016:

	ALS Group RM	ASET RM	Total RM
Cash flows from operating activities	11,436,133	150,832	11,586,965
Cash flows from investing activities	(4,674,093)	1,887	(4,672,206)
Cash flows from financing activities	(9,780,306)	–	(9,780,306)
Net (decrease)/increase in cash and cash equivalents	(3,018,266)	152,719	(2,865,547)
Dividend paid to NCI	(7,743,160)	–	(7,743,160)

Summarised statement of cash flows for 2015:

	ALS Group RM	ASET RM	Total RM
Cash flows from operating activities	18,895,061	361,652	19,256,713
Cash flows from investing activities	(5,885,352)	(24,860)	(5,910,212)
Cash flows from financing activities	(4,965,000)	–	(4,965,000)
Net increase in cash and cash equivalents	8,044,709	336,792	8,381,501
Dividend paid to NCI	(3,485,000)	–	(3,485,000)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

15. PREPAID LAND LEASE PAYMENT

	Group	
	2016 RM	2015 RM
Cost		
At 1 January	1,369,780	1,285,878
Exchange differences	64,325	83,902
At 31 December	1,434,105	1,369,780
Amortisation		
At 1 January	250,000	225,000
Amortisation during the year	129,717	25,000
At 31 December	379,717	250,000
Carrying amount	1,054,388	1,119,780

	Company	
	2016 RM	2015 RM
Cost		
At 1 January/31 December	500,000	500,000
Amortisation		
At 1 January	250,000	225,000
Amortisation during the year	25,000	25,000
At 31 December	275,000	250,000
Carrying amount	225,000	250,000

16. GOODWILL ON CONSOLIDATION

	Group	
	2016 RM	2015 RM
At 1 January, at cost	13,583,526	13,583,526
Less: Impairment loss	(12,722,554)	(1,824,055)
At 31 December	860,972	11,759,471

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

16. GOODWILL ON CONSOLIDATION (CONT'D.)

(a) Impairment tests for goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified by business segment and country as follows:

	Malaysia RM	Indonesia RM	Total RM
At 31 December 2016			
Environmental consultancy and monitoring services	–	–	–
Lab testing services	–	860,972	860,972
	–	860,972	860,972
At 31 December 2015			
Environmental consultancy and monitoring services	10,898,499	–	10,898,499
Lab testing services	–	860,972	860,972
	10,898,499	860,972	11,759,471

Key assumptions amount used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculation using cash flow projection based on financial budgets approved by management. The key assumptions used for value-in-use calculations are:

	Terminal growth rate		Discount rate	
	2016	2015	2016	2015
Environmental consultancy and monitoring services	2%	3%	14%	14%
Lab testing services	5%	5%	18%	18%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue

Revenue are estimated based on existing order book and anticipated future projects.

16. INTANGIBLE ASSETS (CONT'D.)

(a) Impairment tests for goodwill (cont'd.)

Key assumption amount used in value-in-use calculations (cont'd.)

(ii) Discount rate

The discount rate used is based on the risk specific to the CGU.

(iii) Terminal growth rate

Cash flow beyond the five-year period is extrapolated using a growth rate which is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

For the environmental consultancy services, the carrying amount of the unit amounting to RM13,553,993 (2015: RM15,564,240) was determined to be higher than its recoverable amount of RM2,655,494 (2015: RM14,024,185), and an impairment loss of RM10,898,499 (2015: RM1,540,055) has been recognised in profit or loss. The impairment loss was allocated fully to goodwill.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed its recoverable amounts.

17. INVENTORIES

Cost	Group	
	2016 RM	2015 RM
Consumables	630,498	1,003,248

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM825,768 (2015: RM442,587) and the amount of inventories that being written off was RM281,944 (2015: RMNil) (Note 9).

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31 DECEMBER 2016
(CONT'D)

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables (Note (a)):				
Third parties	32,195,159	38,545,591	253,869	188,680
Less: Allowance for impairment	(5,478,028)	(4,413,204)	(88,797)	(88,797)
	26,717,131	34,132,387	165,072	99,883
Other receivables (Note (b)):				
Amount due from related companies (Note (c)):				
- subsidiaries	-	-	61,228,747	43,576,897
- related parties	1,540,990	1,196,257	912,743	1,088,220
Deposits	3,691,154	3,066,294	189,270	188,490
Prepayments	1,619,437	1,415,560	95,443	47,952
Dividend receivable	-	-	11,670,000	9,015,000
Sundry receivables	802,997	777,099	332,405	210,790
	7,654,578	6,455,210	74,428,608	54,127,349
Less: Allowance for impairment				
- related companies	(1,196,257)	(1,196,257)	(30,906,082)	(7,744,284)
- sundry receivables	(158,247)	(134,793)	(134,793)	(134,793)
	6,300,074	5,124,160	43,387,733	46,248,272
Total trade and other receivables	33,017,205	39,256,547	43,552,805	46,348,155
Add: Cash and bank balances (Note 21)	30,446,498	33,652,044	7,108,002	6,908,045
Less: Prepayments	(1,619,437)	(1,415,560)	(95,443)	(47,952)
Dividend receivable	-	-	(11,670,000)	(9,015,000)
Total loans and receivables	61,844,266	71,493,031	38,895,364	44,193,248

