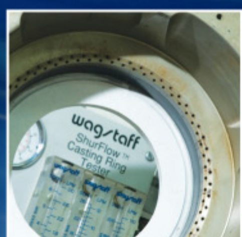
A-RANK BERHAD
(633621-X)

Towards a World of Possibilities

ANNUAL REPORT **2016**




FACILITIES

FURNACES

Seven (7) units of melting furnaces, each of 25 metric tonnes capacity, all linked to heat regenerating burner systems that can both enhance energy conservation and increase productivity and one (1) unit of 30 metric tonnes hydraulically tilting holding furnace for better control of melt temperature hence improving product quality and productivity.

CASTING FACILITIES

Three (3) units of fully automated vertical direct chilled hydraulic controlled casting system.

HOMOGENISE FURNACES

Four (4) units of 35 metric tonnes homogenising furnaces with two (2) units of air cooling booths.

IN-LINE DEGASSER

In-line degasser to remove dissolved hydrogen in molten aluminium hence improving the aluminium billets quality.

WAGSTAFF AIRSLIP MOLD

Aluminium billets cast with Wagstaff “Airslip” billet casting mould system have a shallow molten metal sump and a thin-shield, uniform-grained composition that is beneficial to the extrusion process.

VISION

To be a renowned international player and a trustworthy partner in aluminium extrusion billets.

MISSION

We are committed to support our customers' success by working closely with them to enhance their products and process challenges.

To build our reputation on the basis we help our customers achieve success by focusing on two fundamental themes – delivering superior quality billets and building lasting relationships.

We will satisfy or exceed the needs of our customers by providing quality billets, reliable on-time deliveries and services.

CONTENTS

CORPORATE PROFILE

A-Rank Berhad was listed on the Main Market of Bursa Malaysia Securities Berhad on 11 May 2005. A-Rank Berhad through its wholly-owned subsidiary, Formosa Shyen Horng Metal Sdn Bhd ("Formosa"), is principally involved in the manufacturing and marketing of aluminium billets which remains the core focus of the Group since its inception. The Group is currently the largest manufacturer and supplier of aluminium billets in Malaysia and one of Asia's leading suppliers of aluminium extrusion billets.

Formosa commenced operations in 1998 with an initial annual installed capacity of 12,000 metric tonnes and has registered consistent and impressive growth. Currently, Formosa has an installed capacity of 120,000 metric tonnes per annum. Formosa's integrated facilities include Wagstaff "Airslip" billet casting mould system, melting furnaces with regenerating burners, tilting holding furnace and fully automated vertical direct chilled hydraulic-controlled casting systems from Australia, filters, in-line degassing machines, homogenising furnaces and cooling booths, and automated billet-sawing machines. Sizes of billets manufactured range in diameters from 3" up to 11" and of any cut length of up to 6 metres. To ensure consistent quality of its products, Formosa has numerous testing equipment including ultrasonic fault detectors, light emission spectrometers, AlSCAN hydrogen analyser and optical microscope with Olympus software solution that enable sophisticated evaluation of quality achieved in the casting and homogenising processes. In line with its emphasis on quality, Formosa has achieved the ISO 9001:2008 certification.

A-Rank Berhad acquired a 55% equity interest in HongLee Group (M) Sdn Bhd ("HongLee Group") in January 2013. HongLee Group is principally engaged in the manufacturing, marketing and trading of all types of aluminium and glass fittings and other related activities. Products under HongLee Group include high performance doors and windows and kitchen cabinets carrying the in-house brands of "HongLee" and "Apresi" respectively. In line with its emphasis on quality, HongLee Group has also achieved the ISO 9001:2008 certification.

The Group's turnover for the financial year ended 31 July 2016 was RM483.8 million. The Group presently exports about 30% of its production and its export markets include Africa, Europe, South Asia and South East Asia.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of A-Rank Berhad ("the Company") will be held at Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Wednesday, 7 December 2016 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2016 together with the Reports of the Directors and Auditors thereon. **[Please see Note 2]**
2. To approve the payment of the first and final single tier dividend of 3.00 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 July 2016. **(Resolution 1)**
3. To approve the payment of Directors' Fees for the financial year ended 31 July 2016. **(Resolution 2)**
4. To re-elect the following Directors who retire in accordance with Article 112 of the Company's Articles of Association:

   a) Dato' Shahrir Bin Abdul Jalil **[Please see Note 3]** **(Resolution 3)**
   b) Mr Tan Wan Lay **(Resolution 4)**

5. To re-elect Datuk Leow Chong Howa, the Director who retires in accordance with Article 117 of the Company's Articles of Association. **(Resolution 5)**
6. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolutions:

7. **Ordinary resolutions**
   Continuance in Office as Independent Non-Executive Directors **[Please see Note 4]**

   "THAT, subject to the passing of Resolution 3, approval be and is hereby given for Dato' Shahrir Bin Abdul Jalil who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **(Resolution 7)**

   "THAT approval be and is hereby given for Tuan Haji Ahmed Azhar Bin Abdullah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **(Resolution 8)**

   "THAT approval be and is hereby given for Dr Leong Chik Weng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **(Resolution 9)**

   "THAT approval be and is hereby given for Mr Wong Tze Kai who has served as an Independent Non-Executive Director of the Company since 19 September 2008 and will reach the nine (9) years term on 18 September 2017, to continue to act as an Independent Non-Executive Director of the Company." **(Resolution 10)**

8. **Ordinary resolution**
   Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965 **[Please see Note 5]**

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that authority shall continue in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting." **(Resolution 11)**

9. **Ordinary resolution**
Proposed Renewal of Shareholders' Mandate for the Company and/or its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature **[Please see Note 6]**

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), approval be and is hereby given to the Company and its subsidiaries ("Group") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.2 of the Circular to Shareholders dated 10 November 2016, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed RRPT Mandate"). **(Resolution 12)**

THAT the Proposed RRPT Mandate shall only continue to be in full 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 the said AGM, such authority is renewed;

b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

c) revoked or varied by resolution passed by the shareholders of the Company in a 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 or in the best interest of the Company to give effect to the Proposed RRPT Mandate."

10. **Special resolution**
Proposed Amendments to the Articles of Association of the Company **[Please see Note 7]**

"THAT the amendments to the Articles of Association of the Company ("Proposed Amendments") as set out below be and are hereby approved: **(Resolution 13)**

Article No.	Existing Provision	Amended Provision
To amend Article 143	The Directors shall from time to time in accordance with the provisions of the Act and Rules of the Stock Exchange cause to be prepared and to be laid before the Company in general meeting such income statement, balance sheet, group accounts (if any) and reports as may be necessary. <u>The interval between the close of a financial year of the Company and the issue of the annual financial statements, the directors' and auditors' reports shall not exceed four (4) months.</u>	The Directors shall from time to time in accordance with the provisions of the Act and Rules of the Stock Exchange cause to be prepared and to be laid before the Company in general meeting such income statement, balance sheet, group accounts (if any) and reports as may be necessary.

Article No.	Existing Provision	Amended Provision
To amend Article 144	A copy of every balance sheet and profit and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and of the Directors' report shall <u>not more than six (6) months after the close of the financial year and</u> not less than twenty one (21) days before the date of the meeting be sent to every Member of, and every holder of debenture of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. Provided that this Article shall not require a copy of these documents to be sent to any person whose address the Company is not aware of but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the office.	A copy of every balance sheet and profit and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and of the Directors' report shall not less than twenty one (21) days before the date of the meeting be sent to every Member of, and every holder of debenture of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. Provided that this Article shall not require a copy of these documents to be sent to any person whose address the Company is not aware of but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the office.

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

11. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

NG BEE LIAN (MAICSA 7041392)
WONG WAI FOONG (MAICSA 7001358)
YAP SIT LEE (MAICSA 7028098)
Company Secretaries

Seremban
10 November 2016

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting to be held on 7 December 2016, the first and final single tier dividend of 3.00 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 July 2016 will be paid on 21 December 2016 to Depositors whose names appear in the Record of Depositors on 8 December 2016.

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

a) shares transferred into the depositor's securities account before 4.00 p.m. on 8 December 2016 in respect of ordinary transfers; and

b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notes:

1. **APPOINTMENT OF PROXY**

   a) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak in the meeting.

   b) A member of the Company who is entitled to attend and vote at the meeting shall not appoint more than two (2) proxies to attend at the same meeting except where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

   c) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.

   d) Where a member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of shareholdings to be represented by each proxy.

   e) The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised.

   f) The instrument appointing a proxy must be deposited at the Company's Registered Office at Chamber E, Lian Seng Courts, No. 275, Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.

   g) Only members whose names appear in the Record of Depositors as at 30 November 2016 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

2. **AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2016**

   The Audited Financial Statements is meant for discussion only as approval from shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this item on the Agenda is not put forward for voting by shareholders of the Company.

3. **RE-ELECTION OF INDEPENDENT DIRECTOR**

   In line with the Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Nomination Committee and the Board of Directors had undertaken an annual assessment on the independence of Dato' Shahrir Bin Abdul Jalil who is seeking for re-election pursuant to the Articles of Association of the Company, at the forthcoming Annual General Meeting. The annual assessment had been disclosed in the Corporate Governance Statement of the Company's Annual Report 2016.

EXPLANATORY NOTES TO SPECIAL BUSINESS

4. **CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   Pursuant to the Malaysian Code on Corporate Governance 2012, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than/ almost nine (9) years.

The Nomination Committee and the Board had assessed the independence of Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

a) they have fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and, therefore, are able to bring independent and objective judgment to the Board;

b) their experiences in the legal and/or financial matters, business and other relevant sectors enable them to provide the Board, as the case may be, with pertinent expertise, skills and competence;

c) they have been with the Group for many years and therefore understand the Group's business operations which enable them to contribute actively and effectively during deliberations or discussions at Board meetings;

d) they provided effective check and balance in the proceeding of the Board and the Board Committees; and

e) they had met with the attendance requirements for Board Meetings pursuant to the Listing Requirements. During the financial year under review, they had each attended all the Board meetings held. They exhibited high commitment and devoted sufficient time and testifies to their dedication in discharging the responsibilities as Independent Non-Executive Directors of the Company.

The proposed Resolution 7, Resolution 8, Resolution 9 and Resolution 10, if passed, will enable Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai to continue to act as Independent Non-Executive Directors of the Company.

5. AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

The proposed Resolution 11 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot and issue any shares pursuant to the mandate granted to the Directors at the previous Annual General Meeting held on 8 December 2015 as there were no requirements for such fund raising activities.

The proposed Resolution 11, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s) at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

6. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE COMPANY AND/OR ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Resolution 12, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions made on an arm's length basis and on normal commercial terms which are not detrimental to the interest of the minority shareholders.

Please refer to the Circular to Shareholders dated 10 November 2016 for further information.

7. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")

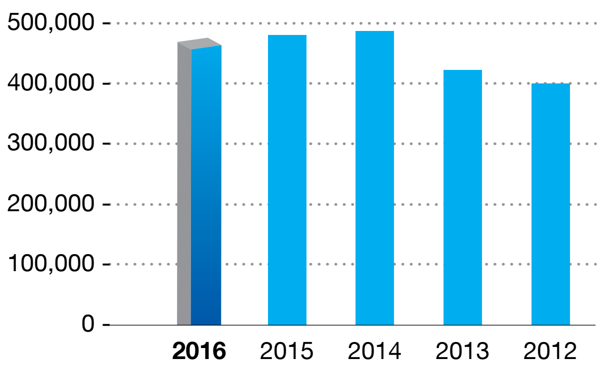
The proposed Resolution 13, if passed, will approve the amendments to the Articles of Association of the Company. The Proposed Amendments are to align the Company's Articles of Association with Listing Requirements.

FINANCIAL HIGHLIGHTS

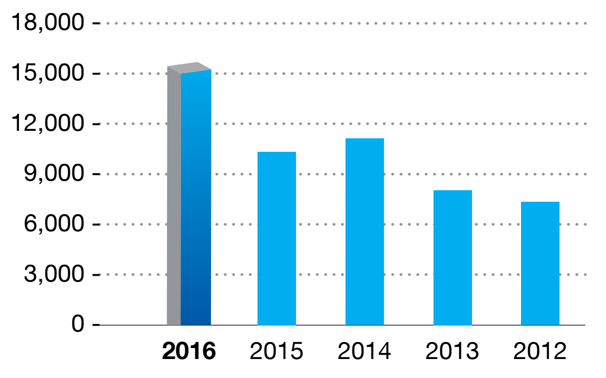
		Financial Year Ended 31 July				
		2016	**2015**	**2014**	**2013**	**2012**
Revenue	RM'000	**483,844**	485,950	487,299	431,498	400,433
EBITDA	RM'000	**22,003**	16,607	18,019	14,417	13,762
Profit Before Tax	RM'000	**15,415**	9,962	11,387	8,458	7,831
Profit After Tax	RM'000	**15,410**	10,545	9,791	7,394	7,206
Total Assets	RM'000	**154,372**	164,683	162,175	147,200	128,460
Total Liabilities	RM'000	**50,701**	73,722	79,060	71,176	59,253
Total Shareholders' Equity	RM'000	**101,748**	88,610	80,994	74,196	69,207
Gearing Ratio	%	**-**	32	55	61	55
Earnings Per Ordinary Share	Sen	**13.20**	8.60	7.91	6.16	6.00 #
Net Assets Per Share	Sen	**84.79**	73.84	69.26	63.35	57.67 #
Proposed Dividend	RM'000	**3,600** *	2,700	2,700	2,700	2,400

Denote:
The comparative figures were restated as if the Bonus Issue had taken place as at the earliest date presented.
* Proposed dividend subject to the approval of shareholders at the forthcoming Annual General Meeting.

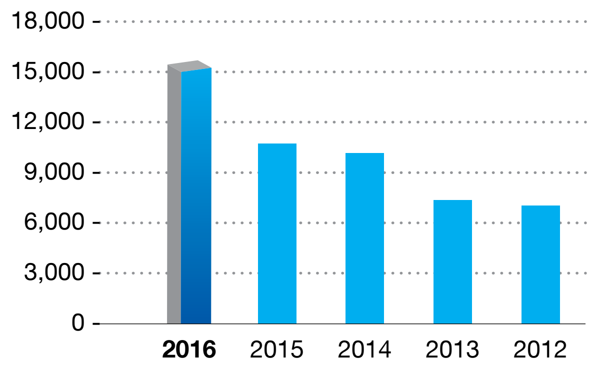
REVENUE (RM'000)



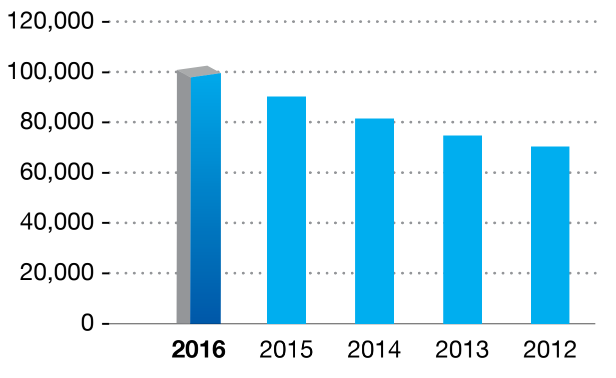
PROFIT BEFORE TAXATION (RM'000)



PROFIT AFTER TAXATION (RM'000)



TOTAL SHAREHOLDERS' EQUITY (RM'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Shahrir Bin Abdul Jalil
Independent Non-Executive Director - Chairman

Tan Wan Lay
Managing Director

Tuan Haji Ahmed Azhar Bin Abdullah
Senior Independent Non-Executive Director

Datuk Leow Chong Howa
Non-Independent Non-Executive Director

Dr Leong Chik Weng
Independent Non-Executive Director

Wong Tze Kai
Independent Non-Executive Director

Gan Choon Sun
Executive Director

AUDIT COMMITTEE

Chairman
Tuan Haji Ahmed Azhar Bin Abdullah

Members
Dr Leong Chik Weng
Wong Tze Kai

NOMINATION COMMITTEE

Chairman
Tuan Haji Ahmed Azhar Bin Abdullah

Members
Dr Leong Chik Weng
Wong Tze Kai

REMUNERATION COMMITTEE

Chairman
Wong Tze Kai

Members
Tuan Haji Ahmed Azhar Bin Abdullah
Dr Leong Chik Weng

COMPANY SECRETARIES

Ng Bee Lian (MAICSA 7041392)
Wong Wai Foong (MAICSA 7001358)
Yap Sit Lee (MAICSA 7028098)

AUDITORS

BDO (Firm No: 0206)
Chartered Accountants
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

CORPORATE ADVISOR

AmInvestment Bank Berhad
22nd Floor, AmBank Group Building
55 Jalan Raja Chulan
50200 Kuala Lumpur

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7784 3922
Fax : +603-7784 1988

HEAD/MANAGEMENT OFFICE

Lot 2-33, Jalan Perindustrian Mahkota 7
Taman Perindustrian Mahkota
43700 Beranang
Selangor Darul Ehsan
Tel : +603-8724 4662/3/7
Fax : +603-8724 4661/8723 2009

REGISTERED OFFICE

Chamber E, Lian Seng Courts
No. 275, Jalan Haruan 1
Oakland Industrial Park
70200 Seremban
Negeri Sembilan Darul Khusus
Tel : +606-762 3339
Fax : +606-762 9693

PRINCIPAL BANKERS

Citibank Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

WEBSITE ADDRESS

www.arank.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : ARANK
Stock Code : 7214

GROUP STRUCTURE

A-Rank Berhad
(Investment holding company)

100%

Formosa Shyen Horng Metal Sdn Bhd
(Manufacturing and marketing
of aluminium billets)

55%

HongLee Group (M) Sdn Bhd
(Manufacturing and marketing of
all types of aluminium and glass
fillings and other related activities)

30%

Ringgit Voyage Sdn Bhd
(Investment holding company)

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

DATO' SHAHRIR BIN ABDUL JALIL
Independent Non-Executive Director – Chairman

Aged 55, Male, a Malaysian, was appointed to the Board on 11 March 2005. He is presently the Managing Partner of Shahrizat Rashid & Lee and has extensive experience both in the business and legal sectors. He is also a qualified valuer and has practiced with a chartered property consulting firm.

