DOLPHIN INTERNATIONAL BERHAD

(1001521-X)

ANNUAL REPORT 2016

Contents

02 Corporate Profile

03 Corporate Information

04 Corporate Structure

05 Group Financial Highlights

06 Chairperson's Statement

08 Management Discussion & Analysis

11 Profile of Board of Directors

14 Profile of Key Management Team

18 Statement on Corporate Governance

29 Audit and Risk Committee Report

32 Statement on Risk Management and Internal Control

36 Corporate Social Responsibility

38 Statement of Responsibility by Directors

39 Additional Compliance Information

Financial Statements

42 Directors' Report

47 Statements of Financial Position

49 Statements of Comprehensive Income

50 Statements of Changes in Equity

52 Statements of Cash Flows

55 Notes to the Financial Statements

126 Statement by Directors

127 Statutory Declaration

128 Independent Auditors' Report to the Members

133 List of Properties Owned by the Group

134 Analysis of Shareholdings

136 Analysis of Warrant Holdings

138 Statement of Directors' Shareholdings and Warrant Holdings

139 Notice of Annual General Meeting

141 Statement Accompanying Notice of Annual General Meeting

Corporate Profile

The Dolphin group of companies ("Group"), founded in 1992, is currently operating in the palm oil milling machineries sector. The Group seeks to cater for the growing demand for process integration and automation solutions and services seeking to enhance productivity, safety and efficiency in palm oil mills. The product offerings of the Group include milling systems and software as well as the supply of parts and maintenance services. With the award of the Main Contractor Certification by the Ministry of Finance and Construction Industry Development Board in 1997, our Group also has the ability to undertake the provision of turnkey and mechanical and electrical solutions.

Our Group's core competency and competitive edge is in having the technology and know-how to provide palm oil mills with products to form wholly integrated automation and control systems that offer improved efficiency, productivity and safety.

We design, develop, integrate and support technological products, services and solutions based on the needs and technical requirements of our customers in the palm oil industry. Our product development focuses on key themes that improve palm oil yield, improve mill safety and overall customer economics. Currently, the palm oil milling machineries sector is generally less automated with little sophisticated process controls than in many other global process industries.

Our mission is to help our clients achieve the best results by embracing and harmonising science and technology, with a commitment to the environment and the communities serving the international palm oil industry.

Our Products, Solutions and Services

We continuously seek to create innovation opportunities. The 5 key principals which our Group focuses on when designing and developing our products are as follows:

a) automate key functions for enhanced safety and efficiency;
b) reduce unplanned maintenance and operation down-time;
c) optimise palm oil recovery and reduce wastage;
d) real-time online monitoring and troubleshooting to identify and rectify process issues quickly; and
e) inception and adoption of evolving technology.

Our future plans and strategies which may improve our future financial performance are:

a) continuous development as driver for future growth;
b) introduction of our Dolphin-branded consumable parts;
c) continuous efforts to expand customer base; and
d) construction and establishment of a palm oil mill to show case our products.

Corporate Information

Board of Directors

Datuk Zaiton Binti Mohd Hassan
Chairman
(Senior Independent Non-Executive Chairperson)

Low Teck Yin
Group Managing Director

Hoh Yeong Cherng
Group Executive Director

Dr. Abdul Azis Bin Ariffin
(Independent Non-Executive Director)

Kamaruddin Bin Osman
(Independent Non-Executive Director)

Lee Yow Fui
(Independent Non-Executive Director)

Audit and Risk Committee

Lee Yow Fui *(Chairman)*
Dr. Abdul Azis Bin Ariffin
Kamaruddin Bin Osman

Remuneration Committee

Kamaruddin Bin Osman *(Chairman)*
Low Teck Yin
Dr. Abdul Azis Bin Ariffin

Nomination Committee

Datuk Zaiton Binti Mohd Hassan *(Chairperson)*
Dr. Abdul Azis Bin Ariffin
Kamaruddin Bin Osman