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a Credit Control Department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

The Group has significant concentration of credit risk from a single customer, the Department of Environment, with whom the Company has entered into a concession agreement to install, operate and maintain a network of air and water quality monitoring stations throughout Malaysia. Included in trade receivables is an amount owing from the Department of Environment amounting to RM1,355,966 (2015: RM4,086,810).

Ageing analysis of trade receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither pass due nor impaired	10,449,708	23,397,765	111,058	96,226
1 to 30 days past due not impaired	4,956,667	4,514,313	38,456	–
31 to 60 days past due not impaired	3,272,188	3,089,310	–	–
61 to 90 days past due not impaired	1,601,052	683,276	15,558	–
91 to 120 days past due not impaired	5,701,669	1,015,546	–	–
More than 121 days past due not impaired	735,847	1,432,177	–	3,657
	16,267,423	10,734,622	54,014	3,657
Impaired	5,478,028	4,413,204	88,797	88,797
	32,195,159	38,545,591	253,869	188,680

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM16,267,423 (2015: RM10,734,622) and RM54,014 (2015: RM3,657) respectively that are past due at the reporting date but not impaired and are unsecured in nature.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade receivables- nominal amount	5,478,028	4,413,204	88,797	88,797
Less: Allowance for impairment	(5,478,028)	(4,413,204)	(88,797)	(88,797)
	-	-	-	-

Movement in allowance accounts

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At 1 January	4,413,204	2,845,503	88,797	88,797
Charge for the year	1,087,951	2,402,142	-	-
Reversal of impairment losses	(23,127)	(82,288)	-	-
Written off	-	(752,153)	-	-
At 31 December	5,478,028	4,413,204	88,797	88,797

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

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired 2016 RM	Individually impaired 2015 RM	Individually impaired 2016 RM	Individually impaired 2015 RM
Other receivables - nominal amount	7,654,578	6,455,210	74,428,608	54,127,349
Less: Allowance for impairment	(1,354,504)	(1,331,050)	(31,040,875)	(7,879,077)
	6,300,074	5,124,160	43,387,733	46,248,272

Movement in allowance accounts

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	1,331,050	1,331,050	7,879,077	1,160,076
Charge for the year	23,454	–	23,161,798	6,719,001
At 31 December	1,354,504	1,331,050	31,040,875	7,879,077

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

(c) Amount due from related parties

Amount due from all related parties are non-interest bearing and are repayable on demand. All related party receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 32.

Other information on financial risks of other receivables are disclosed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS
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19. AMOUNT DUE (TO)/FROM CUSTOMER ON CONTRACT

	2016 RM	Group 2015 RM
Construction contract costs incurred to date	17,298,160	9,993,940
Add: Attributable profits	1,645,408	3,034,892
	<hr/> 18,943,568	<hr/> 13,028,832
Less: Progress billings	(17,873,360)	(11,485,567)
	<hr/> 1,070,208	<hr/> 1,543,265
Presented as:		
Gross amount due from customers for contract work	1,225,506	1,893,265
Gross amount due to customers for contract work	(155,298)	(350,000)
	<hr/> 1,070,208	<hr/> 1,543,265

20. OTHER CURRENT FINANCIAL ASSETS

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Held for trading investments				
Quoted investment in units, at fair value through profit or loss	14,998,952	7,293,802	35,030	38,119

21. CASH AND BANK BALANCES

	2016 RM	Group 2015 RM	2016 RM	Company 2015 RM
Cash on hand and at banks	22,716,194	26,338,679	196,836	208,493
Deposits with investment banks	7,730,304	7,313,365	6,911,166	6,699,552
	<hr/> 30,446,498	<hr/> 33,652,044	<hr/> 7,108,002	<hr/> 6,908,045

Deposits with investment bank of the Group and the Company amounting to RM6,911,166 (2015:RM6,699,552) is pledged as securities for trade facilities.

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21. CASH AND BANK BALANCES (CONT'D.)