Dato' Shahrir Jalil holds an LL.B (Hons) Degree from International Islamic University and an Advance Diploma in Estate Management from UITM.

In legal practice, he has been extensively involved in the areas of Islamic banking and private debt securitisation. He has jointly developed, helmed and co-helmed some pioneering Islamic Securitisation transactions including:

- The first Islamic-based construction proceeds securitisation involving the construction and completion of the Prime Minister's Office Complex and Official Residence in Putrajaya;
- The first hybrid Islamic Conventional fixed rate financing transaction for a major commercial complex in Kuala Lumpur;
- The first Real Estate Islamic Notes Issuance Facility in Malaysia;
- The first Private Driven Islamic Asset Backed Securitisation Programme in Malaysia.

Dato' Shahrir Jalil's other areas of experience lie in corporate law practice which includes advisory work pertaining to privatisations, acquisitions and disposals of assets, companies and joint ventures.

Dato' Shahrir Jalil currently sits and has sat as an independent director on various boards of public and private companies engaged in wide ranging specialist business activities and concessions.

TAN WAN LAY
Managing Director / Key Senior Management

Aged 52, Male, a Malaysian, was appointed to the Board on 11 March 2005. Mr Tan has over 20 years of experience in the aluminium extrusion industry. He graduated with a Diploma in Civil Engineering in 1986 and joined LB Aluminium Berhad in the same year. He rose through the ranks to be Senior Production Manager in 1993 when he left to join Press Metal Berhad as Production Manager. He left Press Metal Berhad in 1997 to set up Formosa Shyen Horng Metal Sdn Bhd.

TUAN HAJI AHMED AZHAR BIN ABDULLAH
Senior Independent Non-Executive Director

Aged 55, Male, a Malaysian, was appointed to the Board on 11 March 2005 and is presently the Director of Almitra Energy Services Sdn Bhd and Chief Operating Officer of I&T Properties Sdn Bhd. He graduated with Diploma in Accountancy from MARA Institute of Technology and Bachelor of Science in Accounting from California State University (Fresno) in 1986 and subsequently obtained his Master of Business Administration from California State University, Dominquez Hills (Los Angeles) in 1987. After graduation, he commenced his career as an Internal Auditor with Malaysia Mining Corporation Berhad ("MMC"). In 1992 to 1995, he was appointed as General Manager for Bracken Services Ltd (London), a subsidiary of MMC Marketing Sdn Bhd based in London responsible for operations and all financial matters. Upon his return, he served in various management capacities within the MMC Group. He joined Gas Malaysia Sdn Bhd in November 2000 and was Head of the residential and commercial sales unit for natural gas and liquefied petroleum gas until March 2005. From 2005 to 2010, Tuan Haji Ahmed Azhar was an Executive Director of MOCCIS Furniture Sdn Bhd and MCCM Marketing Sdn Bhd. Thereafter, he continued his career with Tanjak Group as Head of Finance and Corporate from 2010 to 2012.

He is the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

DATUK LEOW CHONG HOWA

Non-Independent Non-Executive Director

Aged 58, Male, a Malaysian, was appointed to the Board on 21 April 2016 and currently is the Executive Chairman of LB Aluminium Berhad.

Datuk Leow sits on the Council of Tung Shin Hospital Kuala Lumpur and is a member of the Western Medical Management Committee of Tung Shin Hospital. He is the Vice-Chairman of Chong Hwa Independent Chinese School and a Board Member of SRJK (C) Kepong School, as well as a Board Member of Yayasan Ann Koai Selangor. He is also the Vice-President of Persatuan Anxi Selangor Dan Wilayah Persekutuan Kuala Lumpur's Board of Directors. Datuk Leow is a Council Member of the Malaysia-China Business Council and a Member of the Malaysia-China Chamber of Commerce.

He was a former Council Member of the Federation of Malaysian Manufacturers ("FMM") and a former Committee Member of the Selangor Branch of FMM.

DR LEONG CHIK WENG

Independent Non-Executive Director

Aged 53, Male, a Malaysian, was appointed to the Board on 11 March 2005 and is currently the founder and Chief Executive Officer of E-Lock Corporation Sdn Bhd, a company involved in the provision of information technology services. Dr Leong obtained his Bachelor of Science in Chemical Engineering, West Virginia University, Morgantown, West Virginia in 1985 and a Ph.D. in Chemical Engineering from the University of Massachusetts, Amherst, United States in 1989. Dr Leong also completed an Executive Training in Product & Manufacturing Strategy in Stanford University, School of Business, United States in 1993.

After graduation, he joined Raychem Corporation in Menlo Park, California, United States where he was subsequently promoted as Technical Director from 1989 to 1996. In 1997, Dr Leong was a consultant to Guidant Corporation, Santa Clara, California, United States, one of the world's largest cardiovascular product companies, where he develop an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. He joined Universal Search Machine Sdn Bhd in 1998 as Managing Director until 2000.

He also holds Directorships in private companies involved in access control and CCTV as well as land development and construction. He also sits on the Board of Chemical Company of Malaysia Berhad, UMW Holdings Berhad and UMW Oil & Gas Corporation Berhad.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

PROFILE OF DIRECTORS / KEY SENIOR MANAGEMENT

WONG TZE KAI

Independent Non-Executive Director

Aged 44, Male, a Malaysian, was appointed to the Board on 19 September 2008 and is currently the Executive Director of CPK Solutions Sdn Bhd. Mr Wong graduated from the University of Adelaide, Australia with a Bachelor of Commerce/Bachelor of Law in 1995. He joined Messrs Lee Hishammuddin in 1996 as Pupil in Chambers and as Legal Assistant in 1997. He worked in Malaysian Exchange of Securities Dealing & Automated Quotation Bhd from 1997 to 1999 as an Executive, Legal and Intermediary Services and was a Senior Executive of Maxis Communications Berhad from 1999 to 2000. He was Managing Investment Director of Banyan Ventures Sdn Bhd and headed the Legal and Strategy unit from 2000 until 2003. Mr Wong was a senior manager in Malaysia Venture Capital Management Berhad from 2003 to 2005 and was promoted to Vice President (Investments) and a Voting Member of the Investment Committee from 2005 to 2006. From 2007 to 2009, he was an entrepreneur involved in several international businesses in the ICT, outsourcing and property development sectors.

He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

GAN CHOON SUN

Executive Director / Key Senior Management

Aged 51, Male, a Malaysian, was appointed to the Board on 17 September 2009 and is currently Executive Director of Formosa Shyen Horng Metal Sdn Bhd ("Formosa"), a wholly owned subsidiary of the Company. He graduated from Middlesex University, London with a First Class Honour Degree in Manufacturing Management Engineering in 1996. He also holds a Diploma in Civil Engineering from University Technology of Malaysia. Prior to joining Formosa in 2006, he held various senior positions ranging from Engineer to General Manager in various private companies in the metal industry. He has extensive experience in process engineering and has provided the Group with technical manufacturing expertise.

Currently, he is instrumental in spearheading the overall operating activities of Formosa Shyen Horng Metal Sdn Bhd, as well as formulating business strategies for the Group.

Other Information

1. **Family Relationship**
   Datuk Leow Chong Howa is a major shareholder of the Company via his spouse, City Data Limited and LB Aluminium Berhad. None of the Directors / Key Senior Management have any family relationship with any other Director and/or major shareholder of A-Rank Berhad.

2. **Conflict of Interest**
   Save for the related parties disclosures as disclosured herein, none of the Directors / Key Senior Management have any conflict of interest with the Company.

3. **Conviction for Offences**
   None of the Directors / Key Senior Management have been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 July 2016.

4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance in the Annual Report.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 31 July 2016.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

For the financial year under review, the Group's revenue was maintained at RM483.8 million as compared to RM486.0 million for the preceding year.

The Group reported profit before tax of RM15.4 million for the financial year ended 31 July 2016 compared to a profit before tax of RM10.0 million in the previous year reflecting a substantial increase of 54.7%. The increase of profit before tax is due mainly to better margins despite the impairment loss on goodwill on acquisition amounting to RM2.7 million.

The Group also achieved a significant increase in profit after taxation of 46.1% for the current year under review in line with the higher profit before taxation.

The earnings per ordinary share for the financial year ended 31 July 2016 was 13.20 sen whilst net assets per ordinary share amounted to 84.79 sen as at the end of the financial year.

CORPORATE DEVELOPMENTS

The Group does not have any significant corporate development to report for the financial year 2016 as activities were mainly concentrated on improvement in productivity and operational efficiencies.

DIVIDENDS

The Board of Directors is pleased to recommend a first and final single tier dividend of 3.00 sen per ordinary share of RM0.50 each amounting to RM3.6 million (2015: RM2.7 million) in respect of the financial year ended 31 July 2016 subject to the approval of shareholders at the forthcoming Annual General Meeting.

PROSPECTS

In the second quarter of 2016, the global economy expanded at a more moderate pace, with uneven growth momentum across economies. Growth remained modest in the advanced economies amid continued cyclical and structural weaknesses. In Asia, economic expansion was supported by domestic demand, but was weighed down by persistent weakness in export performance.

The Malaysian economy expanded by 4.0% in the second quarter of 2016 (1Q 2016: 4.2%). Private sector expenditure remained the key driver of growth and contributed towards the continued expansion in domestic demand. The volatility of both aluminium prices and currencies continue to add uncertainties to our decision-making process particularly on pricing whilst increases in natural gas pricing which took effect from 1 January 2016 and 1 July 2016 respectively and the overall increase in costs of doing business in Malaysia will have adverse impacts on the Group's margins.

Nonetheless, the Group will remain vigilant and be well prepared for the volatilities and challenges ahead. As usual, we will continuously focus on improving cost efficiencies and recovery to mitigate any adverse impacts on our business.

Barring unforeseen circumstances, the Board is optimistic that the Group will remain profitable for the forthcoming year.

APPRECIATION

On behalf of the Board, I would like to extend our heartfelt thanks to our customers, business associates, bankers and the various government agencies for their continued support. I would further like to place on record my appreciation and gratitude for the support of my fellow Directors. Our appreciations are also extended to our shareholders and to the Management and employees for their commitment, contribution and loyalty.

Dato' Shahrir Bin Abdul Jalil
Chairman
Independent Non-Executive Director

MANAGING DIRECTOR'S OPERATIONS REVIEW

MANAGING DIRECTOR'S OPERATIONS REVIEW

REVIEW OF OPERATIONS

The Group's revenue was maintained at RM483.8 million for the financial year under review as compared with the previous year. Profit before and after tax were recorded at RM15.4 million respectively as compared with RM10.0 million and RM10.5 million last year representing increases of 54.7% and 46.1%. The significantly better results were due mainly to better margins despite the impairment loss on goodwill on acquisition amounting to RM2.7 million.

The Group was able to achieve these results despite increases in natural gas prices as well as production overhead and transportation costs due to measures taken over the past few years to improve efficiency and recovery. The Group has and will continue to upgrade its manufacturing facilities to improve the quality of its products whilst at the same time raise its operational efficiency and recovery which is very important for our industry. Amongst the upgrade during the financial year was improvement to homogenise furnaces to increase efficiency in the usage of electricity throughout the production process as well as an additional one unit of dust control system to ensure cleaner discharge into the environment. From the marketing perspective, the Group has constantly adopted strategies to broaden its customer base as well as identifying better valued customers.

However, its 55%-owned subsidiary, HongLee Group (M) Sdn Bhd ("HongLee Group") had registered a drop in revenue of 19.3% to RM10.9 million as compared to RM13.5 million for the previous year due mainly to lower business volume. HongLee Group reported loss before tax and loss after tax of RM6.1 million and RM5.9 million respectively. The losses were mainly due to the impairment loss on goodwill on acquisition amounting to RM4.9 million at the Company level as Management was of the opinion that it was prudent to provide for the impairment following its lackluster performance.

OUTLOOK

The outlook for 2017 remains challenging, as the market and the operating environment are driven by various domestic as well as global uncertainties. In particular, the slowdown in the China economy has impacted growth in ASEAN and other regions and the Malaysian economy was not spared.

Nevertheless, the depreciation of Ringgit Malaysia which has been weakening since the beginning of 2015 should result in our products being more competitive in the export markets. On the other hand, the weakened Ringgit Malaysia will escalate the costs of doing business domestically arising from costlier imports. The Malaysian economy is expected to grow, albeit modestly, as announced in the recent Budget. The construction sector remains an important contributor to the domestic economy particularly infrastructure spending and on housing. As such, the future outlook for the Group continues to be promising.

The forthcoming financial year will be challenging and fraught with uncertainties with rising costs a major factor. The Group is confident, barring any unforeseen circumstances, of the prospect of the Group moving forward and that it will be able to sustain its profitability for the forthcoming year.

APPRECIATION

I wish to take this opportunity to thank our customers, business partners, suppliers, bankers and not forgetting our shareholders for their continue support. My thanks are also extended to my fellow Directors, Management and staff for all the hard work, commitment and contribution for the year under review.

Tan Wan Lay
Managing Director

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of A-Rank Berhad ("the Board") is committed to ensuring that the standards of corporate governance pursuant to the Malaysian Code on Corporate Governance 2012 ("the Code") are practiced throughout the Company and its subsidiaries, ("the Group") to achieve its objectives to protect and enhance shareholders' value, safeguard the Group's assets and improve the performances of the Group. Hence, the Board will continue to evaluate the Group's corporate governance procedures, in so far as they are relevant to the Group, bearing in mind the nature of the Group's businesses and the size of its business operations.

The statement below sets out the Group's application of the principles of the Code and the extent of its compliance for the financial year under review.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITES OF THE BOARD AND MANAGEMENT

1.1 CLEAR FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is collectively the primary decision-making body for all material matters affecting the Group. It also provides leadership, guidance and sets strategic direction.

The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Group is firmly in its hands. This acts as a safeguard against misjudgements and possible ultra-vires activities.

The Independent Non-Executive Directors are committed in upholding business integrity and exercising their independent judgement while the Executive Directors are responsible for making and implementing operational and corporate decisions as well as day-to-day management of the business and operations of the Group. There is a clear division of responsibilities between the executive and non-executive functions to ensure effectiveness of the decision making process of the Board.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

1.2 BOARD CHARTER

The Board Charter provides guidance for Directors on the responsibilities of the Board, its committees and requirements of Directors and is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The Charter has been uploaded on the Company's website at www.arank.com.my in line with Recommendation 1.7 of the Code.

The Board of Directors regularly review the strategic direction of the Group and the progress of the Group's operations, taking into account changes in the business and political environment and risk factors such as the level of competition.