Company Secretary

Wong Youn Kim (MAICSA 7018778)

Registered Office

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: +603-2241 5800
Fax: +603-2282 5022

Head Office/Principal Place of Business

No. 17 & 19, Jalan Puteri 5/20
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan
Tel: +603-8062 2289
Fax: +603-8060 8613
Website: www.dolphinbhd.com
Email: dolphin@dolphineng.com

Auditors

Baker Tilly Monteiro Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: +603-2297 1000
Fax: +603-2282 9980

Principal Banker

United Overseas Bank (M) Berhad
Alliance Bank Malaysia Berhad
Hong Leong Bank Berhad

Share Registrar

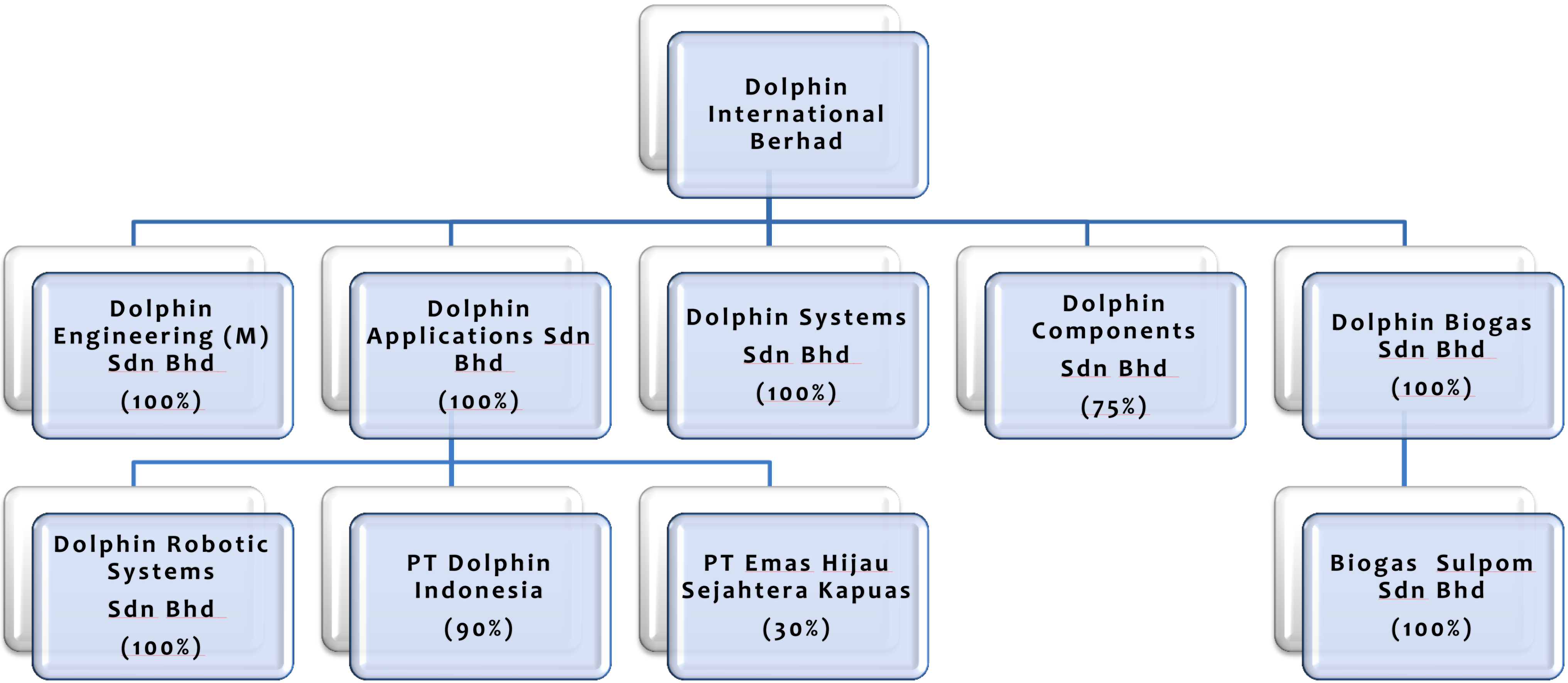
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7841 8000
Fax: +603-7841 8151/8152