(a) The weighted average effective profit rates of the deposits at the reporting date were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Investment banks	3.12	3.23	2.81	3.15

(b) The average maturities of deposits as at the end of the financial year were as follows:

	Group		Company	
	2016 Days	2015 Days	2016 Days	2015 Days
Investment banks	60	198	30	30

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Trade payables				
Third parties (Note (a))	3,675,957	5,135,728	97,254	75,442
Other payables				
Amount due to related companies (Note (b)):				
- Related parties	178,478	243,111	148,534	118,538
- Subsidiaries	–	–	18,857,709	11,432,024
Accruals	4,163,552	6,611,996	303,005	14,148
Provisions	1,151,561	1,440,510	–	201,532
Dividend payable	7,243,005	3,485,000	–	–
Sundry payables	8,302,620	14,377,471	5,613,900	6,052,290
	21,039,216	26,158,088	24,923,148	17,818,532
Total trade and other payables	24,715,173	31,293,816	25,020,402	17,893,974

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
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22. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total trade and other payables (cont'd.)	24,715,173	31,293,816	25,020,402	17,893,974
Add: Borrowings (Note 23)	21,218,425	17,078,706	243,920	56,681
Less: Provisions	(1,151,561)	(1,440,510)	–	(201,532)
Less: Dividend payable	(7,243,005)	(3,485,000)	–	–
Total financial liabilities carried at amortised costs	37,539,032	43,447,012	25,264,322	17,749,123

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 90 days (2015: 30 days to 90 days).

(b) Amount due to related parties

Amount due to all related parties are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 32.

Other information on financial risks of other payables are disclosed in Note 33.

23. BORROWINGS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Secured:				
Overdraft	19,544,165	14,146,106	243,920	56,681
Term loan (Note a)	1,674,260	2,932,600	–	–
Total	21,218,425	17,078,706	243,920	56,681

The weighted average effective profit rate at the reporting date of the borrowings were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Overdraft	6.80	6.80	6.80	6.80
Term loan	7.90	3.95	–	–

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

23. BORROWINGS (CONT'D.)

Note a:

Relates to short term loan of a subsidiary in relation to project in the Kingdom of Saudi Arabia. The term loan is secured and guaranteed by the Company and matures within one year.

24. RETIREMENT BENEFIT OBLIGATION

The amount recognised in the statement of financial position are determined as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Present value of obligation/ Net liability	1,615,865	1,427,944	792,734	659,144
Movement in net liability was as follows:				
At 1 January	1,427,944	995,428	659,144	525,553
Provision during the year (Note 6)	187,921	432,516	133,590	133,591
As at 31 December	1,615,865	1,427,944	792,734	659,144
The amount recognised in the statements of comprehensive income:				
Current service cost	187,921	432,516	133,590	133,591
Analysed as:				
Non-current	1,615,865	1,427,944	792,734	659,144

Actuarial assumptions

The principal assumptions used in determining pension and post retirement benefit obligation for the Group's plans are shown below:

	2016	2015
Discount rate	8.5%	9.0%
Future salary growth	6%	10%
Voluntary resignation rate	6%	11%

Assumptions regarding future mortality are based on published statistic and mortality tables.

NOTES TO THE FINANCIAL STATEMENTS
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24. RETIREMENT BENEFIT OBLIGATION (CONT'D.)

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption is as shown below:

	As at 31 December 2016	
	Increase	Decrease
	RM	RM
Discount rate (1% movement)	(6,107)	6,990
Future salary growth (1% movement)	7,053	(6,260)
Voluntary resignation rate (10% movement)	(413)	424

	As at 31 December 2015	
	Increase	Decrease
	RM	RM
Discount rate (1% movement)	48,102	(55,151)
Future salary growth (1% movement)	(55,907)	(49,497)
Voluntary resignation rate (10% movement)	3,189	(3,266)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the retirement benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the retirement benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

25. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares		Amount	
	2016	2015	2016	2015
			RM	RM
Authorised share capital				
Ordinary shares of RM0.10 each:				
At 1 January/				
At 31 December	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM0.10 each:				
At 1 January/				
At 31 December	65,800,000	65,800,000	65,800,000	65,800,000

NOTES TO THE FINANCIAL STATEMENTS
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25. SHARE CAPITAL AND TREASURY SHARES (CONT'D.)

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 1,220,000 (2015: 135,000) of its own shares during the financial year. The total amount paid to acquire the shares was RM163,336 (2015: RM26,628) and this was presented as a component within shareholders' equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

26. OTHER RESERVES

	2016	Group
	RM	2015
		RM
At 1 January	(963,364)	(451,511)
Increase/(decrease) during the year	1,281,836	(511,853)
At 31 December	318,472	(963,364)
Foreign exchange reserve	139,858	(1,141,978)
Statutory reserve	178,614	178,614
	318,472	(963,364)
Foreign exchange reserve		
At 1 January	(1,141,978)	(630,125)
Arising during the year	(263,032)	(511,853)
Transferred to profit or loss (Note 14)	1,544,868	-
At 31 December	139,858	(1,141,978)
Statutory reserve		
At 1 January	178,614	178,614
Arising during the year	-	-
At 31 December	178,614	178,614

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26. OTHER RESERVES (CONT'D.)