1.3 SUSTAINABILITY

The Board recognises the importance of business sustainability and environment, social and governance performance as part of its broader responsibility to clients, shareholders, workplace and the communities in which it operates. Every business decision that the Group makes pertaining to growth and profitability is consistent with its social and environmental needs for sustainability. As the Group focuses on delivering sustainable growth, we will continue to work hard to ensure that we balance our financial ambitions with responsible environmental and social practices.

1.4 ACCESS TO INFORMATION AND ADVICE

All Directors have full and unrestricted access to all information concerning the Company and the Group. At each Board meeting, the Managing Director and Executive Director will brief the Board on the Group's activities, operations and other performance factors affecting the Group's business and performance. All meetings will be preceded by an agenda issued by the Company Secretary. The relevant reports and Board papers will be distributed prior to the Board meetings to allow for sufficient time for the Directors to peruse so as enabling effective discussions and decision making during meetings.

All Directors have access to the advice and services of the Company Secretary and are also entitled to seek advice from investment bankers, the External Auditors, the Outsourced Internal Auditors and other independent professionals in the furtherance of their duties, at the Company's expense.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITES OF THE BOARD AND MANAGEMENT (CONT'D)

1.5 QUALIFIED AND COMPETENT COMPANY SECRETARY

The Board is supported by three (3) qualified, competent and experienced Company Secretaries who facilitates overall compliance with the Listing Requirements as well as informs and keeps the Board updated of the latest enhancements in corporate governance, changes in the regulatory framework, new statutory requirements and best practices.

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following committees to assist in the execution of its responsibilities.

a) Audit Committee
b) Nomination Committee
c) Remuneration Committee

2.1 AUDIT COMMITTEE

The Board has established the Audit Committee on 17 March 2005 and comprised of three (3) Independent Non-Executive Directors to assist the Board in discharging its duties. The Board of Directors has in line with the Listing Requirements reviewed the term of office and performance of the Audit Committee and each of its members and is satisfied that the Audit Committee has carried out its duties in accordance with its terms of reference.

The summary of duties and responsibilities is outlined in the Audit Committee's terms of reference approved by the Board. The terms of reference of the Audit Committee are available on the Company's website at www.arank.com.my

2.2 NOMINATION COMMITTEE

The Board has established the Nomination Committee on 30 September 2013 and is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board's vacancies at the Company as well as subsidiaries. Nominations may come from a wide variety of sources.

The Nomination Committee also carried out evaluation on the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director. Such evaluation also includes the evaluation of Independent Non-Executive Directors on their independences and that all assessments and evaluations by the Nomination Committee would be properly documented.

The Nomination Committee comprises of the following members:

Name	Position	Attendance (1 August 2015 to 31 July 2016)
Chairman		
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	2/2
Members		
Dr Leong Chik Weng	Independent Non-Executive Director	2/2
Wong Tze Kai	Independent Non-Executive Director	2/2

The terms of reference of the Nomination Committee is made available on the Company's website.

Summary of Activities

For the financial year ended 31 July 2016, the activities of the Nomination Committee include the following:

i) Conduct the following evaluation on an annual basis:

- The effectiveness of each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;
- The effectiveness of the Board Committees;
- The effectiveness of the Board as a whole; and
- The Independence of each Independent Director.

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

2.2 NOMINATION COMMITTEE (CONT'D)

Summary of Activities (Cont'd)

ii) Reviewed the performances of its Executive Directors;

iii) Appointment of new directors
Reviewed and recommended the appointment of Datuk Leow Chong Howa as a Non-Independent Non-Executive Director to the Board and approved by the Board on his appointment on 21 April 2016.

iv) Reviewed and recommended to the Board for the re-election/re-appointment of directors who will retire at the forthcoming AGM of the Company;

- Pursuant to Article 112 of the Company's Articles of Association, that at least one third (1/3) of the Directors including the Managing Director shall be subject to re-election by rotation at least once in every three (3) years at each AGM, but shall be eligible for re-election.

  - Dato' Shahrir Bin Abdul Jalil and
  - Mr Tan Wan Lay

- Pursuant to Article 117 of the Articles of Association, all Directors appointed by the Board are subject to re-election by the shareholders at the first Annual General Meeting ("AGM") following their appointment.

  - Datuk Leow Chong Howa who was appointed on 21 April 2016 to the Board since the last AGM, and being eligible, offers himself for re-election.

The resolution of the re-election of each Director is voted on separately.

v) Reviewed and recommended that the directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than/almost nine (9) years, to continue to act as Independent Non-Executive Directors of the Company pursuant to Recomendation 3.3 of the Code;

- Dato' Shahrir Bin Abdul Jalil,
- Tuan Haji Ahmed Azhar Bin Abdullah,
- Dr Leong Chik Weng and
- Mr Wong Tze Kai

The resolution on the retention of each Independent Director is voted on separately.

With regards to the Board's gender diversity, the Board has not adopted any formal gender diversity policy in the selection of new Board candidates and does not have a specific policy on setting targets for female candidates.

The Group will continue to identify suitable candidates for appointment to the Board as and when vacancies arise. Such candidates will be strictly assessed based on merit, their competencies, time commitment, experiences and knowledge.

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

2.3 REMUNERATION COMMITTEE

The Board had established a Remuneration Committee with appropriate terms of reference on 30 September 2013. The members of the Committee are as follows:

Name	Position	Attendance (1 August 2015 to 31 July 2016)
Chairman		
Wong Tze Kai	Independent Non-Executive Director	2/2
Members		
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	2/2
Dr Leong Chik Weng	Independent Non-Executive Director	2/2

The terms of reference of the Nomination Committee is made available on the Company's website.

2.3.1 Directors' Remuneration

The aggregate remuneration of Directors of the listed issuer for the financial year ended 31 July 2016 is as follows:

	Group			Company		
	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees *	60	136	196	60	136	196
Salaries	779	-	779	10	-	10
Bonus	327	-	327	8	-	8
Defined contribution plan	102	-	102	1	-	1
Meeting allowance	10	21	31	10	21	31
Benefit-in-kind	26	-	26	-	-	-
Total	**1,304**	**157**	**1,461**	**89**	**157**	**246**

* The fees payable to the Directors will be recommended by the Board for approval by shareholders at the forthcoming Annual General Meeting scheduled to be held on 7 December 2016.

The number of Directors whose total remuneration fall within the following bands for the financial year ended 31 July 2016 is as follows:

	Group No of Director		Company No of Director	
	Executive	Non-Executive	Executive	Non-Executive
Below RM50,000	-	5	2	5
RM500,001 to RM550,000	1	-	-	-
RM750,001 to RM800,000	1	-	-	-

On the non-disclosure of detailed remuneration of each Director, the Board is of the view that the transparency of Directors' remuneration has been sufficiently dealt with by the 'bands disclosure' presented in this Statement.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

3.1 ANNUAL ASSESSMENT OF INDEPENDENT DIRECTORS

The Board consists of five (5) Non-Executive Directors and two (2) Executive Director. Four (4) of the Non-Executive Directors are independent. In ensuring that independent judgments are not compromised, the Board has adopted a policy on assessment of independence on its independent directors which is conducted on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Listing Requirements.

Based on the assessment conducted recently, the Board is generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Group.

3.2 TENURE OF INDEPENDENT DIRECTORS

The tenure for an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years since appointment as an Independent Non-Executive Director as recommended by Malaysian Code on Corporate Governance 2012. The Independent Non-Executive Director may continue to serve on the Board beyond the nine (9) years tenure provided the Independent Non-Executive Director is re-designated as a Non-Independent Directors.

Where the Board is of the view that the Independent Non-Executive Director can continue as an independent Non-Executive Director beyond the nine (9) years tenure, it must justify and seek shareholders' approval at the Annual General Meeting/ Extraordinary General Meeting.

3.3 SHAREHOLDERS' APPROVAL TO RETAIN INDEPENDENT DIRECTORS AFTER SERVING NINE (9) YEARS

Following the recommendation of the Nomination Committee in which the respective Director has abstained from deliberation on his election, Dato' Shahrir Bin Abdul Jalil, Tuan Haji Ahmed Azhar Bin Abdullah, Dr Leong Chik Weng and Mr Wong Tze Kai who have respectively served the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than/almost nine (9) years as at the end of the financial year under review, have been recommended by the Board to continue to act as an Independent Non-Executive Directors, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. The Board recommends retaining their designations as Independent Non-Executive Directors based on the following justifications:

a) they have fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and, therefore, are able to bring independent and objective judgment to the Board;

b) their experiences in the legal and/or financial matters, business and other relevant sectors enable them to provide the Board, as the case may be, with pertinent expertise, skills and competence;

c) they have been with the Group for many years and therefore understand the Group's business operations which enable them to contribute actively and effectively during deliberations or discussions at Board meetings;

d) they provided effective check and balance in the proceeding of the Board and the Board Committees; and

e) they had met with the attendance requirements for Board Meetings pursuant to the Listing Requirements. During the financial year under review, they had each attended all the Board meetings held. They exhibited high commitment and devoted sufficient time and testifies to their dedication in discharging the responsibilities as Independent Non-Executive Directors of the Company.

3.4 SEPARATION OF POSITIONS OF THE CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and Managing Director of the Company are distinct and separate with individual responsibilities. Each of them has clearly defined duties and authority thus ensuring balance of power and greater capacity for independent decision-making.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

3.4 SEPARATION OF POSITIONS OF THE CHAIRMAN AND MANAGING DIRECTOR (CONT'D)

The Chairman is primarily responsible for ensuring the Board's effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. The Managing Director is responsible for the daily management of the Group's operations and implementation of the Board's policies and decisions. He is responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills contributed significantly towards the attainment of the Group's goals and objectives.

Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

3.5 BOARD OF DIRECTORS

The Board currently comprises of seven (7) members, four (4) of whom are Independent Non-Executive Directors. The Board members, with their diverse backgrounds, bring with them a wide range of disciplines and experiences to provide stewardship to the Group. The composition of the Board complies with the Code in that at least one third of the Board consists of Independent Non-Executive Directors. There is a balance of power and authority in the Board as the Managing Director is responsible for the normal operations and business activities of the Group whilst the Independent Non-Executive Chairman and the Independent Non-Executive Directors ensure that the Board practices good governance in discharging their duties in compliance with the Code. Decisions made are fully discussed and examined taking into account the long term interest of the Group, shareholders, employees, customers and the many communities in which the Group conducts its business.

In the event of any potential conflict of interest situation, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

Tuan Haji Ahmed Azhar Bin Abdullah has been appointed as the Senior Independent Non-Executive Director to whom any concerns pertaining to the Group may be conveyed as recommended by the Code.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

All Directors have committed sufficient time to carry out their duties during the tenure of their appointment. Each Director is expected to commit time as and when required to effectively discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

4.1 TIME COMMITMENT

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcements of the Group's quarterly results.

The Board meets on a scheduled basis, at least once every three (3) months. Additional meetings may be convened to resolve any major and/or ad-hoc matters requiring immediate attention. During the financial year ended 31 July 2016, the Company held four (4) meetings of the Board of Directors. Management staff or external advisors may be invited to attend Board meetings to provide the Board with detailed explanations and clarifications.

All the Directors have complied with the requirements of Bursa Malaysia in relation to attendance at Board meetings, in particular Paragraph 15.05 (3) of the Listing Requirements which states that the office of a Director will become vacant if the Director is absent for more than 50% of the total Board meetings held during a financial year.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.1 TIME COMMITMENT (CONT'D)

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities. The details of the attendance by the Directors are as follows:

Name of Directors	Number of Meetings Attended (1 August 2015 to 31 July 2016)	Percentage
Dato' Shahrir Bin Abdul Jalil	4/4	100%
Tan Wan Lay	4/4	100%
Tuan Haji Ahmed Azhar Bin Abdullah	4/4	100%
Dr Leong Chik Weng	4/4	100%
Wong Tze Kai	4/4	100%
Gan Choon Sun	4/4	100%
Datuk Leow Chong Howa (Appointed on 21 April 2016)	1/1	100%

4.2 NUMBER OF DIRECTORSHIPS IN OTHER COMPANIES

All Directors are required to declare to the Board of their acceptance of any new directorship in other listed issuers.

Directors of the Company do not hold more than five (5) directorships in public listed companies as stipulated in the Listing Requirements.

The list of directorships held is disclosed by the respective Directors to the Board to ensure compliance with the above Listing Requirements.

4.3 DIRECTORS' TRAINING

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP") in accordance with the Listing Requirements. In addition to the MAP, the Directors will continue to undergo other relevant training programs to further enhance their knowledge in the latest statutory and regulatory developments as well as to keep abreast with developments in the business environment to enable them to discharge their responsibilities more effectively.

The Company Secretary regularly update the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board quarterly on these updates, where applicable, at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review.

The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role. For the financial year ended 31 July 2016 and up to the date of this report, the courses attended by the Directors include:

Name of Directors	Course / Seminar Attended
Dato' Shahrir Bin Abdul Jalil	• Amendments To Bursa's Listing Requirements - How to rise up to meet those challenges
Tan Wan Lay	• BDO Tax Forum Series - Adapting To Chance
Tuan Haji Ahmed Azhar Bin Abdullah	• Corporate Financial Reporting - Are you making the right decision?
Dr Leong Chik Weng	• Customised Advocacy Session with Bursa Securities • 6th Annual Emerging Markets Leadership Forum • CCM Group Directors and Senior Management Training 2016 on "Companies Bill 2015"
Wong Tze Kai	• Amendments To Bursa's Listing Requirements- How to rise up to meet those challenges
Gan Choon Sun	• BDO Tax Forum Series - Adapting To Chance • The Inside Story Of Annual Report: What Directors Must Know • Foreign Exchange Risk Management
Datuk Leow Chong Howa	• Corporate Governance Breakfast Series: Thought Leadership Session For Director

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

5.1 FINANCIAL REPORTING

The Board aims to present a balanced and clear assessment of the Group's financial performance and prospects in presenting the annual financial statements and quarterly reports as well as announcements to Bursa Malaysia Securities Berhad. The Chairman's statement and Managing Director's operations review provide further information on the Group's activities, business performances and prospects.

The Board is assisted by the Audit Committee in reviewing the Group's financial reporting procedures of its financial results, and scrutinising information for disclosure to ensure compliance with accounting standards, adequacy and completeness and are announced to the public within the stipulated time frame.

5.2 STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required, pursuant to Section 169 of the Companies Act, 1965 (the "Act"), to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the Company and of the Group as at the end of the accounting period and of their results and cash flow for the financial year then ended. In addition, the Directors have the general responsibility for taking such steps as they are reasonably open to them to safeguard the assets of the Group and to prevent fraud and other irregularities. In preparing the financial statements for the financial year ended 31 July 2016, the Directors have:

- adopted the appropriate accounting policies, which are consistently applied;
- made reasonable and prudent judgments and estimates; and
- ensure that the applicable approved Financial Reporting Standards in Malaysia and the provisions of the Act are complied with.

The Statement of Directors pursuant to the Act is set out in the annual report.

5.3 ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

The Board has maintained a transparent and professional relationship with the External Auditors through the Audit Committee. The External Auditors are invited to attend the Audit Committee meetings when necessary. The Audit Committee meets the External Auditors to review the scope and adequacy of the audit process, the financial statements and their audit findings. During the financial year ended 31 July 2016, the Audit Committee met twice with the External Auditors without the presence of Management. The External Auditors are also invited to attend the Company's AGM and are available to take questions from the shareholders on issues pertaining to their audit report.

The Audit Committee has completed the evaluation form and checklist to assess suitability and independence of the External Auditors on 28 September 2016 and Messrs. BDO, the existing External Auditors have declared their independence to the Group and their compliance with By-Laws (on professional ethics, conduct and Independence) of the Malaysian Institute of Accountants on 17 October 2016 to the Board.

Audit Committee was satisfied with Messrs. BDO's technical competency and audit independence during the financial year under review and recommended to the Board the re-appointment of Messrs. BDO as External Auditors for the financial year ending 31 July 2017 which subject to the approval of shareholders at the forthcoming AGM.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISK OF THE GROUP

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control in the Company and the Group. These controls provide reasonable but not absolute assurance against material misstatement, loss or fraud.