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market
DOLPHIN (5265)

Corporate Structure

As At 28 April 2017



Group Financial Highlights

Year ended 31 December	Proforma Group			Audited	
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	64,175	88,249	104,585	69,441	44,136
Gross profit	15,813	23,771	26,754	18,685	7,543
Profit/(loss) before taxation	7,682	14,672	16,651	5,084	(4,519)
Profit/(loss) attributable to owners of Dolphin	7,195	10,911	12,129	2,860	(4,626)

Note: The financial results for the FYE 2012 to FYE 2014 are based on proforma results as per the Company's IPO Prospectus dated 20 May 2015. Financial results from FYE 2015 onwards are based on the actual financial performance.

Chairperson's Statement

Dear Shareholders,

It is our privilege and pleasure to present to you the annual report of Dolphin International Berhad ("DIB") for the financial year ended 31 December 2016 ("FYE 2016").

Overview

The year 2016 was a year of disruption and landscape changes to many businesses including that for the DIB and its subsidiaries ("our Group"). The continuing slowdown in global growth coupled with the weakening of the Malaysian currency had significant impact across most industries including that of the palm oil industry.

Coupled with the prolonged dry weather conditions and below average rainfall brought about by the El-Nino weather phenomena during the second half of 2015 and into the first half of 2016, the year 2016 saw crude palm oil ("CPO") production declining by double-digit (13.2%) due to lower crop yield that had also declined by an average of 12.9%. In tandem with the aforementioned, milling capacity utilisation rate for 2016 had declined by 13.6%, which suggests that palm oil milling players were focusing their resources to increase crop availability for processing instead of capital expenditure on mill expansion, refurbishments or upgrades.

As a result, for the first time in the group's 20 years of business history, our Group reported a consolidated loss after tax for FYE 2016.

Financial Performance

Our Group reported a loss after tax of RM4.6 million for the FYE 2016 mainly attributable to an acute shrinkage in our order book. Our group's main revenue contributor was from contract works, which deferments as well as cut back capital expenditure by customers in 2016 not only in Malaysia but also in Indonesia.

Our Group reported lower revenue of RM44.1 million in FYE 2016 as opposed to RM69.4 million in FYE 2015 due to our diminishing order book. Gross profit fell to RM7.5 million in FYE 2016 compared to RM18.7 million in FYE 2015. Due to a lower gross profit margin registered for FYE 2016 which was mainly attributable to increase in cost of materials and services, the Group reported an operating loss even though administrative, sales and marketing expenses had reduced significantly from RM14.5 million in FYE 2015 to RM9.2 million in FYE 2016.

Outlook and Business Strategies

Taking cognizance of the impact of unfavorable business conditions on the financial performance of the Group, the Board and the Management have embarked on our medium to long-term business transformation towards creating a sustainable business model for the Group as opposed to depending on contracting business.

Outlook and Business Strategies (Cont'd)

The palm oil milling business is expected to be our main income contributor and would augur well for the Group, as it would be generating a more stable and recurring income as opposed to income from contracting business. Apart from that, our Group would also be able to showcase its products, as the proposed mill would be utilising our Group's proprietary equipment.

Our foray into the biogas segment of the palm oil milling industry is not new but is another potential prospect and is viewed as an extension in palm oil milling activities given that the government is currently calling for better environmental compliance in the palm oil milling industry.

The board and management are confident that the financial performance for the Group will turn around upon successful implementation and execution of these strategies.