The nature and purpose of each category of reserve are as follows:

(a) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Statutory reserve

This relates to reserve required by state regulator of a subsidiary.

27. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 under the single tier system.

28. DEFERRED TAXATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	3,220,035	(392,676)	204,827	(111,980)
Recognised in profit or loss (Note 10)	449,449	3,612,711	78,792	316,807
Recognised in equity	(966,948)	-	-	-
At 31 December	2,702,536	3,220,035	283,619	204,827
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	3,752,319	4,349,768	473,986	411,528
Deferred tax assets	(1,049,783)	(1,129,733)	(190,368)	(206,701)
	2,702,536	3,220,035	283,619	204,827

NOTES TO THE FINANCIAL STATEMENTS
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28. DEFERRED TAXATION (CONT'D.)

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

Deferred tax assets of the Group:

	Provisions RM	Unabsorbed capital allowances RM	Total RM
At 1 January 2016	(1,129,733)	–	(1,129,733)
Recognised in profit or loss	79,950	–	79,950
<hr/>			
At 31 December 2016	(1,049,783)	–	(1,049,783)
<hr/>			
At 1 January 2015	(2,751,779)	12,597	(2,739,182)
Recognised in profit or loss	1,622,046	(12,597)	1,609,449
<hr/>			
At 31 December 2015	(1,129,733)	–	(1,129,733)

Deferred tax assets of the Company:

	Provisions	
	2016 RM	2015 RM
At 1 January	(206,701)	(131,389)
Recognised in profit or loss	16,333	(75,312)
<hr/>		
At 31 December	(190,368)	(206,701)

Deferred tax liabilities of the Group and Company:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment				
At 1 January	2,464,198	2,346,506	411,528	19,409
Recognised in profit and loss	174,225	117,692	62,458	392,119
<hr/>				
At 31 December	2,638,423	2,464,198	473,986	411,528

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

28. DEFERRED TAXATION (CONT'D.)

Deferred tax liabilities of the Group and Company (Cont'd):

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Provision				
At 1 January	1,885,570	–	–	–
Recognised in profit and loss	195,274	1,885,570	–	–
Recognised in equity	(966,948)	–	–	–
At 31 December	1,113,896	1,885,570	–	–
Total deferred tax liabilities	3,752,319	4,349,768	473,986	411,528

Deferred tax recognised in equity relates to deferred tax liability provided on withholding tax on foreign dividend.

29. DIVIDENDS

	Amount		Net dividends per share	
	2016 RM	2015 RM	2016 RM	2015 RM
Recognised during the year:				
Interim tax exempt dividend under single tier system on 658,000,000 ordinary shares declared on 24 August 2015 and paid on 29 September 2014	–	2,500,400	–	0.38
In respect of the financial year ended 31.12.2015				
Interim tax exempt dividend under single tier system on 657,457,826 ordinary shares declared on 23 May 2016 and paid on 20 June 2016	1,512,151	–	0.23	–
	1,512,151	2,500,400		

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29. DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2016 of 0.61 sen per share on 656,779,900 ordinary shares amounting to dividend payable of RM4,006,357 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

30. COMMITMENTS

	2016	Group	2015
	RM		RM
(a) Capital commitments			
Property, plant and equipment			
- Approved but not contracted for	3,543,480		414,064

(b) Non-cancellable operating lease commitments - Company as lessee

	2016	Group	2015
	RM		RM
Future minimum rentals payable:			
Not later than 1 year	12,512		10,114

Operating lease payments represent rental payable by a subsidiary of the Company for use of photocopy machine and building maintenance.

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31. FINANCIAL GUARANTEE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unsecured				
Corporate guarantees given for banking facilities	26,000,000	26,000,000	14,000,000	14,000,000

No fair value adjustment required as no liability is expected to arise.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	2016 RM	2015 RM
Group		
Rental income from Zaiyadal Keluarga Sdn. Bhd., corporate shareholder	(5,040)	(5,040)
Rental income from subsidiaries of Zaiyadal Keluarga Sdn. Bhd., corporate shareholder:		
- Foxboro (Malaysia) Sendirian Berhad	(481,814)	(543,183)
- Progressive Impact Technology Sdn. Bhd.	(129,284)	(154,597)
- Cosasco Sdn. Bhd. (formerly known as Rohrback Cosasco Sdn. Bhd.)	(54,705)	(66,123)
- IAM- Wonderware Sdn. Bhd.	(162,737)	(67,807)
- Untung Aquaculture Sdn. Bhd.	(22,800)	(22,800)
Company		
Rental income from subsidiary of Zaiyadal Keluarga Sdn. Bhd., corporate shareholder:		
- Untung Aquaculture Sdn. Bhd.	(22,800)	(22,800)

The Directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(b) Compensation to key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly, including any Director of the Group and the Company. The remuneration and compensation of Directors and other members of key management during the year was as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, bonus and other emoluments	3,896,285	3,183,937	1,986,954	1,832,149
Social security costs	3,762	2,480	1,571	620
Pension costs:				
- defined contribution plan	547,241	387,575	330,927	290,820
- defined benefit plan	133,590	133,591	133,590	133,591
	4,580,878	3,707,583	2,453,042	2,257,180

Included in the total key management personnel are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors' remuneration	1,692,364	1,498,849	1,535,337	1,371,389

33. FINANCIAL INSTRUMENTS

(i) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its profit rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transaction.

33. FINANCIAL INSTRUMENTS (CONT'D.)

(ii) Profit rate risk

The Group's primary profit rate risk relates to profit-bearing debt; the Group had no substantial long term profit-bearing assets as at 31 December 2016. The investments in financial assets are mainly deposits held with licensed banks which are short term in nature and are not held for speculative purposes.

The information on maturity dates and effective profit rates of the financial assets and liabilities are disclosed in their respective notes.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Company's loss net of tax to a reasonably possible change in the interest rates.

As at 31 December 2016

	Group		Company	
	Increase/ (decrease) in basis points	Effect on loss net of tax Increase/ (decrease) RM	Increase/ (decrease) in basis points	Effect on loss net of tax Increase/ (decrease) RM
Ringgit Malaysia	+ 25	806,117	+ 25	859,629
Ringgit Malaysia	- 25	(806,117)	- 25	(859,629)
Saudi Riyal	+ 25	141,340	-	-
Saudi Riyal	- 25	(141,340)	-	-

As at 31 December 2015

	Group		Company	
	Increase/ (decrease) in basis points	Effect on loss net of tax Increase/ (decrease) RM	Increase/ (decrease) in basis points	Effect on loss net of tax Increase/ (decrease) RM
Ringgit Malaysia	+ 25	218,954	+ 25	287,292
Ringgit Malaysia	- 25	(218,954)	- 25	(287,292)
Saudi Riyal	+ 25	179,360	-	-
Saudi Riyal	- 25	(179,360)	-	-

33. FINANCIAL INSTRUMENTS (CONT'D.)

(iii) Liquidity risk

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

The table below summaries the maturity profile of the Group and the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

	2016 On demand or within one year RM	2015 On demand or within one year RM
Group		
Financial liabilities:		
Trade and other payables	16,320,607	26,368,306
Borrowings	21,218,425	17,078,706
<hr/>		
Total undiscounted financial liabilities	37,539,032	43,447,012
<hr/>		
Company		
Financial liabilities:		
Trade and other payables	25,020,402	17,692,442
Borrowings	243,920	56,681
<hr/>		
Total undiscounted financial liabilities	25,264,322	17,749,123
<hr/>		

(iv) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

(v) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily, United States Dollar ("USD"), Australian Dollar ("AUD"), European Euro ("EURO"), Singaporean Dollar ("SGD") and Indonesian Rupiah ("IDR"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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33. FINANCIAL INSTRUMENTS (CONT'D.)

(v) Foreign currency risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

Functional currency of Group	Ringgit Malaysia RM	Indonesian Rupiah RM	Total RM
As at 31.12.2016:			
United States Dollar	4,961,715	6,817,304	11,779,019
Australian Dollar	41,773	–	41,773
European Euro	(91,722)	–	(91,722)
Singapore Dollar	(14,989)	–	(14,989)
Saudi Riyal	38,335,593	–	38,335,593
	43,232,370	6,817,304	50,049,674
As at 31.12.2015:			
United States Dollar	6,370,005	10,767,790	17,137,795
Australian Dollar	873	–	873
European Euro	(159,226)	–	(159,226)
Singapore Dollar	(77,848)	–	(77,848)
Saudi Riyal	24,917,213	–	24,917,213
	31,051,017	10,767,790	41,818,807

With all other variables held constant, the following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in those exchange rates against the functional currency of the Group:

		Group Profit before tax	
		2016 RM	2015 RM
USD/RM	- strengthen 3%	(148,851)	(191,100)
	- weaken 3%	148,851	191,100
AUD/RM	- strengthen 3%	(1,253)	(26)
	- weaken 3%	1,253	26
EURO/RM	- strengthen 3%	2,752	4,777
	- weaken 3%	(2,752)	(4,777)
SGD/RM	- strengthen 3%	(450)	(2,335)
	- weaken 3%	450	2,335
SAR/RM	- strengthen 3%	(1,150,068)	(747,516)
	- weaken 3%	1,150,068	747,516

33. FINANCIAL INSTRUMENTS (CONT'D.)

(vi) Fair value

The fair value of financial assets and financial liabilities approximate their respective carrying values on the statement of financial position of the Group and the Company.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and bank balances, receivables, payables and borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Other current financial assets

Other current financial assets that are quoted and determined by reference to fair value provided by the bank at the close of the business on the reporting date. The investments is classified as level 2 in the fair value hierarchy.