6.1 SOUND FRAMEWORK TO MANAGE RISKS

The Board has established a risk management framework to manage risk. The Risk Management Committee ("RMC") was established on 30 September 2013. The RMC is responsible for overseeing the Group's risk management system, approving appropriate risk management practices and procedures to ensure effectiveness of risk identification, management and monitoring. Its primary roles include the following:

- To provide regular and timely reporting and update the Board on key risk management issues as well as ad-hoc evaluation and reporting of new ventures/ investments proposals;
- To ensure the effective implementation of risk treatment policy and procedures;
- To assist and promote risk awareness so that risk identification, evaluation and management process and culture are adopted throughout the Group; and
- To ensure that risk management is incorporated in the Statement on Risk Management and Internal Control for inclusion in the Company's annual report and to recommend the same for the approval of the Board.

The RMC will submit risk assessment reports to the Audit Committee on a half yearly basis.

6.2 INTERNAL CONTROL

The Internal Audit function is outsourced to C.H. Loo & Co (the "Outsourced Internal Auditors"). The responsibilities of the Outsourced Internal Auditors include conducting audits, submitting findings and the provision of independent report to the Audit Committee on the Group's systems of internal controls. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care. The audits are carried out to ensure instituted controls are appropriate, effectively applied and within acceptable risk exposures and consistent with the Group's risk management policy. The Outsourced Internal Auditors reports directly to the Audit Committee and audit findings and recommendations are communicated to the Board.

Details of the Group internal control system and framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 CORPORATE DISCLOSURE POLICY

The Board acknowledges the importance to disclose information in a timely manner and in compliance with the requirements under the Listing Requirements and other applicable laws and regulations.

The Company has established a Corporate Disclosure Policy ("Policy") that applies to the conduct of all Directors and employees of the Group with regards to handling and disclosure of material information. Objectives of the Policy:

- To ensure informative, timely, factual and accurate disclosure of material information pertaining to the Group's performance and operations to the public;
- To ensure that all persons to whom this Policy applies understand their obligations to preserve the confidentially of material information;
- To ensure compliance with all applicable legal and regulatory requirements on disclosure of material information; and
- To maintain good relations with the investing public to inspire trust and confidence.

The Policy does not apply to communication made in the ordinary course of business not involving material information.

The Board of Directors is generally responsible for the proper dissemination of information whilst the actual implementation can be delegated to designated persons. Designated persons appointed as the authorised spokesperson or the appointed investment bank or adviser will draft the announcement and ensure compliance with the Listing Requirements and accuracy of the contents in the announcement.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

7.1 CORPORATE DISCLOSURE POLICY (CONT'D)

All announcements will be approved by the Board of Directors, the Chairman/Managing Director/Executive Director or his designated person (where applicable) before release to Bursa Malaysia Securities Berhad.

Once the announcement has been released to Bursa Malaysia Securities Berhad, it will be made available and accessible on the Company's website.

7.2 LEVERAGE ON INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

The Board recognise the importance of information technology for effective dissemination of information. The Company's website www.arank.com.my has become a key communication channel for the Company to reach its shareholders and general public. The Company's website has a number of sections which provide up-to-date information on the Group's activities, board charter, financial results, announcements to Bursa Malaysia Securities Berhad, Annual Reports and other informations.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

8.1 ENCOURAGE SHAREHOLDERS' PARTICIPATION AT GENERAL MEETINGS

The AGM or EGM serves as the principal forum for direct interaction and dialogue among shareholders, Board and Management. The AGM or EGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance and other matters of concern. Shareholders are encouraged to actively participate in the question and answer session. The Board, Management and the External Auditors are available to respond to shareholders' enquiries and provide appropriate clarifications at the AGM or EGM.

The Company dispatches its notice of AGM or EGM and related papers to shareholders at least twenty one (21) days before the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Each item of special business included in the Notice of the AGM or EGM will be accompanied by a full explanation of the effects of a proposed resolution.

The results of all the resolutions set out in the Notice of the AGM will be announced on the same day via Bursa LINK, which is accessible on Bursa Malaysia Securities Berhad and the Company's websites.

8.2 POLL VOTING

In the recent amendments to the Listing Requirements, any resolutions set out in the notice of general meetings held on or after 1 July 2016, will be held by way of poll voting. In compliance with this amendment, the resolutions in the Annual General Meeting to be held on 7 December 2016 will be exercised by way of poll voting.

8.3 EFFECTIVE COMMUNICATION AND PROACTIVE ENGAGEMENTS WITH SHAREHOLDERS

The Board views the AGM as the principal forum for dialogue with shareholders. The Chairman and Board members are in attendance at the AGM to provide explanations to all shareholder queries during the open question and answer session on matters relating to the resolutions being proposed as well as the Group's business and affairs.

The Board appreciates feedback from their valued shareholders and in this regard, shareholders may contact the Admin Manager, Mr Fam Lian Fatt to address any concern which a shareholder may have and he can be contacted via telephone, facsimile or electronic mail as follows:

Tel. No : +603-8724 4662/63/67
Fax No : +603-8723 2009
Email : fam@arank.com.my

COMPLIANCE STATEMENT

The Board is of the view that the Group has taken the necessary steps throughout the financial year under review to comply with the principles and best practices of the Code. The Board will continue to review its governance model to uphold its pledge, commitment and effort to enhance and promote the best practices of corporate governance throughout the Group in its effort to achieve the highest standards of transparency, accountability and above all, integrity.

Statement made in accordance with a resolution of the Board of Directors dated 17 October 2016.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

During the financial year ended 31 July 2016, there were no proceeds raised by the Company from any corporate proposals.

AUDIT FEES AND NON-AUDIT FEES

For the financial year ended 31 July 2016, Messrs. BDO, the External Auditors have rendered certain audit and non-audit services to the Group and the Company. A breakdown of the fees paid or payable is as follows:

	Group		Company	
	RM	% of Total Fees Paid/Payable	RM	% of Total Fees Paid/Payable
Audit services rendered	74,000	94	10,000	67
Non-audit services rendered	5,000	6	5,000	33
	79,000	100	15,000	100

Non-audit fee paid/payable to the External Auditors, being 6% and 33% of the total fees paid/payable to the External Auditors by the Group and the Company respectively are well below the guidelines set for the mix of audit fees to maintain independence of the External Auditors.

MATERIAL CONTRACTS

No material contract has been entered into by the Company and/ or its subsidiaries which involved Directors' and/ or substantial shareholders' interests, either still subsisting at the end of the financial year ended 31 July 2016 or, if not then subsisting, entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The details of the related party transactions are set out in page 88 to 89 of the notes to the financial statements in which the transactions were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Further information on the proposed renewal of shareholder mandate for the recurrent related party transactions to be tabled at the forthcoming Annual General Meeting are set out in the Circular to Shareholders dated 10 November 2016.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Provision Educational Supports to Employees' Children

The Board recognises the importance of A-Rank Berhad and its subsidiaries ("A-Rank" or the "Group") to fulfil its Corporate Social Responsibility ('CSR') towards the betterment of the environment, the community, the marketplace and workplace. As the Group focuses on delivering sustainable growth, we will continue to work hard to ensure that we balance our financial ambitions with responsible environmental and social practices.

To operate with sustainability, we focus our activities on our key impact areas. We employ both corporate strategy and feedback from internal and external stakeholders to define these areas of focus.

ENVIRONMENT

The Group ensured the compliance of all environmental laws and regulations by integrating CSR practices into its daily operations. The Group is particularly proud of its contributions towards the environment as it provides a valuable service in the recycling of aluminium, predominantly to manufacturers of aluminium products in Malaysia. Aluminium which is the major raw material input in our products is environmentally friendly and can be endlessly recycled. By recycling aluminium, we help save energy as well as raw materials which lessen the need for solid waste disposal. In addition, the Group has added another unit of dust control system to ensure cleaner discharge into the environment.

COMMUNITY

The Group recognises the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to nourish and improve the quality of the society at large. To be socially responsible, the Group focuses its corporate responsibility on enhancing community sustainability through various activities and actions aim to promote community engagement and address the needs of less fortunate and underprivileged families.

The initiatives include
a) monetory donations to various school in Malaysia as a gesture of its contributions.
b) monetory and goods in kind donation to old folks and/or handicapped home.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Home and Living Exhibition

Welfare Visit and Contribution to Charitable Organisations

MARKETPLACE

To achieve sustainable development of the marketplace, the Group endeavours to carry out activities to promote responsible practices among our investors, suppliers and customers where high ethical standards in the respective areas are consistently applied.

a) Investors
In line with good corporate governance and transparent business practices, we constantly review our policy to ensure the Group is managed effectively and ethically with adequate control mechanisms to manage risks and deliver accountability, sustainability and profitability. Good governance practices translate into better business performance and create a more sustainable value for the Group.

b) Suppliers
The Group respects its suppliers and work closely with them through long-term relationships to realise mutual growth based on mutual trust. In this aspect, the Group engages its suppliers through the engagement in ethical procurement practices by adopting standard and equitable procedures in vendors' qualification, ensures the materials supplied are in accordance to the Group's requirements and conducts in-depth suppliers' audits to ensure the required standards are met in the supply chain.

c) Customers
The Group is committed to support the customers' success by working closely with them to enhance their products and process challenges. To build our reputation on the basis we help our customers achieve success by focusing on the delivering of superior quality billets, reliable on-time deliveries and services. In line with its emphasis on quality, the Group has achieved the ISO 9001:2008 certification.

WORKPLACE

The Group recognise that employees are its most important asset and we demonstrate this commitment by providing a conducive work environment. The Group's commitment to its people also involves the upgrade of human capital and towards the training effort. In line with this belief, the Group strived to ensure an environmental-friendly, healthy and safe workplace for all employees.

Annual Dinner and
Long Service Awards Ceremony


Staff Training


Celebration of Hari Raya Aidilfitri

WORKPLACE (CONT'D)

a) Staff Welfare

The Group aims to enhance the employee benefits schemes to build an engaged workforce that stay focus and grow within the Group. In pursuing this objective, we provide the following:

- Medical benefits, hospitalization and personal accident insurance coverage;
- Provided educational supports to a total of 86 students for kindergarten, primary and secondary schools comprising children of the Group's employees.
- Organise annual dinner combined with the Long Service Awards ceremony which was held in January 2016 to recognise their loyalty, dedication and commitment; and
- Celebration of Hari Raya Aidilfitri on July 2016 with an entertaining night for all the Group's employees.

b) Safety and Health

The safety of our people is imperative to our operations. As a safety first entity, the Group actively and continuously seek out a safety first mind-set in its operations. We ensure their well-being by observing strict safety and health standards in our workplace through the following initiatives:

- Setting up a Safety & Health Committee for assisting in the development of safety & health rules and systems, carry out programs such as fire drills, safety and health talks as well as evacuation exercises at the plant to create awareness and to inculcate consciousness within its workforce;
- Safety wears are provided to relevant employees to reduce the consequences of serious accidents; and
- Enforcement of safety practices in all aspect at all time.

c) Training and Development Program

In order to ensure our employees excel in their respective areas of expertise, we continue to implement regular training and development activities to fast track employee skills and development so that they are well equipped to meet their personal goals and the Group's goals.

As part of its human capital development, various in-house programmes and job skills related training were conducted to equip the employees with improved skills and knowledge.

The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise.

CONCLUSION

The Group continue to build sustainable practices in every aspect of the Group's business and remain steadfast in achieving excellence in its corporate social responsibility activities. Our action today will define our success in the future. By focusing our efforts on the sustainability issues of the four sustainability dimensions namely environment, community, marketplace and workplace, we shall further enhance our corporate image, reputation and the brand equity value.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

Name	Position	Attendance (1 August 2015 to 31 July 2016)
Chairman		
Tuan Haji Ahmed Azhar Bin Abdullah	Senior Independent Non-Executive Director	4/4
Members		
Dr Leong Chik Weng	Independent Non-Executive Director	4/4
Wong Tze Kai	Independent Non-Executive Director	4/4

TERMS OF REFERENCE

The summary of duties and responsibilities is outlined in the Audit Committee's terms of reference approved by the Board. The terms of reference of the Audit Committee are available on the Company's website at www.arank.com.my

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the financial year under review, the Audit Committee carried out the following works in accordance with its terms of reference:

a) Financial Reporting

- reviewed the unaudited quarterly and year-end results of the Group and the Company before recommending to the Board for their approvals and for announcement to Bursa Malaysia Securities Berhad;
- reviewed the Audited Financial Statements of the Group and of the Company prior to submission to the Board for consideration and approval;

b) With Internal Auditors

- reviewed the internal audit plan and the scope of work;
- review the internal audit reports, their findings, recommendations and the Management's response in addressing the issues found to ensure that risk issues were adequately addressed;

c) With External Auditors

- review the audit plan and scope of work as well as the audit procedures to be utilised;
- review the results of audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit;
- reviewed the External Auditors' report and management letter, if any prior to the recommendation to the Board;
- met with the External Auditors twice before finalisation of the Audited Financial Statement for the financial year under review without the presence of Executive Directors or Management;
- appraised the performance and evaluated the independence and objectivity of the External Auditors in providing their services and made recommendation to the Board on their re-appointment and the quantum of audit fees;

d) Other

- reviewed the related party transactions including any transaction to ensure that the transactions were on normal commercial terms and not detrimental to the interest of minority shareholders of the Company;
- reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to inclusion in the Company's Annual Report.

All the requirements under the terms of reference were complied with and the Audit Committee did not see any matters in breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that warrant reporting to Bursa Malaysia Securities Berhad.

INTERNAL AUDIT FUNCTION

A-Rank recognises that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. The internal audit function of the Group is outsourced to a professional Internal Audit service provider to assist the Audit Committee in carrying out its duties. The Internal Auditors report directly to the Audit Committee.

The summary of works undertaken by the Internal Auditors during the financial year ended 31 July 2016 included the following:

1. Inventory Management
   - Inventory planning
   - Quality control
   - Inventory recording
   - Inventory management, handling, storage and packaging
   - Obsolete and slow moving inventory identification
   - Management of reject/returned inventories Insurance coverage

2. Fixed Assets Management
   - Capitalisation and depreciation policy
   - Disposal and acquisitions
   - Review of custodianship and safe guarding of assets
   - Repair and maintenance
   - Insurance coverage Company vehicles management

3. Procurement
   - Purchasing planning (actual and budget)
   - Supplier evaluation
   - Tendering process
   - Management of orders
   - Purchasing and payment
   - Quality control
   - Receiving of goods

4. Management Information System
   - MIS strategic planning
   - Capacity management
   - Information and records management
   - Vendor and software selection and management
   - MIS maintenance and support
   - IT sites and infrastructure
   - Legal responsibility

5. Related Parties Transaction
   - Review of internal control in place for related parties transaction
   - Review of effectiveness of compliance and disclosures

6. Review and follow-up of previous quarter internal audit findings

The internal audits performed met the objective of highlighting to the Audit Committee the audit findings which required follow-up action by the Management, any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system within the Group, as well as any weaknesses in the Group's internal control system. It ensured that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of A-Rank Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 July 2016, which has been prepared pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"). The statement below outlines the nature and scope of risk management and internal control of the Company during the financial year under review.

BOARD'S RESPONSIBILITIES

The Board of Directors affirms that it is responsible for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Board also affirms that it is responsible for ensuring the adequacy and integrity of those systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives.

Therefore, it should be noted that any system can provide only a reasonable and not absolute assurance against material misstatement, fraud or loss.

The Board has received assurances from the Managing Director and the Finance Manager that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

The system of internal control incorporates inter alia, risk management, financial, operational and compliance controls as well as the governance process.

RISK MANAGEMENT FRAMEWORK

The Board recognises the need for an effective risk management framework and to maintain a sound system of internal control.

The Group has established a structured and on-going risk management process to identify, evaluate and manage risks that may significantly impact the Group. This includes identifying principal risks in critical areas, assessing the likelihood and the impact of material exposures and determining the corresponding risk mitigation and treatment measure.

The risk assessment of the Group is carried out by outsourcing to C.H. Loo & Co (the "Outsourced Internal Auditors") to identify and prepare the risk register to reflect existing operations and markets conditions. The Outsourced Internal Auditors will report directly to Audit Committee on the key risk related issues and the Audit Committee shall report to the Board on the status of the risk management process. Risk registers of the principal risks and controls have been created and a risk profile for the Group has been developed and reviewed by the Board and Management.

