

Summary of Significant Accounting Policies

For the financial year ended 31 December 2016

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A Basis of Preparation

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

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company and are effective.

The following new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2016 are as follows:

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|--------------------------------------|--|
| • Amendments to MFRS 7 | Financial Instruments: Disclosures |
| • Amendments to MFRS 101 | Presentation of Financial Statements: Disclosure Initiative |
| • Amendments to MFRS 116 and MFRS138 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| • Amendments to MFRS 119 | Employee Benefits |
| • Amendments to MFRS 127 | Equity Method in Separate Financial Statements |
| • Amendments to MFRS 134 | Interim Financial Reporting |

The adoption of the above Amendments to MFRS did not have a material impact on the financial statements of the Group and the Company.

(ii) Standards early adopted by the Group and Company

There were no standards early adopted by the Group and Company.

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective:

Effective on or after 1 January 2017:

- | | |
|--------------------------|---|
| • Amendments to MFRS 107 | Disclosures Initiative |
| • Amendments to MFRS 112 | Recognition of Deferred Tax asset for Unrealised Losses |

Effective on or after 1 January 2018:

- | | |
|-----------|---|
| • MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| • MFRS 15 | Revenue from Contracts with Customer |

A Basis of Preparation (continued)**(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective:** (continued)

Effective on or after 1 January 2019:

- MFRS 16 Leases

Effective date: Deferred

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above new standards, amendments and interpretations when they become effective are not expected to have any material impact on the Group's and the Company's financial statements, except for MFRS 16. The Group is in the process of assessing the financial impact of adopting MFRS 16.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 February 2017.

B Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries on the basis set out below.

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS139 either in the profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

C Investment in Subsidiaries

In the Company's separate financial statements, investment in subsidiaries are carried at cost less accumulated impairment losses. On the disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

Summary of Significant Accounting Policies

For the financial year ended 31 December 2016

D Property, Plant and Equipment

Freehold land is stated at cost less impairment losses where applicable. Freehold buildings, the building component of owner-occupied leasehold properties and all other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses where applicable. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in the profit or loss during the period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal instalment over the periods of the respective leases which range from 61 to 91 years. Buildings are depreciated using the straight-line method over their estimated useful economic lives or the estimated remaining period of the lease, whichever is shorter.

All other property, plant and equipment are depreciated on the straight-line basis to write-off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

Buildings	3 ¹ / ₃ % - 20%
Plant and machinery	14% - 33%
Motor vehicles, equipment and fixtures	10% - 33%

Depreciation on assets under construction commences when the assets are ready for their intended use.

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at the end of each reporting period and adjusted, if appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy F on impairment of non-financial assets.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is included in the profit or loss.

E Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the profit or loss. Goodwill on acquisition of subsidiary is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable and are carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing.

(ii) Dealership rights

Dealership rights, which are rights under dealership agreement, are separately identified intangible assets acquired as part of a business combination. This dealership agreement is expected to continue for an indefinite period and, where these agreements do not have indefinite terms, it is believed that renewal of these agreements can be obtained without costs, taking into account the historical renewal and the relationship between the dealer and contracting parties. Dealership rights are not amortised, but tested annually for impairment and carried at cost less accumulated impairment losses.

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 an asset's fair value less cost 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")).

Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. Impairment losses would be allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro rata basis, based on the carrying value of each asset in the CGU. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

G Financial Assets

Financial assets are initially recognised at fair value plus transaction costs. Subsequent measurement of financial assets depends on the classification of the financial assets.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less impairment. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Note 16 and Note 17).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are stated at fair values and are included in non-current assets unless management intends to dispose off the investment within 12 months of the end of the reporting period. Unrealised gains and losses arising from changes in the fair value of these investments are recognised in other comprehensive income and accumulated under equity in the fair value reserve. On disposal of investments or when an investment is determined to be impaired, the cumulative gains and losses previously deferred in equity is recognised in the profit or loss.

All purchases and sale of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investment. Investments are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Summary of Significant Accounting Policies

For the financial year ended 31 December 2016

G Financial Assets (continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income) is removed from the fair value reserve within equity and recognised in the profit or loss. Impairment losses recognised in the statement of comprehensive income on equity investments are not reversed through the statement of comprehensive income, until the equity investments are disposed off. Impairment testing of trade and other receivables is described in Note 16.

H Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is generally determined using the specific identification method except for spare parts, where cost is determined on the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and applicable variable selling expenses.

I Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

J Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into and 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.

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

Trade and other liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are initially recognised based on the proceeds received, net of transaction cost incurred, and subsequently measured at amortised cost using the effective yield method, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings. 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 the profit or loss when the liabilities are de-recognised, or through the amortisation process.

A financial liability is de-recognised 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 de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

K Provisions

Provisions for service and warranty and claims are recognised when, the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

K Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

L Share Capital**(i) Classification**

Ordinary shares are classified as equity.

(ii) Dividends

Interim dividends are accounted for in shareholders' equity as an appropriation of retained profits in the period in which they are declared whilst final dividends are accounted for when approved by shareholders at the Annual General Meeting.

M Revenue/Other Income Recognition

(a) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the ordinary course of the Group's activities, net of goods and services taxes, excise duties, and is stated net of discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

- (i) Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers.
- (ii) Revenue from rendering services is recognised when services are rendered.
- (iii) Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

(b) Other income is recognised on the following basis:

- (i) Interest income is recognised on the accruals basis on a time-proportion basis unless collection is in doubt.
- (ii) Dividend income is recognised when the right to receive payment is established.
- (iii) Insurance agency commissions are recognised on the effective commencement or renewal dates of the related policies.

N Employee Benefits**(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

The Group's contributions to the Employees' Provident Fund, a defined contribution plan regulated and managed by the Government, are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

O Leases**(i) Finance lease – Accounting by lessee**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Summary of Significant Accounting Policies

For the financial year ended 31 December 2016

O Leases (continued)

(i) Finance lease – Accounting by lessee (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current borrowings except for those with maturities of less than 12 months which are included in current borrowings. The interest element of the finance is charged to the profit or loss over the lease period so as to produce a constant periodical rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lives of the asset or the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as expense in the profit or loss over the lease term on the same basis as the lease expense.

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

(ii) Operating lease – Accounting by lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in the profit or loss when incurred.

P Income Tax

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

Current income tax is provided based on the tax payable on the taxable profit for the financial year, using income tax rate enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for income tax purposes and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, impairment of assets and unutilised tax losses carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, carry-forward of unused tax losses and tax credits but only to the extent that it is probable that future taxable profits will be available against which these temporary differences, losses or tax credits can be utilised.

Q Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities have been converted into Ringgit Malaysia at the rates of exchange ruling at the end of reporting date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the profit or loss.

R Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, who is primarily responsible for the Group's and Company's strategic decisions.