Determination of fair value hierarchy

The financial instruments of the Group and the Company are carried at fair value by level of the following fair value measurement hierarchy:

- (i) Level 1 - Unadjusted quoted prices in active market for identical financial instruments
- (ii) Level 2 - Inputs other than quoted prices that are observable market data
- (iii) Level 3 - Inputs that are not based on observable market data

Transfer between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

34. SEGMENTAL INFORMATION

(a) Business segments

The Group is organised into 3 major business segments:

- (i) Environmental consultancy and monitoring services - providing environmental related services.
- (ii) Laboratory testing services - chemical testing, consultancy service and other services of similar nature.
- (iii) Wastewater treatment and solution - provision of sewerage and solid waste management systems.

Other business segments include the results of the Company as an investment holding of its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

34. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

2016	Environmental consultancy and monitoring services RM	Laboratory testing services RM	Wastewater treatment and solution RM	Others RM	Elimination RM	Consolidated RM
Revenue						
External sales	42,364,823	38,799,386	2,758,847	3,478,985	–	87,402,041
Inter-segment sales	–	3,811,220	369,164	16,905,963	(21,086,347)	–
Total revenue	42,364,823	42,610,606	3,128,011	20,384,948	(21,086,347)	87,402,041
Results						
Profit/(loss) from operations	5,640,992	17,442,681	(1,338,588)	(7,054,436)	(7,426,070)	7,264,579
Finance costs	(1,813,409)	–	(333,607)	(1,250,430)	2,420,334	(977,112)
Taxation	(3,142,799)	(4,946,906)	–	(370,981)	–	(8,460,686)
Loss after taxation						(2,173,219)
Assets						
Segment assets	41,859,522	77,988,569	2,666,852	133,313,279	(90,075,638)	165,752,584
Liabilities						
Segment liabilities	54,974,522	21,236,379	9,824,588	68,081,979	(102,875,610)	51,241,858
Other Information						
Capital expenditure	4,178,119	4,709,226	4,065	156,009	–	9,047,419
Depreciation and amortisation	2,815,679	3,303,234	25,262	1,844,902	–	7,989,077

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

34. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

2015	Environmental consultancy and monitoring services RM	Laboratory testing services RM	Wastewater treatment and solution RM	Others RM	Elimination RM	Consolidated RM
Revenue						
External sales	36,942,384	37,916,666	2,190,507	3,479,583	–	80,529,140
Inter-segment sales	96,974	4,849,656	–	14,185,087	(19,131,717)	–
Total revenue	37,039,358	42,766,322	2,190,507	17,664,670	(19,131,717)	80,529,140
Results						
(Loss)/profit from operations	(14,592,912)	22,061,363	(760,088)	888,192	5,528,348	13,124,903
Finance costs	(865,326)	–	(233,821)	(555,639)	1,389,387	(265,399)
Taxation	(3,180,802)	(8,001,962)	(1,233,928)	(1,449,183)	–	(13,865,875)
Loss after taxation						(1,006,371)
Assets						
Segment assets	47,220,386	74,581,697	2,182,009	131,576,628	(76,758,715)	178,802,005
Liabilities						
Segment liabilities	53,327,033	16,666,891	7,667,551	55,784,053	(78,132,365)	55,313,163
Other Information						
Capital expenditure	2,117,293	2,618,544	29,292	139,082	–	4,904,211
Depreciation and amortisation	1,910,079	3,234,987	58,072	1,841,559	–	7,044,697

34. SEGMENTAL INFORMATION (CONT'D.)

(b) Geographical segments

The Group's geographical segments are for its subsidiaries that are involved in laboratory testing services, environmental consultancy and monitoring services which operates in three geographical areas:

- (i) Malaysia
- (ii) Indonesia
- (iii) Saudi Arabia

The directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
2016			
Malaysia	63,764,427	122,159,343	3,023,033
Indonesia	16,190,501	29,306,827	2,585,786
Saudi Arabia	7,447,113	14,286,414	3,438,600
	<hr/> 87,402,041	<hr/> 165,752,584	<hr/> 9,047,419
2015			
Malaysia	60,499,175	127,252,600	3,226,425
Indonesia	15,217,960	28,389,451	1,677,786
Saudi Arabia	4,812,005	23,159,954	-
	<hr/> 80,529,140	<hr/> 178,802,005	<hr/> 4,904,211