The Risk Management Committee ("RMC") was established to oversee and perform regular reviews on the Group's risk management processes. During the financial year 31 July 2016, two (2) RMC's meetings were held which were attended in full by all members of the Committee. The RMC is chaired by the Managing Director and direct reports to the Audit Committee on a half yearly basis where key risks and mitigating actions are deliberated and implemented.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

SYSTEM OF INTERNAL CONTROLS

Key elements of the Group's system of internal controls include the following:

- Organisation structure with clearly defined lines of responsibility and delegated authority which includes defined delegation of responsibilities to the committees of the Board, the Management and the operating units.

- The Audit Committee comprises Independent Non-Executive Directors of the Board and has full access to both Internal Auditors and External Auditors. Whenever necessary, the Audit Committee will also review and discuss with key management on the actions taken on issues brought up by the Internal Auditors and the External Auditors.

- A regular review of the high-risk area of business processes by the Group's Internal Auditors, which report directly to the Audit Committee, to assess the effectiveness of internal controls and to highlight any significant risk that may adversely affect the Group. The Audit Committee will monitor the status of the implementation of corrective actions to address internal control weaknesses, if any.

- The effectiveness of the system of internal controls is also reviewed through the ISO 9001:2008 which is subject to review and audit that manages and controls the quality requirement of the Group's products and services. The demanding documentation requirements of the certification further ensure a trail of accountability in the Group.

- Quarterly and annual financial results are reviewed by the Audit Committee.

- A regular review of the performance of the Group by the Directors at its meetings to ensure it is in line with the Group's overall objectives.

- A budgeting process which establishes plans and targets against which performance are monitored on an on-going basis.

- A management reporting system in place to facilitate timely generation and monitoring of financial information for management review and decision making.

The Group's Management meets regularly to review the reports, monitors the business development and resolves key operational and management issues and reviews the financial performance against the budget.

INTERNAL AUDIT FUNCTION

In accordance with the Malaysian Code on Corporate Governance, the Board has established an internal audit function to review the adequacy and integrity of its system of internal controls.

The internal audit function of the Group is outsourced to C.H. Loo & Co (the "Outsourced Internal Auditors"). The responsibilities of the Outsourced Internal Auditors include conducting audits, submitting findings and the provision of independent report to the Audit Committee on the Group's systems of internal controls. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care.

Internal audit plans are reviewed and approved by the Audit Committee and the plans include independent appraisal on the compliance, adequacy and effectiveness of the Group's internal controls and to assess and monitor the effectiveness and implementation of the Group's risk management policies on half-yearly basis.

The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and update the Audit Committee on the status of Management agreed action plan implementation.

INTERNAL AUDIT FUNCTION (CONT'D)

Any areas for improvement identified during the course of the internal audit review are brought to the attention of the Audit Committee. Internal audit reports and risk management report respectively were tabled at the Audit Committee meetings held during the financial year under review. The internal audit reports and risk management report were also forwarded to and discussed with the Management concerned for attention and necessary action, with the status of actions taken then reported back to the Audit Committee and the Board.

Total costs paid to Outsourced Internal Auditors for the financial year ended 31 July 2016 and up to the date of this report amounted to RM33,504 which had audited the following business processes and areas:

- Inventory Management;
- Fixed Assets Management;
- Related Party Transaction;
- Procurement and
- Management Information System.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the scope set out in the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants for inclusion in the Annual Report for the financial year ended 31 July 2016, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

CONCLUSION

The Board is satisfied that during the year under review, there is a process to manage the Group's system of internal controls to mitigate any significant risks faced by the Group so as to safeguard shareholders' interests and the Group's assets.

This statement was approved by the Board of Directors on 17 October 2016.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 9(a)(i) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	15,410,417	640,829
Attributable to:		
Owners of the parent	15,837,656	640,829
Non-controlling interest	(427,239)	-
	15,410,417	640,829

DIVIDEND

Dividend paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 July 2015:	
A first and final single tier dividend of 2.25 sen per ordinary share, paid on 22 December 2015	2,700,000

The Directors proposed a first and final single tier dividend of 3.00 sen per ordinary share, amounting to RM3,600,000 in respect of the financial year ended 31 July 2016, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Dato' Shahrir Bin Abdul Jalil
Tan Wan Lay
Tuan Haji Ahmed Azhar Bin Abdullah
Dr. Leong Chik Weng
Wong Tze Kai
Gan Choon Sun
Datuk Leow Chong Howa (Appointed on 21 April 2016)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 July 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	<—— Number of ordinary shares of RM0.50 each ——>			
	Balance as at 1.8.2015/ *date of appointment	**Bought**	**Sold**	**Balance as at 31.7.2016**
Shares in the Company				
Direct interests				
Tan Wan Lay	5,619,000	-	-	5,619,000
Tuan Haji Ahmed Azhar Bin Abdullah	150,000	-	-	150,000
Datuk Leow Chong Howa*	22,500	-	-	22,500
Gan Choon Sun	67,500	-	-	67,500
Indirect interest				
Tan Wan Lay	37,790,991	-	(31,790,991)	6,000,000
Datuk Leow Chong Howa*	33,313,491	-	-	33,313,491

By virtue of his interests in the ordinary shares of the Company, Datuk Leow Chong Howa is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shows in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the remuneration received and receivable by the Directors from the Company and its related corporations in their capacity as Directors or full time employees as disclosed in Note 29(c) to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other 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 are no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for:

(i) the effects arising from impairment loss on goodwill on acquisition resulting in a decrease in a profit of the Group for the financial year by RM2,721,950 as disclosed in Note 8(a) to the financial statements; and

(ii) the effects arising from impairment loss on investment in a subsidiary resulting in a decrease in a profit of the Company for the financial year by RM2,721,950 as disclosed in Note 9(a) to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writing off for bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

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

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature 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; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
17 October 2016

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 45 to 99 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions 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 July 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 33 to the financial statements on page 100 has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Dato' Shahrir Bin Abdul Jalil
Director

Tan Wan Lay
Director

Kuala Lumpur
17 October 2016

STATUTORY DECLARATION

I, Tan Tze, being the officer primarily responsible for the financial management of A-Rank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 100 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed at
Kuala Lumpur this
17 October 2016

....
Tan Tze

Before me:
Baloo A/L T PICHAI (W-663)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF A-RANK BERHAD

Report on the Financial Statements

We have audited the financial statements of A-Rank Berhad, which comprise the statements of financial position as at 31 July 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 99.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

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 have been properly kept in accordance with the provisions of the Act.

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 33 to the financial statements 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.

BDO
AF : 0206
Chartered Accountants

Lum Chiew Mun
3039/04/17 (J)
Chartered Accountant

Kuala Lumpur
17 October 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	**63,172,103**	67,438,854	**-**	-
Intangible asset	8	**-**	2,721,950	**-**	-
Investments in subsidiaries	9(a)	**-**	-	**56,956,609**	59,678,559
Investment in an associate	9(b)	**290,143**	3,000	**3,000**	3,000
		63,462,246	70,163,804	**56,959,609**	59,681,559
Current assets					
Inventories	10	**26,861,793**	31,007,784	**-**	-
Derivative financial assets	18	**98,974**	125,172	**-**	-
Trade and other receivables	11	**38,587,651**	42,219,995	**8,458,658**	7,833,847
Current tax assets		**99,165**	233,114	**-**	-
Cash and bank balances	12	**25,261,913**	20,933,244	**47,943**	13,860
		90,909,496	94,519,309	**8,506,601**	7,847,707
TOTAL ASSETS		**154,371,742**	164,683,113	**65,466,210**	67,529,266
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	**60,000,000**	60,000,000	**60,000,000**	60,000,000
Reserves	14	**41,747,634**	28,609,978	**5,245,360**	7,304,531
		101,747,634	88,609,978	**65,245,360**	67,304,531
Non-controlling interest	9(a)(iii)	**1,923,446**	2,350,685	**-**	-
TOTAL EQUITY		**103,671,080**	90,960,663	**65,245,360**	67,304,531

STATEMENTS OF FINANCIAL POSITION
AS AT 31 JULY 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
LIABILITIES					
Non-current liabilities					
Borrowings	15	**1,373,239**	1,568,683	**-**	-
Deferred tax liabilities	16	**4,910,480**	6,623,200	**-**	-
		6,283,719	8,191,883	**-**	-
Current liabilities					
Trade and other payables	17	**23,315,279**	17,714,866	**220,850**	224,735
Current tax liabilities		**158,878**	-	**-**	-
Derivative financial liabilities	18	**4,182**	361,350	**-**	-
Borrowings	15	**20,938,604**	47,454,351	**-**	-
		44,416,943	65,530,567	**220,850**	224,735
TOTAL LIABILITIES		**50,700,662**	73,722,450	**220,850**	224,735
TOTAL EQUITY AND LIABILITIES		**154,371,742**	164,683,113	**65,466,210**	67,529,266

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	19	**483,844,479**	485,950,183	**3,750,000**	3,750,000
Cost of sales	20	**(453,379,186)**	(462,574,565)	**-**	-
Gross profit		**30,465,293**	23,375,618	**3,750,000**	3,750,000
Other operating income		**1,936,691**	563,561	**-**	-
Marketing and distribution expenses		**(2,062,662)**	(1,748,949)	**-**	-
Administration expenses		**(14,617,953)**	(11,172,483)	**(3,109,171)**	(376,907)
Profit from operations		**15,721,369**	11,017,747	**640,829**	3,373,093
Finance costs	21	**(593,518)**	(1,055,847)	**-**	-
Share of profit in an associate		**287,143**	-	**-**	-
Profit before tax	22	**15,414,994**	9,961,900	**640,829**	3,373,093
Taxation	23	**(4,577)**	583,504	**-**	-
Profit for the financial year		**15,410,417**	10,545,404	**640,829**	3,373,093
Other comprehensive income, net of tax		**-**	-	**-**	-
Total comprehensive income		**15,410,417**	10,545,404	**640,829**	3,373,093
Profit attributable to :					
Owners of the parent		**15,837,656**	10,315,530	**640,829**	3,373,093
Non-controlling interest	9(a)(iii)	**(427,239)**	229,874	**-**	-
		15,410,417	10,545,404	**640,829**	3,373,093
Total comprehensive income attributable to :					
Owners of the parent		**15,837,656**	10,315,530	**640,829**	3,373,093
Non-controlling interest		**(427,239)**	229,874	**-**	-
		15,410,417	10,545,404	**640,829**	3,373,093
Basic and diluted earnings per share (sen)	24	**13.20**	8.60		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

Group	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interest RM	Total equity RM
Balance as at 1 August 2014		60,000,000	20,994,448	80,994,448	2,120,811	83,115,259
Profit for the financial year		-	10,315,530	10,315,530	229,874	10,545,404
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	10,315,530	10,315,530	229,874	10,545,404
Transactions with owners						
Dividend paid	25	-	(2,700,000)	(2,700,000)	-	(2,700,000)
Balance as at 31 July 2015		60,000,000	28,609,978	88,609,978	2,350,685	90,960,663
Profit for the financial year		-	15,837,656	15,837,656	(427,239)	15,410,417
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	15,837,656	15,837,656	(427,239)	15,410,417
Transactions with owners						
Dividend paid	25	-	(2,700,000)	(2,700,000)	-	(2,700,000)
Balance as at 31 July 2016		**60,000,000**	**41,747,634**	**101,747,634**	**1,923,446**	**103,671,080**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

Company	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total RM
Balance as at 1 August 2014		60,000,000	6,631,438	66,631,438
Profit for the financial year		-	3,373,093	3,373,093
Other comprehensive income		-	-	-
Total comprehensive income		-	3,373,093	3,373,093
Transaction with owners				
Dividend paid	25	-	(2,700,000)	(2,700,000)
Balance as at 31 July 2015		60,000,000	7,304,531	67,304,531
Profit for the financial year		-	640,829	640,829
Other comprehensive income		-	-	-
Total comprehensive income		-	640,829	640,829
Transactions with owners				
Dividend paid	25	-	(2,700,000)	(2,700,000)
Balance as at 31 July 2016		**60,000,000**	**5,245,360**	**65,245,360**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**15,414,994**	9,961,900	**640,829**	3,373,093
Adjustments for:					
Deposits written off		**36,000**	66,770	**-**	-
Depreciation of property, plant and equipment	7	**5,994,863**	5,589,708	**-**	-
Dividend income	19	**-**	-	**(3,750,000)**	(3,750,000)
Fair value gain on derivative instruments	18(c)	**(330,970)**	(608,122)	**-**	-
Loss/(Gain) on disposal of property, plant and equipment		**29,223**	(2,999)	**-**	-
Impairment losses on:					
- goodwill on acquisition	8(a)	**2,721,950**	-	**-**	-
- investment in a subsidiary	9(a)	**-**	-	**2,721,950**	-
- trade receivables	11	**33,810**	87,244	**-**	-
Interest expenses	21	**593,518**	1,055,847	**-**	-
Interest income		**(361,941)**	(105,783)	**-**	-
Inventories written down		**-**	1,356,127	**-**	-
Property, plant and equipment written off	7	**1,316,963**	1,719,966	**-**	-
Reversal of impairment loss on trade receivables	11	**(23,218)**	-	**-**	-
Share of profit in an associate		**(287,143)**	-	**-**	-
Unrealised loss on foreign exchange		**417,600**	665,992	**-**	-
Operating profit/(loss) before changes in working capital		**25,555,649**	19,786,650	**(387,221)**	(376,907)
Decrease in inventories		**4,145,991**	10,453,351	**-**	-
Decrease/(Increase) in trade and other receivables		**3,445,133**	(1,656,310)	**-**	-
Increase/(Decrease) in trade and other payables		**5,761,320**	(1,545,737)	**(3,885)**	428
Cash generated from/(used in) operations		**38,908,093**	27,037,954	**(391,106)**	(376,479)
Interest paid		**(439)**	(599)	**-**	-
Tax refund		**150,529**	115,785	**-**	-
Tax paid		**(1,574,999)**	(1,468,132)	**-**	-
Net cash from/(used in) operating activities		**37,483,184**	25,685,008	**(391,106)**	(376,479)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received	19	**-**	-	**3,750,000**	3,750,000
Interest received		**361,941**	105,783	**-**	-
Net advances to subsidiaries		**-**	-	**(624,811)**	(680,000)
Proceeds from disposal of plant and equipment		**75,012**	3,000	**-**	-
Purchase of property, plant and equipment	7	**(3,149,310)**	(5,098,256)	**-**	-
Net cash (used in)/from investing activities		**(2,712,357)**	(4,989,473)	**3,125,189**	3,070,000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	25	**(2,700,000)**	(2,700,000)	**(2,700,000)**	(2,700,000)
Net (repayment)/drawdown of bankers' acceptances		**(6,840,000)**	240,000	**-**	-
Net repayment of foreign currency loans		**(20,122,322)**	(2,462,121)	**-**	-
Repayment of term loans		**(186,757)**	(168,699)	**-**	-
Interest paid		**(593,079)**	(1,055,248)	**-**	-
Net cash used in financing activities		**(30,442,158)**	(6,146,068)	**(2,700,000)**	(2,700,000)
Net increase/(decrease) in cash and cash equivalents		**4,328,669**	14,549,467	**34,083**	(6,479)
Cash and cash equivalents at beginning of financial year		**20,933,244**	6,383,777	**13,860**	20,339
Cash and cash equivalents at end of financial year	12	**25,261,913**	20,933,244	**47,943**	13,860

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

1. CORPORATE INFORMATION

A-Rank Berhad (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 Chamber E, Lian Seng Courts, No. 275, Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus.

The principal place of business of the Company is located at Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 July 2016 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 17 October 2016.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 9(a)(i) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 45 to 99 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

However, Note 33 to the financial statements set out on page 100 has been 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. 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:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If 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:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are eliminated to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses 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. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company's ownership 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 relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (Cont'd)

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

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

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

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits respectively*;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combinations (Cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation rates are as follows:

Buildings	2% to 3%
Plant and machinery	6% to 50%
Office equipment	10%
Furniture and fittings	10%
Electrical fittings	6% to 20%
Motor vehicles	20%
Renovations	20%

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents machinery under installation and renovation-in-progress and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense over the lease term.

4.6 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less accumulated impairment losses, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Associate

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in associate is stated at cost less impairment losses.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investments of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Investments (Cont'd)

(b) Associate (Cont'd)

When the share of losses of the Group in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

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

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

4.7 Intangible assets

Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significant lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets (excluding investments in subsidiaries and associate), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is 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 of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.9 Inventories

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

Cost is determined using the first-in, first-out formula. The cost of raw materials, stores and spares comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

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

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

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

(iii) Loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

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 classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

(c) Equity (Cont'd)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable or investee, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial 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 loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates 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 impairment reversed is recognised in profit or loss.

4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised to profit or loss in the period in which they are incurred.

4.13 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes such as withholding taxes and real property gains taxes payable on the disposal of properties.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Income taxes (Cont'd)

(a) Current tax

Current tax expenses are determined according to the tax laws of Malaysia in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities should be 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 the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Company and its subsidiaries make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.17 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of 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, which is the functional and presentation currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Foreign currencies (Cont'd)

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward currency contracts are used. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

(b) Dividend income

Dividend income is recognised when the right to receive payments is established.

(c) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4.19 Operating segments

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Operating segments (Cont'd)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.20 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.21 Fair value measurements

The fair value of an asset or a liability 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 fair value measurement method 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.

When the Group measures the fair value of an asset or a liability, it takes into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Fair value measurements (Cont'd)

The fair value measurement for a non-financial asset takes into account the ability of market participants 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.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

The following are Standards of the MFRS Framework that have been issued by MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs *Annual Improvements to 2012-2014 Cycle*	1 January 2016
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sales of Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no material changes in estimates during the reporting period and at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following are critical judgements made by management in the process of applying the accounting policies of the Group that have a significant effect on the amounts recognised in the financial statements.

(a) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions calling upon the corporate guarantees are remote.

(b) Classification of non-current borrowing

Term loan agreement entered into by the Group includes repayment on demand clause at the discretion of the financial institution. The Group believes that in the absence of a default being committed by the Group, the financial institution is not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loan has been classified between current and non-current liabilities based on its repayment period.

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these property, plant and equipment to be within 2% to 50%. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

A ten percent (10%) difference in the average useful lives of these assets from the management's estimates would result in approximately RM599,486 variance in consolidated profit for the financial year.

(b) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying value of receivables.

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

6.3 Key sources of estimation uncertainty (Cont'd)

(c) Write off for obsolete or slow moving inventories

The Group writes off its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written off when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(d) Income taxes

Significant judgement is involved in determining the provision for income taxes of the Group and of the Company. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and Company recognise liabilities for expected tax issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference would impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Deferred tax liabilities

Significant judgement is required in determining the deferred tax liabilities. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and Company recognised deferred tax liabilities based on the taxable temporary differences. However, when the final tax outcome is different from the amounts that were initially recorded, such differences would impact the deferred tax liabilities provisions, where applicable, in the period in which such determination is made.

(f) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 32(a) to the financial statements.

(g) Impairment loss on investment in a subdisiary

The management reviews the material investment in a subsidiary for impairment when there is an indication of impairment.

The recoverable amount of the investment in a subsidiary is assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

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

6.3 Key sources of estimation uncertainty (Cont'd)

(h) Impairment loss on goodwill on acquisition

The Group determines whether goodwill on acquisition is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiary to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiary and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The calculations of the value-in-use amount are most sensitive to the following assumptions:

(i) Growth rates. The forecasted growth rates are based on historical growth of the CGU.

(ii) Pre-tax discount rates. The discount rate reflects the Weighted Average Cost of Capital ('WACC') of the Group.

Further details are disclosed in Note 8 to the financial statements.

(i) Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

(i) Level 1: Quoted prices in active markets for identical items (unadjusted);

(ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

(iii) Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial instruments at fair value as disclosed in Note 31(d) to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Balance as at 1.8.2015	Additions	Disposal	Written off	Depreciation charge for the year	Balance as at 31.7.2016
	RM	RM	RM	RM	RM	RM
Carrying amount						
Freehold land	10,676,000	-	-	-	-	**10,676,000**
Buildings	25,341,116	-	-	-	(638,526)	**24,702,590**
Plant and machinery	28,113,081	2,608,301	-	(1,305,637)	(4,501,225)	**24,914,520**
Office equipment	743,342	95,926	(4,916)	(5,933)	(117,429)	**710,990**
Furniture and fittings	305,874	94,880	-	-	(62,002)	**338,752**
Electrical fittings	929,234	-	-	-	(239,296)	**689,938**
Motor vehicles	823,133	85,000	(34,133)	-	(258,803)	**615,197**
Renovations	507,074	265,203	(65,186)	(5,393)	(177,582)	**524,116**
	67,438,854	3,149,310	(104,235)	(1,316,963)	(5,994,863)	**63,172,103**

Group 2016	<—— At 31 July 2016 ——>		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Freehold land	**10,676,000**	**-**	**10,676,000**
Buildings	**30,319,082**	**(5,616,492)**	**24,702,590**
Plant and machinery	**56,015,027**	**(31,100,507)**	**24,914,520**
Office equipment	**1,299,291**	**(588,301)**	**710,990**
Furniture and fittings	**741,298**	**(402,546)**	**338,752**
Electrical fittings	**2,691,006**	**(2,001,068)**	**689,938**
Motor vehicles	**1,316,857**	**(701,660)**	**615,197**
Renovations	**958,551**	**(434,435)**	**524,116**
	104,017,112	**(40,845,009)**	**63,172,103**

Group 2015	Balance as at 1.8.2014	Additions	Reclassification	Disposal	Written off	Depreciation charge for the year	Balance as at 31.7.2015
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Freehold land	10,676,000	-	-	-	-	-	10,676,000
Buildings	21,280,959	1,892,575	2,744,283	-	-	(576,701)	25,341,116
Plant and machinery	31,450,263	2,650,966	24,300	-	(1,708,195)	(4,304,253)	28,113,081
Office equipment	560,376	293,789	-	-	(11,771)	(99,052)	743,342
Furniture and fittings	294,502	68,283	-	-	-	(56,911)	305,874
Electrical fittings	1,050,592	7,100	-	-	-	(128,458)	929,234
Motor vehicles	984,043	98,263	-	(1)	-	(259,172)	823,133
Renovations	584,955	87,280	-	-	-	(165,161)	507,074
Work in progress	2,768,583	-	(2,768,583)	-	-	-	-
	69,650,273	5,098,256	-	(1)	(1,719,966)	(5,589,708)	67,438,854

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

	At 31 July 2015		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	10,676,000	-	10,676,000
Buildings	30,319,082	(4,977,966)	25,341,116
Plant and machinery	60,851,348	(32,738,267)	28,113,081
Office equipment	1,228,891	(485,549)	743,342
Furniture and fittings	646,418	(340,544)	305,874
Electrical fittings	2,691,006	(1,761,772)	929,234
Motor vehicles	1,295,857	(472,724)	823,133
Renovations	885,836	(378,762)	507,074
	108,594,438	(41,155,584)	67,438,854

As at 31 July 2016, freehold land and buildings of a subsidiary with a carrying amount of RM4,738,228 (2015: RM4,834,658) have been charged to a bank for credit facilities granted to a subsidiary (Note 15).

8. INTANGIBLE ASSET

	Group	
	2016 RM	2015 RM
Carrying amount		
Goodwill	-	2,721,950

(a) The movement of intangible asset is as follows:

	Group	
	2016 RM	2015 RM
At 1 August 2015/2014	**2,721,950**	2,721,950
Impairment loss	**(2,721,950)**	-
At 31 July 2016/2015	-	2,721,950

(b) Goodwill arising from business combination has been allocated to a Malaysian operating segment which represents an individual cash-generating unit ("CGU").

For the purpose of impairment testing, goodwill is allocated to the CGU which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

8. INTANGIBLE ASSET (CONT'D)

(b) Goodwill arising from business combination has been allocated to a Malaysian operating segment which represents an individual cash-generating unit ("CGU"). (Cont'd)

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flows for the five years period are as follows:

	Group	
	2016	**2015**
	%	**%**
Growth rate	**9**	12
Pre-tax discount rate	**8**	8

The calculations of value in use for the CGU are most sensitive to the following assumptions:

(i) Growth rates

The forecasted growth rates are based on historical growth rate of the CGU.

(ii) Pre-tax discount rate

Discount rate reflects the WACC of the Group.

An impairment loss on goodwill amounting to RM2,721,950 relating to a subsidiary, HongLee Group (M) Sdn. Bhd., has been recognised during the financial year as the recoverable amount is less than the carrying amount.

9. INVESTMENTS

(a) Investments in subsidiaries

	Company	
	2016	**2015**
	RM	**RM**
Unquoted shares, at cost	**59,678,559**	59,678,559
Less: Impairment loss	**(2,721,950)**	-
	56,956,609	59,678,559

9. INVESTMENTS (CONT'D)

(a) Investments in subsidiaries (Cont'd)

(i) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity 2016	Effective interest in equity 2015	Principal activities
Formosa Shyen Horng Metal Sdn. Bhd.	Malaysia	**100%**	100%	Manufacturing and marketing of aluminium billets.
HongLee Group (M) Sdn. Bhd. ("HongLee Group")	Malaysia	**55%**	55%	Manufacturing and marketing of all types of aluminium and glass fittings and other related activities.
Subsidiary of HongLee Group				
HongLee Design & Marketing Sdn. Bhd.	Malaysia	**100%**	100%	Dormant

All the subsidiaries are audited by BDO.

(ii) During the financial year, the Company recognised an impairment loss of RM2,721,950 in respect of investment in a subsidiary due to declining economic benefits expected from the subsidiary. The recoverable amount was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the management covering a five (5)-year period. The discount rate applied to the cash flow projections was eight percent (8%) based on the WACC of the Company.

(iii) The subsidiary of the Group that has material non-controlling interests ('NCI') is as follows:

	Group 2016 RM	Group 2015 RM
NCI percentage of ownership interest and voting interest (%)	**45**	45
Carrying amount of NCI (RM)	**1,923,446**	2,350,685
(Loss)/Profit allocated to NCI (RM)	**(427,239)**	229,874

9. INVESTMENTS (CONT'D)

(a) Investments in subsidiaries (Cont'd)

(iv) The summarised financial information before intra-group elimination of the subsidiary that has material NCI as at the end of each reporting period are as follows:

	Group	
	2016	2015
	RM	RM
Assets and liabilities		
Non-current assets	**7,878,432**	13,197,871
Current assets	**7,136,915**	6,868,142
Non-current liabilities	**(1,373,239)**	(1,796,575)
Current liabilities	**(9,367,785)**	(8,096,694)
Net assets	**4,274,323**	10,172,744
Results		
Revenue	**10,907,140**	13,547,924
(Loss)/Profit for the financial year	**(5,898,421)**	510,830
Total comprehensive (loss)/income	**(5,898,421)**	510,830
Cash flows (used in)/from operating activities	**(600,462)**	1,866,167
Cash flows used in investing activities	**(38,501)**	(507,971)
Cash flows used in financing activities	**(4,164)**	(418,804)
Net (decrease)/increase in cash and cash equivalents	**(643,127)**	939,392
Dividends paid to NCI	**-**	-

(b) Investment in an associate

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Unquoted shares, at cost	**3,000**	3,000	**3,000**	3,000
Share of profit in an associate	**287,143**	-	**-**	-
	290,143	3,000	**3,000**	3,000

(i) The details of the associate are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2016	2015	
Ringgit Voyage Sdn. Bhd.	Malaysia	**30%**	30%	Investment holding

The above associate is accounted for using the equity method in the consolidated financial statements.

9. INVESTMENTS (CONT'D)

(b) Investment in an associate (Cont'd)

(ii) The summarised financial information of the associate is as follows:

	Group	
	2016 RM	2015 RM
Assets and liabilities		
Current assets	**9,704,376**	9,704,590
Non-current assets	**1,263,966**	305,419
Current liability	**(10,001,200)**	(10,000,000)
Net assets	**967,142**	10,009
Results		
Revenue	-	-
Profit for the financial year	**962,552**	2,517
Total comprehensive income	**962,552**	2,517
Cash flows used in operating activities	**(214)**	(2,902)
Cash flows generated from investing activities	-	-
Cash flows generated from financing activities	-	-
Net decrease in cash and cash equivalents	**(214)**	(2,902)

10. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost		
Raw materials	**24,189,663**	6,497,123
Work-in-progress	**529,647**	1,079,455
Stores and spares	**884,173**	1,028,439
Finished goods	**1,258,310**	788,499
	26,861,793	9,393,516
At net realisable value		
Raw materials	-	21,614,268
	26,861,793	31,007,784

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade receivables				
Third parties	**26,405,451**	34,688,288	**-**	-
Related parties	**6,314,472**	-	**-**	-
	32,719,923	34,688,288	**-**	-
Less: Impairment losses				
- Third parties	**(97,836)**	(87,244)	**-**	-
	32,622,087	34,601,044	**-**	-
Other receivables				
Amounts owing by subsidiaries	**-**	-	**5,457,658**	4,832,847
Amount owing by an associate	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Other receivables	**1,370,499**	1,643,200	**-**	-
Deposits	**150,513**	172,622	**1,000**	1,000
	4,521,012	4,815,822	**8,458,658**	7,833,847
Loans and receivables	**37,143,099**	39,416,866	**8,458,658**	7,833,847
Prepayments				
Prepayments	**1,444,552**	2,803,129	**-**	-
	38,587,651	42,219,995	**8,458,658**	7,833,847

(a) The credit terms of trade receivables ranged from 7 days to 6 months (2015: 7 days to 6 months) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Included in prepayments are advance payments to overseas suppliers amounting to RM1,295,218 (2015: RM2,596,532).

(c) Amounts owing by subsidiaries and an associate represent advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) The currency exposure profile of receivables is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	**32,730,888**	28,859,347	**8,458,658**	7,833,847
US Dollar	**4,387,250**	10,557,519	**-**	-
Singapore Dollar	**24,961**	-	**-**	-
	37,143,099	39,416,866	**8,458,658**	7,833,847

11. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) The aging analysis of trade receivables are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	**27,725,772**	28,223,568
Past due, not impaired:		
- 30 to 60 days	**4,268,991**	5,805,344
- 61 to 90 days	**473,595**	208,842
- 91 to 120 days	**44,603**	88,761
- more than 120 days	**109,126**	274,529
	4,896,315	6,377,476
Past due and impaired	**97,836**	87,244
	32,719,923	34,688,288

(f) None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

The credit quality of trade receivables that are neither past due nor impaired as at the end of reporting period were assessed by reference to past payment trends of the receivables.

(g) Trade receivables that are past due but not impaired mainly arose from customers where the Group has healthy business relationships with, whereby management is of the view that the amounts are recoverable based on payment history.

The trade receivables of the Group that are past due but not impaired are unsecured in nature.

(h) Trade receivables that are past due and impaired at the end of each reporting period are as follows:

	Individually impaired	
Group	**2016**	**2015**
	RM	**RM**
Trade receivables, gross	**97,836**	87,244
Less: Impairment losses	**(97,836)**	(87,244)
	-	-

(i) The reconciliation of movement in the impairment loss is as follows:

	Group	
	2016	**2015**
	RM	**RM**
At 1 August 2015/2014	**87,244**	-
Charge for the financial year	**33,810**	87,244
Reversal of impairment loss	**(23,218)**	-
At 31 July 2016/2015	**97,836**	87,244

(j) Information on financial risks of trade and other receivables is disclosed in Note 32 to the financial statements.

12. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits with licensed banks	**17,407,171**	15,000,000	**-**	-
Cash and bank balances	**7,854,742**	5,933,244	**47,943**	13,860
	25,261,913	20,933,244	**47,943**	13,860

(a) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	**22,123,803**	18,379,689	**47,943**	13,860
US Dollar	**3,109,639**	2,530,662	**-**	-
Others	**28,471**	22,893	**-**	-
	25,261,913	20,933,244	**47,943**	13,860

(b) Information on financial risks of cash and bank balances is disclosed in Note 32 to the financial statements.

13. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM0.50 each:				
Authorised	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid	**120,000,000**	**60,000,000**	120,000,000	60,000,000

The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

14. RESERVES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Distributable				
Retained earnings	**41,747,634**	28,609,978	**5,245,360**	7,304,531

15. BORROWINGS

	Group	
	2016	**2015**
	RM	**RM**
Current liabilities		
Bankers' acceptances	**260,000**	7,100,000
Foreign currency loans	**20,483,260**	40,167,694
Term loans	**195,344**	186,657
	20,938,604	47,454,351
Non-current liabilities		
Term loans	**1,373,239**	1,568,683
	22,311,843	49,023,034
Total borrowings		
Bankers' acceptances	**260,000**	7,100,000
Foreign currency loans	**20,483,260**	40,167,694
Term loans	**1,568,583**	1,755,340
	22,311,843	49,023,034

(a) The currency exposure profile of borrowings is as follows:

	Group	
	2016	**2015**
	RM	**RM**
Ringgit Malaysia	**1,828,583**	8,855,340
US Dollar	**20,483,260**	40,167,694
	22,311,843	49,023,034

(b) All short term borrowings of the Group are secured by a corporate guarantee from the Company.