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, hire purchase payables, trade and other payables, less cash and bank balances. Capital represents the total share capital.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016
(CONT'D)

35. CAPITAL MANAGEMENT (CONT'D.)

The debt to equity ratio as at 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Borrowings (Note 23)	21,218,425	17,078,706	243,920	56,681
Trade and other payables (Note 22)	24,715,173	31,293,816	25,020,402	17,893,974
Less: Cash and bank balances (Note 21)	(30,446,498)	(33,652,044)	(7,108,002)	(6,908,045)
Net debt	15,487,100	14,720,478	18,156,320	11,042,610
Total share capital	65,800,000	65,800,000	65,800,000	65,800,000
Capital and net debt	81,287,100	80,520,478	83,956,320	76,842,610
Gearing ratio	0.19	0.18	0.22	0.14

36. SUBSEQUENT EVENT

On 3 April 2017, Saudi ASMA Environmental Solutions LLC, a wholly owned subsidiary of the Company had entered into a Commercial Project Purchase Agreement to dispose a building at a consideration of RM5,074,942. This consideration has been fully settled on 3 April 2017.

37. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries				
- Realised	26,688,186	50,968,339	2,994,580	14,252,685
- Unrealised	661,013	5,105,605	1,903,765	1,611,313
	27,349,199	56,073,944	4,898,345	15,863,998
Less: Consolidation adjustments	5,207,199	25,013,123	-	-
Retained profits as per financial statements	22,142,000	31,060,821	4,898,345	15,863,998

ANALYSIS

of SHAREHOLDINGS

AS AT 31 MARCH 2017

SHARE CAPITAL

Issued and paid-up share capital	:	RM65,800,000.00 comprising 658,000,000 Ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	2,230
Number of Treasury Shares	:	1,220,100 Ordinary shares

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of shareholders	%	Shareholdings	%*
Less than 100	4	0.179	225	0.000
100 to 1,000	501	22.466	336,150	0.051
1,001 to 10,000	656	29.417	4,417,300	0.672
10,001 to 100,000	873	39.147	33,462,367	5.094
100,001 to less than 5% of issued shares	192	8.609	144,630,136	22.021
5% and above of issued shares	4	0.179	473,933,722	72.160
Total	2,230	100.00	656,779,900	100.00

* Based on the total number of issued shares in the Company excluding 1,220,100 ordinary shares bought back by the Company and retained as treasury shares as at 31 March 2017.

SUBSTANTIAL SHAREHOLDERS

Name	Shareholdings			
	Direct	% [^]	Indirect	% [^]
Zaiyadal Keluarga Sdn Bhd	309,933,622	47.190	-	-
Lembaga Tabung Haji	65,000,000	9.896	-	-
Zaid bin Abdullah	47,925,100	7.297	309,933,622*	47.190*
Zaidah binti Mohd Salleh	8,769,400	1.335	309,933,622*	47.190*

Note:-

* Deemed interest by virtue of his/her interest in Zaiyadal Keluarga Sdn Bhd. pursuant to Section 8 of the Companies Act 2016.

[^] Based on the total number of issued shares in the Company excluding 1,220,100 ordinary shares bought back by the Company and retained as treasury shares as at 31 March 2017.

DIRECTORS' INTEREST IN SHARES
As per the Register of Directors' Shareholdings

Name	Direct	% [^]	Indirect	% [^]
Zaid bin Abdullah	47,925,100	7.297	309,933,622*	47.190*
Zaidah binti Mohd Salleh	8,769,400	1.335	309,933,622*	47.190*
Usamah bin Zaid	112,000	0.017	-	-
Datuk Abdul Hamid bin Sawal	-	-	-	-
Dato' Hajjah Rosnani binti Ibarahim	-	-	-	-
Dato' Dr. Lukman bin Ibrahim	-	-	-	-
Fatimah Zahrah binti Zaid	110,300	0.016	-	-
Lee Weng Chong	1,050,000	0.159	-	-

Note:-

* Deemed interest by virtue of his/her interest in Zaiyadal Keluarga Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

[^] Based on the total number of issued shares in the Company excluding 1,220,100 ordinary shares bought back by the Company and retained as treasury shares as at 31 March 2017.