(c) Term loans are secured by:

(i) a corporate guarantee from the Company; and

(ii) a charge over a subsidiary's freehold land and buildings with a carrying amount of RM4,738,228 (2015: RM4,834,658) as disclosed in Note 7 to the financial statements.

(d) The term loans are repayable in 120 monthly installments, which commenced on 1 August 2013.

(e) Information on financial risks of borrowings is disclosed in Note 32 to the financial statements.

16. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group	
	2016	2015
	RM	RM
Balance as at 1 August 2015/2014	**6,623,200**	8,138,521
Recognised in profit or loss (Note 23)	**(1,712,720)**	(1,515,321)
Balance as at 31 July 2016/2015	**4,910,480**	6,623,200
Presented after appropriate offsetting:		
Deferred tax assets	**(100,224)**	(25,547)
Deferred tax liabilities	**5,010,704**	6,648,747
	4,910,480	6,623,200

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group	Property, plant and equipment RM	Other taxable temporary differences RM	Total RM
At 1 August 2015	**6,648,747**	**-**	**6,648,747**
Recognised in profit or loss	**(1,762,641)**	**124,598**	**(1,638,043)**
At 31 July 2016	**4,886,106**	**124,598**	**5,010,704**
At 1 August 2014	8,642,540	-	8,642,540
Recognised in profit or loss	(1,993,793)	-	(1,993,793)
At 31 July 2015	6,648,747	-	6,648,747

Deferred tax assets of the Group	Other deductible temporary differences RM	Total RM
At 1 August 2015	**25,547**	**25,547**
Recognised in profit or loss	**74,677**	**74,677**
At 31 July 2016	**100,224**	**100,224**
At 1 August 2014	504,019	504,019
Recognised in profit or loss	(478,472)	(478,472)
At 31 July 2015	25,547	25,547

16. DEFERRED TAX LIABILITIES (CONT'D)

(c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group	
	2016	2015
	RM	RM
Unused tax losses	**303,696**	58,512
Other deductible temporary differences	**295,335**	-
	599,031	58,512

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables				
Third parties	**9,925,474**	6,163,806	**-**	-
Related party	**799,404**	-	**-**	-
	10,724,878	6,163,806	**-**	-
Other payables				
Other payables	**8,690,420**	7,668,760	**9,850**	8,235
Accruals	**2,087,981**	2,082,300	**211,000**	216,500
Amounts owing to a related party	**1,812,000**	1,800,000	**-**	-
	12,590,401	11,551,060	**220,850**	224,735
	23,315,279	17,714,866	**220,850**	224,735

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranged from 7 days to 60 days (2015: 7 days to 60 days).

(b) The amounts owing to a related party represent advances received which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	**15,954,771**	13,823,965	**220,850**	224,735
US Dollar	**7,360,508**	3,890,901	**-**	-
	23,315,279	17,714,866	**220,850**	224,735

(d) Information on financial risks of trade and other payables is disclosed in Note 32 to the financial statements.

18. DERIVATIVE ASSETS/(LIABILITIES)

	2016			2015		
Group	Contract/ Notional amount RM	Assets RM	Liabilities RM	Contract/ Notional amount RM	Assets RM	Liabilities RM
Commodity future contracts	**666,570**	**-**	**(4,182)**	8,374,923	-	(361,350)
Forward currency contracts	**7,220,425**	**98,974**	**-**	10,774,812	125,172	-
	7,886,995	**98,974**	**(4,182)**	19,149,735	125,172	(361,350)

(a) Commodity future contracts

The Group has entered into commodity future contracts during the financial year with the objectives of hedging the Group's exposure to adverse price movements in aluminum. The commodity future contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these contracts has been determined based on the difference between the contract value and fair value of the underlying commodity as at the end of the reporting period.

(b) Forward currency contracts

Forward currency contracts have been entered into, to operationally hedge forecast sales and purchases denominated in foreign currencies that are expected to occur at various dates within three (3) months from the end of the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components has been determined based on the difference between the contract value and fair value of the underlying currencies at the end of the reporting period.

(c) During the financial year, the Group recognised total gain of RM330,970 (2015: RM608,122) as disclosed in Note 22 to the financial statements arising from fair value changes of derivatives.

(d) The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 31(d) to the financial statements.

19. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	**483,844,479**	485,950,183	**-**	-
Dividend income	**-**	-	**3,750,000**	3,750,000
	483,844,479	485,950,183	**3,750,000**	3,750,000

20. COST OF SALES

	Group	
	2016 RM	2015 RM
Included in cost of sales is:		
Inventories sold	**410,161,129**	421,024,697

21. FINANCE COSTS

	Group	
	2016	2015
	RM	RM
Interest expenses on:		
- bankers' acceptances	**129,454**	358,955
- foreign currency loans	**390,151**	607,790
- bank overdraft	**439**	599
- term loans	**73,474**	88,503
	593,518	1,055,847

22. PROFIT BEFORE TAX

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Profit before tax is arrived at after charging:					
Auditors' remuneration:					
Statutory:					
- current year		**74,000**	82,000	**10,000**	16,500
- over provision in prior years		**(31,100)**	-	**(12,500)**	-
Non-statutory:					
- current year		**5,000**	6,500	**5,000**	6,500
- over provision in prior years		**(3,000)**	-	**(3,000)**	-
Deposits written off		**36,000**	66,770	**-**	-
Depreciation of property, plant and equipment	7	**5,994,863**	5,589,708	**-**	-
Directors' remuneration:					
Fees:					
- paid by the Company		**196,000**	186,000	**196,000**	186,000
Other emoluments:					
- paid by the Company		**50,377**	35,430	**50,377**	35,430
- paid by a subsidiary		**1,188,941**	943,096	**-**	-
Impairment loss:					
- goodwill on acquisition	8(a)	**2,721,950**	-	**-**	-
- investment in a subsidiary	9(a)	**-**	-	**2,721,950**	-
- trade receivables	11	**33,810**	87,244	**-**	-
Interest expenses	21	**593,518**	1,055,847	**-**	-
Inventories written down		**-**	1,356,127	**-**	-
Loss on disposal of property, plant and equipment		**29,223**	-	**-**	-
Property, plant and equipment written off	7	**1,316,963**	1,719,966	**-**	-
Rental of:					
- machinery		**1,053,770**	1,052,880	**-**	-
- meeting room		**1,813**	-	**1,813**	-
- office equipment		**6,887**	20,044	**-**	-
- hostel		**59,770**	49,120	**-**	-
- showroom		**227,520**	166,020	**-**	-
Unrealised loss on foreign exchange		**417,600**	665,992	**-**	-

22. PROFIT BEFORE TAX (CONT'D)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
And crediting:					
Dividend income received from a subsidiary	19	-	-	**3,750,000**	3,750,000
Fair value gain on derivative instruments	18(c)	**330,970**	608,122	-	-
Gain on disposal of property, plant and equipment		-	2,999	-	-
Interest income		**361,941**	105,783	-	-
Realised gain on foreign exchange		**799,656**	375,317	-	-
Reversal of impairment loss on receivables	11	**23,218**	-	-	-

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM26,200 (2015: RM26,200).

23. TAXATION

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current tax expense based on profit for the financial year:				
- current year	**1,692,077**	951,884	-	-
- under/(over) provision in prior years	**25,220**	(20,067)	-	-
	1,717,297	931,817	-	-
Deferred tax (Note 16)				
- current year	**(640,984)**	(151,806)	-	-
- over provision in prior years	**(1,071,736)**	(1,363,515)	-	-
	(1,712,720)	(1,515,321)	-	-
	4,577	(583,504)	-	-

The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the fiscal year.

23. TAXATION (CONT'D)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**3,699,599**	2,490,475	**153,799**	843,273
Tax effects in respect of:				
Non-allowable expenses	**950,773**	171,326	**746,201**	94,227
Non-taxable income	**(110,721)**	(36,006)	**(900,000)**	(937,500)
Tax incentives	**(3,618,282)**	(1,849,681)	**-**	-
Deferred tax assets not recognised	**129,900**	17,074	**-**	-
Utilisation of previously unrecognised deferred tax assets	**(176)**	-	**-**	-
Effect on changes in tax rate	**-**	6,890	**-**	-
	1,051,093	800,078	**-**	-
Under/(Over) provision in prior years:				
- Current tax	**25,220**	(20,067)	**-**	-
- Deferred tax	**(1,071,736)**	(1,363,515)	**-**	-
	4,577	(583,504)	**-**	-

24. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2016	2015
Profit attributable to equity holders of the Company (RM)	**15,837,656**	10,315,530
Weighted average number of ordinary shares	**120,000,000**	120,000,000
Basic earnings per ordinary share (sen)	**13.20**	8.60

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share as there are no potential dilutive equity instruments.

25. DIVIDEND

	Group and Company			
	2016		2015	
	Dividend per share Sen	Amount of dividend RM	Dividend per share Sen	Amount of dividend RM
First and final single tier dividend paid in respect of financial year ended 31 July 2015/2014	**2.25**	**2,700,000**	2.25	2,700,000

A first and final single tier dividend in respect of the financial year ended 31 July 2015 of 2.25 sen per ordinary share, amounting to RM2,700,000 was approved by the shareholders at the Annual General Meeting held on 8 December 2015. The dividend was paid on 22 December 2015 and had been accounted for as an appropriation of retained earnings during the financial year ended 31 July 2016.

The Directors proposed a first and final single tier dividend of 3.00 sen per ordinary share, amounting to RM3,600,000 in respect of the financial year ended 31 July 2016, subject to the approval of members at the forthcoming Annual General Meeting.

26. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries, bonuses and wages	**11,202,710**	10,403,698	**58,122**	47,232
Contributions to defined contribution plan	**688,509**	642,874	**2,020**	5,663
Social security contributions	**73,371**	68,532	**260**	610
Other benefits	**606,832**	488,082	**-**	-
	12,571,422	11,603,186	**60,402**	53,505

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM1,239,318 (2015: RM978,526) and RM50,377 (2015: RM35,430) respectively.

27. COMMITMENTS

(a) Operating lease commitments

The Group had entered into non-cancelleable lease agreements for machinery, staff hostel and showroom premises resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rate.

	Group	
	2016 RM	2015 RM
Not later than one (1) year	**445,626**	401,728
Later than one (1) year and not later than five (5) years	**589,644**	808,283
	1,035,270	1,210,011

27. COMMITMENTS (CONT'D)

(b) Capital commitments

	Group	
	2016	2015
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
- Approved and contracted for	**855,000**	1,857,420
- Approved but not contracted for	**9,912,710**	1,788,580
	10,767,710	3,646,000

28. CONTINGENT LIABILITIES – UNSECURED

	Company	
	2016	2015
	RM	RM
Corporate guarantees given to financial institutions for banking facilities utilised by subsidiaries	**22,311,843**	49,023,034
Third parties for the supply of goods to a subsidiary	**10,749**	-
	22,322,592	49,023,034

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote in view of the financial strength of the Group.

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct subsidiaries.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year as follows:

	Group	
	2016	2015
	RM	RM
With related parties in which a Director has substantial financial interests:		
Sales to LB Aluminium Berhad	**30,772,463**	-
Sales to LB Aluminium (Sarawak) Sdn. Bhd.	**4,795,929**	-
Purchase from LB Aluminium Berhad	**1,250,262**	-

29. RELATED PARTY DISCLOSURES (CONT'D)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year as follows: (Cont'd)

	Group	
	2016	2015
	RM	RM
With related party in which certain Directors of a subsidiary has sustaintial financial interest:		
Rental paid/payable to Apresi Sdn. Bhd.	**84,000**	-

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Short term employee benefits	**4,385,600**	3,747,146	**252,788**	232,808
Contributions to defined contribution plan	**393,839**	348,766	**3,614**	6,697
Other benefit	**17,161**	15,630	**-**	-
	4,796,600	4,111,542	**256,402**	239,505

30. OPERATING SEGMENTS

A-Rank Berhad and its subsidiaries are principally engaged in investment holding, manufacturing and marketing of aluminium billets and manufacturing and marketing of all types of aluminium and glass fittings and other related activities.

The Group has arrived at two reportable segments that are organised and managed separately according to the geographical areas, which require different business and marketing strategies. The reportable segments are Malaysia and South East Asia other than Malaysia.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit before tax.

Segment assets exclude tax assets and derivative financial assets. Segment assets and capital expenditure are based on the geographical location of assets.

Segment liabilities exclude tax liabilities, derivative financial liabilities, loans and borrowings that are managed under centralised treasury function.

30. OPERATING SEGMENTS (CONT'D)

2016	Malaysia RM'000	South East Asia other than Malaysia RM'000	Others RM'000	Total RM'000
Revenue from external customers	337,797	90,540	55,507	483,844
Results				
Segment operating profit	12,931	1,429	999	15,359
Unallocated income/(expenses):				
- Interest income				362
- Interest expenses				(593)
Net finance costs				(231)
Segment profit before tax				15,128
Share of profit in an associate				287
Taxation				(5)
Profit for the financial year				15,410
Assets				
Segment assets	151,241	2,193	740	154,174
Unallocated assets				
- current tax assets				99
- derivative financial assets				99
				198
				154,372
Liabilities				
Segment liabilities	23,316	-	-	23,316
Unallocated liabilities				
- borrowings				22,312
- current tax liabilities				159
- deferred tax liabilities				4,910
- derivative financial liabilities				4
				27,385
Total liabilities				50,701
Capital expenditure	3,149	-	-	3,149
Depreciation of property, plant and equipment	(5,995)	-	-	(5,995)
Other material non-cash items:				
- Impairment loss on goodwill on acquisition	(2,722)	-	-	(2,722)

30. OPERATING SEGMENTS (CONT'D)

2015	Malaysia RM'000	South East Asia other than Malaysia RM'000	Others RM'000	Total RM'000
Revenue from external customers	334,097	97,970	53,883	485,950
Results				
Segment operating profit	8,711	1,419	782	10,912
Unallocated income/(expenses):				
- Interest income				106
- Interest expenses				(1,056)
Net finance costs				(950)
Segment profit before tax				9,962
Taxation				583
Profit for the financial year				10,545
Assets				
Segment assets	159,091	3,186	2,048	164,325
Unallocated assets				
- current tax assets				233
- derivative financial assets				125
				358
				164,683
Liabilities				
Segment liabilities	17,715	-	-	17,715
Unallocated liabilities				
- borrowings				49,023
- deferred tax liabilities				6,623
- derivative financial liabilities				361
				56,007
Total liabilities				73,722
Capital expenditure	5,098	-	-	5,098
Depreciation of property, plant and equipment	5,590	-	-	5,590

(a) Major customers

The following is major customer with revenue equal or more than ten percent (10%) of Group revenue:

	Revenue 2016 RM'000	Revenue 2015 RM'000	Segment
Customer A	**72,504**	92,355	Malaysia

31. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The overall strategy of the Group remains unchanged from that in the financial year ended 31 July 2015.

The Group manages its capital structure and makes adjustments to it in response to changes in the economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2016 and 31 July 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital represents equity attributable to the owners of the parents.

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Loans and borrowings	**22,311,843**	49,023,034	**-**	-
Less: Cash and bank balances	**(25,261,913)**	(20,933,244)	**(47,943)**	(13,860)
Net (cash)/debt	**(2,950,070)**	28,089,790	**(47,943)**	(13,860)
Total capital	**101,747,634**	88,609,978	**65,245,360**	67,304,531
Gearing ratio (%)	**-**	32	**-**	-

In addition, pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 July 2016.

(b) Categories of financial instruments

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Financial assets				
Loans and receivables				
Trade and other receivables	**37,143,099**	39,416,866	**8,458,658**	7,833,847
Cash and bank balances	**25,261,913**	20,933,244	**47,943**	13,860
	62,405,012	60,350,110	**8,506,601**	7,847,707
Fair value through profit or loss				
Derivative financial assets	**98,974**	125,172	**-**	-

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Categories of financial instruments (Cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial liabilities				
Other financial liabilities				
Trade and other payables	**23,315,279**	17,714,866	**220,850**	224,735
Borrowings	**22,311,843**	49,023,034	**-**	-
	45,627,122	66,737,900	**220,850**	224,735
Fair value through profit or loss				
Derivative financial liabilities	**4,182**	361,350	**-**	-

(c) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(ii) Derivatives

The fair values of derivative instruments are estimated amounts that the Group would expect to pay or receive on the termination of the outstanding positions as at the end of the reporting period arising from such contracts and is determined by reference to the difference between the contracted rate and the forward rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The commodities future instruments were entered into with the objective of managing and hedging the exposure of the Group to adverse price movements in aluminium commodities. The fair value of commodities future instruments have been determined based on published market prices.

(d) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (Cont'd)

As at 31 July 2016, the Group held the following financial instruments carried at fair value on the statement of financial position:

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2016										
Financial assets										
Fair value through profit or loss										
- Forward currency contracts	**-**	**98,974**	**-**	**98,974**	**-**	**-**	**-**	**-**	**98,974**	**98,974**
Financial liabilities										
Fair value through profit or loss										
- Commodity future contracts	**(4,182)**	**-**	**-**	**(4,182)**	**-**	**-**	**-**	**-**	**(4,182)**	**(4,182)**

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2015										
Financial assets										
Fair value through profit or loss										
- Forward currency contracts	-	125,172	-	125,172	-	-	-	-	125,172	125,172
Financial liabilities										
Fair value through profit or loss										
- Commodity future contracts	(361,350)	-	-	(361,350)	-	-	-	-	(361,350)	(361,350)

There were no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 July 2016 and 31 July 2015.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rate and foreign currency exchange and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review programmes, internal control systems and adherence to the financial risk management policies of the Group. The Group is exposed mainly to interest rate risk, foreign currency risk, credit risk, liquidity and cash flow risk and price fluctuation risk. Information on the management of the related exposures is detailed below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from their borrowings. The Group regularly reviews and ensure that it obtains bank borrowings at competitive rates under the most favourable terms and conditions.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Group	
	2016	2015
	RM	RM
Profit after tax		
- Increase by 0.5% (2015: 0.5%)	**96,669**	211,411
- Decrease by 0.5% (2015: 0.5%)	**(96,669)**	(211,411)

The sensitivity is lower in 2016 than in 2015 because of a decrease in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

Group	Note	Weighted average effective interest rate	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
		%	RM	RM	RM	RM	RM	RM	RM
At 31 July 2016									
Floating rate									
Bankers' acceptances	15	**3.98**	**260,000**	**-**	**-**	**-**	**-**	**-**	**260,000**
Foreign currency loans	15	**1.35**	**20,483,260**	**-**	**-**	**-**	**-**	**-**	**20,483,260**
Term loans	15	**4.45**	**195,344**	**204,215**	**213,491**	**223,085**	**233,320**	**499,128**	**1,568,583**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Interest rate risk (Cont'd)

Group	Note	Weighted average effective interest rate	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
		%	RM	RM	RM	RM	RM	RM	RM
At 31 July 2015									
Floating rate									
Bankers' acceptances	15	4.25	7,100,000	-	-	-	-	-	7,100,000
Foreign currency loans	15	1.24	40,167,694	-	-	-	-	-	40,167,694
Term loans	15	4.45	186,657	195,339	204,210	213,486	223,080	732,568	1,755,340

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Transactional currency exposures mainly arise from sales to overseas customers. These sales are priced in Ringgit Malaysia but invoiced in US Dollar ("USD"). The Group also makes purchases of raw materials from overseas suppliers in USD. The Group entered into forward currency contracts to limit its exposure of sales and purchase dominated in foreign currency.

The notional amount and maturity date of the forward currency contracts outstanding as at the end of each reporting period are as follows:

	Expiry date	Notional/ Contract amount	Equivalent
		USD	RM
2016			
Forward currency contracts	Within three (3) months	**1,793,970**	**7,220,425**
2015			
Forward currency contracts	Within three (3) months	2,848,924	10,774,812

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD exchange rate against the functional currency of the Group entities, with all other variables held constant:

		Group	
		2016	2015
		RM	RM
Profit after tax			
USD/RM	- strengthen by 3% (2015: 3%)	**(417,625)**	(957,676)
	- weaken by 3% (2015: 3%)	**417,625**	957,676

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit. The credit period is generally for a period of seven (7) days, extending up to six (6) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis. At the end of each reporting period, approximately 52% (2015: 42%) of the trade receivables of the Group were due from five (2015: five) major customers located in Malaysia.

At the end of each reporting period, 65% (2015: 62%) and 35% (2015: 38%) of the receivables of the Company were due from its subsidiaries and associate respectively.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements. Deposits with banks and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 to the financial statements.

(d) Liquidity and cash flow risk

The Group monitors its cash flow position actively and maintains sufficient cash balances and credit facilities to meet its working capital requirements and other obligations as and when they fall due.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents and credit lines deemed adequate to finance the Group's activities.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity and cash flow risk (Cont'd)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 July 2016				
Group				
Financial liabilities				
Trade and other payables	**23,315,279**	**-**	**-**	**23,315,279**
Derivative liabilities	**4,182**	**-**	**-**	**4,182**
Borrowings	**21,003,492**	**1,040,928**	**522,083**	**22,566,503**
Total undiscounted financial liabilities	**44,322,953**	**1,040,928**	**522,083**	**45,885,964**
As at 31 July 2016				
Company				
Financial liabilities				
Trade and other payables	**220,850**	**-**	**-**	**220,850**
Total undiscounted financial liabilities	**220,850**	**-**	**-**	**220,850**
As at 31 July 2015				
Group				
Financial liabilities				
Trade and other payables	17,714,866	-	-	17,714,866
Derivative liabilities	361,350	-	-	361,350
Borrowings	47,527,926	1,040,928	781,211	49,350,065
Total undiscounted financial liabilities	65,604,142	1,040,928	781,211	67,426,281
As at 31 July 2015				
Company				
Financial liabilities				
Trade and other payables	224,735	-	-	224,735
Total undiscounted financial liabilities	224,735	-	-	224,735

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Price fluctuation risk

The Group is exposed to price fluctuation risks arising from sale and purchase of aluminium commodities. The Group has entered into commodity future contracts with the objective of managing and mitigating the exposure to price volatility in the commodity markets.

As at the end of each reporting period, the Group has entered into several commodity future contracts in the ordinary course of business.

The contract value and maturity date of the outstanding commodity future contracts of the Group as at the end of the reporting period are as follows:

Contract	Expiry dates	Notional/ Contract amounts USD	Equivalent RM
As at 31 July 2016			
Commodity future contracts	Within three (3) months	**163,375**	**666,570**
As at 31 July 2015			
Commodity future contracts	Within three (3) months	2,188,950	8,374,923

The above contracts are not expected to have any material effect on the financial statements of the Group.

33. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiaries:				
- realised	**64,063,634**	52,638,698	**5,245,360**	7,304,531
- unrealised	**(1,337,441)**	(3,050,161)	**-**	-
	62,726,193	49,588,537	**5,245,360**	7,304,531
Less: consolidation adjustments	**(20,978,559)**	(20,978,559)	**-**	-
Total retained earnings	**41,747,634**	28,609,978	**5,245,360**	7,304,531

LIST OF PROPERTIES
AS AT 31 JULY 2016

	Location	Approximate Age of Building (years)	Tenure	Land Area (Build-up Area) m^2	Description/ Existing Use	Net Book Value RM	Date of Acquisition*/ revaluation
1	Lot 2-31, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	-	Freehold	4,209	Industrial land with container storage yard	1,887,315	22-Feb-13
2	Lot 2-32 , Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	19	Freehold	3,521 (1,364)	Industrial land with single storey factory and double-storey office building	5,345,673	22-Feb-13
3	Lot 2-33 , Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	19	Freehold	3,521 (1,364)			22-Feb-13
4	Lot 2-34 , Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	15	Freehold	3,521 (1,740)	Industrial land with single storey factory	3,928,152	22-Feb-13
5	Lot 2-35 , Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	15	Freehold	3,521 (1,740)			22-Feb-13
6	Lot 2-36, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	12	Freehold	3,521 (2,030)	Industrial land with single storey factory	5,745,611	22-Feb-13
7	Lot 2-36(A), Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	12	Freehold	3,521 (2,030)			22-Feb-13
8	Lot 2-42, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	8	Freehold	3,521 (120)	Industrial land with single storey warehouse cum with workshop and canteen and Single storey factory with double-storey office/ showroom (Lot 2-43 & 2-44)	9,254,288	22-Feb-13
9	Lot 2-43, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	8 and 2	Freehold	3,521 (1,969)			22-Feb-13
10	Lot 2-44, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	8 and 2	Freehold	3,521 (1,969)			22-Feb-13
11	Lot 2-45, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	10	Freehold	4,209 (1,487)	Industrial land with three-storey office building	4,479,323	22-Feb-13
12	No 1 & 3, Jalan Seroja 38, Taman Johor Jaya, 81100 Johor Bahru, Johor Darul Takzim	4	Freehold	2,766 (3,000)	Single storey semi-detached workshop with mezzanine floor	4,738,228	4-Jan-13*

ANALYSIS OF SHAREHOLDINGS
AS AT 21 OCTOBER 2016

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid-up Share Capital	:	RM60,000,000
Class of shares	:	Ordinary Shares of RM0.50 each
Voting rights	:	One vote per one (1) ordinary share (on poll)

ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shares	% of Total Share
Less than 100	19	859	0.00
100 to 1,000	126	85,350	0.07
1,001 to 10,000	1,216	6,202,700	5.17
10,001 to 100,000	633	20,290,600	16.91
100,001 to less than 5% of issued shares	83	37,031,900	30.86
5% and above of issued shares	3	56,388,591	46.99
Total	**2,080**	**120,000,000**	**100.00**

DIRECTORS' INTEREST

	Direct Interest		Indirect Interest	
Name	No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
Dato' Shahrir Bin Abdul Jalil	-	-	-	-
Tan Wan Lay	11,619,000	9.68	-	-
Tuan Haji Ahmed Azhar Bin Abdullah	150,000	0.12	-	-
Datuk Leow Chong Howa	22,500	0.02	33,313,491*	27.76
Dr Leong Chik Weng	-	-	-	-
Wong Tze Kai	-	-	-	-
Gan Choon Sun	67,500	0.06	-	-
Total	**11,859,000**	**9.88**	**33,313,491**	**27.76**

SUBSTANTIAL SHAREHOLDERS

According to the registrar to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

	Direct Interest		Indirect Interest	
Name	No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
City Data Limited	31,790,991	26.49	-	-
Datuk Leow Chong Howa	22,500	0.02	33,313,491*	27.76
Lin, Chih-Chang	12,978,600	10.82	-	-
Tan Wan Lay	11,619,000	9.68	-	-

* Deemed interested by virtue of his indirect shareholdings via his spouse, City Data Limited and LB Aluminium Berhad pursuant to Section 6A of the Companies Act, 1965.

ANALYSIS OF SHAREHOLDINGS
AS AT 21 OCTOBER 2016

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shares
1	HLB Nominees (Asing) Sdn Bhd Beneficiary : Pledged securities account for City Data Limited (SIN 9337)	31,790,991	26.49
2	Lin, Chih-Chang	12,978,600	10.82
3	Tan Wan Lay	11,619,000	9.68
4	Fairways Assets Investment Limited	4,500,000	3.75
5	Mablewood International Holding Limited	3,942,450	3.29
6	Meyer Capital Holding Ltd	3,000,000	2.50
7	Sam Kwai Sim	2,759,700	2.30
8	TA Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Loh Eng Cheang	2,500,000	2.08
9	Leow Chong Fatt	2,251,800	1.88
10	LB Aluminium Berhad	1,500,000	1.25
11	Chong You @ Chong Sin You	626,200	0.52
12	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary : Visitor Christian Brothers' Schools Malaysia (009)	626,000	0.52
13	Cimsec Nominees (Tempatan) Sdn Bhd Beneficiary : CIMB Bank for Teoh Kiat Kiong (MY1847)	600,000	0.50
14	Lim Hooi Ching	499,200	0.42
15	JCA Builders (Malaysia) Sdn Bhd	468,000	0.39
16	Liew Seong Kin	466,500	0.39
17	Mrs Yung Emily Yeuk - May Nee Poon	439,000	0.37
18	Ong Kean Chooi	412,500	0.34
19	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Kong Kok Choy (SRB/PMS)	400,000	0.33
20	Tee Kim Gek	400,000	0.33
21	Maybank Nominees (Tempatan) Sdn Bhd Beneficiary : Ng Wing Hoong	368,500	0.31
22	AllianceGroup Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Kong Kok Choy (8092812)	350,000	0.29
23	AmSec Nominees (Tempatan) Sdn Bhd Beneficiary : AmBank (M) Berhad for Chua Sing Keong (9240-1101)	350,000	0.29
24	Tang Lean See	340,000	0.28
25	Public Nominees (Tempatan) Sdn Bhd Beneficiary : Pledged securities account for Chang Seng Kooi (KLC/KAF)	330,000	0.28
26	Lee Chin Poh	312,250	0.26
27	Lee Teck Ong @ Lee Kok Chee	308,100	0.26
28	Chuah Saw Lee	300,000	0.25
29	Chiang Siong Chiew @ Chiong Siong Chiew	290,000	0.24
30	Lee Teck Ong @ Lee Kok Chee	267,000	0.22
	Total	**84,995,791**	**70.83**

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A-RANK BERHAD
(633621-X)

PROXY FORM

I/ We ______________________________ NRIC No./Company No. ______________
(full name in block letters)

of ______________________________
(full address)

being a member/members of **A-RANK BERHAD** hereby appoint ______________________________
(full name in block letters)

NRIC No. ______________ of ______________________________
(full address)

or failing whom, ______________________________ NRIC No. ______________
(full name in block letters)

of ______________________________
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Annual General Meeting of the Company to be held at Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Wednesday, 7 December 2016 at 10.00 a.m. and at any adjournment thereof.

No.	RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of the first and final single tier dividend of 3.00 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 July 2016.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 July 2016.		
3.	To re-elect Dato' Shahrir Bin Abdul Jalil as Director.		
4.	To re-elect Mr Tan Wan Lay as Director.		
5.	To re-elect Datuk Leow Chong Howa as Director.		
6.	To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To approve Dato' Shahrir Bin Abdul Jalil to continue to act as an Independent Non-Executive Director.		
8.	To approve Tuan Haji Ahmed Azhar Bin Abdullah to continue to act as an Independent Non-Executive Director.		
9.	To approve Dr Leong Chik Weng to continue to act as an Independent Non-Executive Director.		
10.	To approve Mr Wong Tze Kai to continue to act as an Independent Non-Executive Director.		
11.	To grant authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.		
12.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
13.	To approve the Proposed Amendments to the Articles of Association of the Company.		

**Please indicate with an "X" in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.*

Dated this _______ day of ___________, 2016.

CDS Account No.	:
Number of shares held	:
If more than 1 proxy, please specify number of shares represented by each proxy	
Name of Proxy 1 Number of Shares	: :
Name of Proxy 2 Number of Shares	: :

____
Signature or Common Seal of Shareholder
Contact Number:

Notes:

a) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak in the meeting.

b) A member of the Company who is entitled to attend and vote at the meeting shall not appoint more than two (2) proxies to attend at the same meeting except where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

c) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.

d) Where a member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of shareholdings to be represented by each proxy.

e) The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised.

f) The instrument appointing a proxy must be deposited at the Company's Registered Office at Chamber E, Lian Seng Courts, No. 275, Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.

g) Only members whose names appear in the Record of Depositors as at 30 November 2016 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

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STAMP

The Company Secretary

A-RANK BERHAD

Chamber E, Lian Seng Courts
No. 275, Jalan Haruan 1
Oakland Industrial Park
70200 Seremban
Negeri Sembilan Darul Khusus

Please fold here to seal

A-RANK BERHAD 633621-X

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Kempas	No. 16, Jalan Kempas Lama 1, Off Jalan Kempas Lama, 81300 Johor Bahru, Johor Darul Takzim, Malaysia. T +607 555 9221 | F +607 550 6561
BMS Mall	No. 6 (B. 0109 & 0209), Jalan Kencana Mas 2/1, Kawasan Perindustrian Tebrau III, 81100 Johor Bahru, Johor Darul Takzim, Malaysia. T +607 356 0096 | F +607 352 2597