GROUP CHIEF EXECUTIVE OFFICER'S INTEREST IN SHARES

Name	Direct	%	Indirect	%
Johar bin Yusof	1,523,000	0.231	-	-

THIRTY LARGEST SHAREHOLDERS

No.	Name	Holdings	%*
1	Zaiyadal Keluarga Sdn Bhd	307,268,622	46.784
2	Lembaga Tabung Haji	65,000,000	9.896
3	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN For Bank of Singapore Limited	53,740,000	8.182
4	Zaid Bin Abdullah	47,925,100	7.297
5	Kal-Yadaiin Sdn Bhd	28,813,078	4.387
6	Zaidah Binti Mohd Salleh	7,063,400	1.075
7	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ab Ghaus bin Ismail	6,079,600	0.925
8	Public Invest Nominees (Asing) Sdn Bhd Exempt AN For Phillip Securities Pte Ltd (Clients)	5,737,100	0.873
9	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Shafie bin Abdullah	4,950,000	0.753
10	Ahmad Ridzwan Bin Mohd Salleh	4,879,175	0.742

11	Nik Abdul Aziz Bin Nik Sulaiman	4,323,235	0.658
12	Rasal Keluarga Sdn Bhd	3,992,150	0.607
13	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Seng Hong	3,350,000	0.510
14	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Mohammed Amin Bin Mahmud (MM1004)	2,683,900	0.408
15	Zaiyadal Keluarga Sdn Bhd	2,665,000	0.405
16	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Boon Chai	2,470,000	0.376
17	Loong Ding Tong	2,328,000	0.354
18	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Batu Bara Resources Corporation Sdn Bhd	1,900,000	0.289
19	RHB Nominees (Tempatan) Sdn Bhd Exempt AN For RHB Securities Singapore Pte. Ltd (A/C Clients)	1,757,200	0.267
20	Zaidah Binti Mohd Salleh	1,696,000	0.258
21	Ahmad Rafa'i Bin Abdullah	1,689,520	0.257
22	Johar bin Yusof	1,523,000	0.231
23	Wong Kim Choong	1,435,000	0.218
24	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Rossana Annizah Binti Ahmad Rashid @ Mohd Rashidi (CEB)	1,415,000	0.215
25	Shireen Mardziah Hashim	1,387,800	0.211
26	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Md Sham Bin Masrom	1,279,000	0.194
27	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hafiza Aini Binti Hassan	1,170,000	0.178
28	Lee Weng Chong	1,050,000	0.159
29	Mohamed Bin Hashim	1,050,000	0.159
30	Ismail bin Saleh	1,000,200	0.152

Note:-

* Based on the total number of issued shares in the Company excluding 1,220,100 ordinary shares bought back by the Company and retained as treasury shares as at 31 March 2017.

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PROGRESSIVE IMPACT CORPORATION BERHAD (203352 V)

(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held

CDS Account No.											

*I/We

Tel:

[Full name in block and NRIC/Passport/Company No.]

of

being member(s) of **Progressive Impact Corporation Berhad**, hereby appoint:-

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and / or (delete as appropriate)

Full Name (in Block)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as *my/our proxy(ies) to attend and vote for *me/us and on *my/our behalf at the 25th Annual General Meeting of the Company to be held at Velocity Room, Ground Floor, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan on **Monday, 22 May 2017, at 9.30 a.m.** and at any adjournment thereof, and to vote as indicated below:-

RESOLUTION		FOR	AGAINST
1	Payment of Final Single Tier Dividend		
2	Re-election of Datuk Abdul Hamid Bin Sawal		
3	Re-election of Zaid Bin Abdullah		
4	Re-election of Lee Weng Chong		
5	Payment of Directors' fees for the financial year ended 31 December 2016		
6	Payment of Directors' benefits for the period from 1 January 2017 up to the date of the next Annual General Meeting		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9	Proposed Renewal of Shareholders' Mandate to purchase its own Ordinary Shares of up to 10% of the total number of Issued Shares in the Company		
10	Authority to Issue Shares		
11	Approval for Lee Weng Chong to continue in office as Independent Non-Executive Director		

Please indicate with an "X" in the space provided whether you wish your votes to be cast "for" or "against" the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this day of , 2017

Signature of Shareholder/Common Seal

* Delete whichever is not applicable

Notes:

- i) A member entitled to attend and vote is entitled to appoint up to 2 proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company.
- ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, can appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- iv) Where a member or authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- vi) The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of authority shall be deposited at the Company's registered office at Suite 5.02, MERCU PICORP, Lot 10, Jalan Astaka U8/84, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 15 May 2017. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, vote and speak on his behalf.



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AFFIX
STAMP

Progressive Impact Corporation Berhad

(Company No.: 203352-V)

Suite 5.02, Mercu PICORP
Lot 10, Jalan Astaka U8/84
Bukit Jelutong
40150 Shah Alam
Selangor Darul Ehsan

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"Surely with every difficulty, there is relief"