Appreciation

On behalf of the Board, we would like to express our sincere gratitude to the regulators, our shareholders, business partners, bankers and staff for their continued support and considerable contributions in 2016 notwithstanding the challenges faced. We trust that your support to the Group would continue in 2017 as we challenge historical practices with innovation and creativity, with an absolute determination to succeed. The Group intends to successfully implement and execute the strategies contemplated to enhance our shareholders' value in the ensuing years.

DATUK ZAITON BINTI MOHD HASSAN
Chairman

28 April 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

DESCRIPTION OF OUR GROUP'S BUSINESS

Dolphin International Berhad ("DIB" or "the Company") is a public listed Company listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activity of the Company is investment holding while its subsidiaries are involved in the sale, design, engineering, development and integration of electro-automation, pneumatic, hydraulic, hardware and software systems and related proprietary products for the palm oil milling sector.

The operational activities of DIB and its subsidiaries ("Group") are in turn broadly segmented into provision of milling systems and solutions and supply of parts and maintenance services.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from RM69.4 million (FYE2015) to RM44.1 million (FYE2016) primarily due to the acute decrease in the Group's order book. This was mainly due to the spillover effect of the El-Nino weather phenomena coupled with macroeconomics conditions, which had impacted the palm oil industry. The Group saw numerous potential projects and capital expenditures being deferred indefinitely as palm oil industry players shifted their resources towards increasing crop availability and cost management measures.

Gross Profit

The Group's gross profit decreased from RM18.7 million (FYE2015) to RM7.5 million (FYE2016) due to the lower revenue registered in the FYE2016 while gross profit margin had deteriorated from 27% (FYE2015) to 17% (FYE2016) due to higher cost of sales registered in the FYE2016 arising from increase in materials cost and competitive profit margin adjustments.

Other Income

Other Income decreased by 82% from RM3.6 million (FYE2015) to RM0.6 million (FYE2016) was mainly due to a one-off gain arising from the acquisition of a subsidiary of RM2.5 million in the financial year 2015.

Administrative Expenses

Administrative expenses decreased by 40% from RM13.8 million (FYE2015) to RM8.3 million (FYE2016) was mainly due to a one-off listing expenses of RM3.6 million and amortisation of the intangible asset of RM2.3million incurred in the financial year 2015.

Loss Before Interest and Tax ("LBIT")

The Group's LBIT include the effects of one-off and non-recurring items such as impairment of trade receivables, impairment of investment in an associate, impairment of asset held for sale, amortisation of purchase price allocation arising from the acquisition of a subsidiary, one-off gain arising from the acquisition of a subsidiary, incidental costs for acquisition of premises and one-off expenses due to corporate exercises.

If we were to exclude the above one off and non-recurring income and expenses, the Group's adjusted EBITDA for 2016 would be RM1.1 million. Notwithstanding the above, the Group's adjusted EBITDA for 2016 is comparatively lower than the previous year's corresponding adjusted EBITDA of RM12.3 million mainly due to decrease in revenue and decline in gross profit margins for the year under review.

Finance Cost

Finance cost increased by 30% from RM2.7 million (FYE2015) to RM3.5 million (FYE2016) due to higher utilisation of banking facilities for the new acquisition of premises and for working capital requirement for the financial year 2016.

Gearing

The gearing ratio of the Group as at 31 December 2016 was 55.5% compared with 43.2% as at 31 December 2015 in tandem with the higher utilisation of banking facilities.

Prospects

For the year 2017 forward, the Group is undertaking a major change in business strategies and direction with a view of creating additional and a more sustainable income stream as opposed to its traditional income from contract works.

Palm Oil Milling

The Group's proposed diversification into palm oil milling is in line with its business strategy to enable it to show case its products and services while at the same time being able to contribute additional income through the sale of crude palm oil ("CPO").

The development of the palm oil mill will take approximately eighteen months to complete and is expected to contribute positively to the Group thereafter.

Biogas

The Group's foray into the Biogas segment for palm oil mills is an extension of its existing products and services, which will enable the Group to generate new income streams from the sale of renewable energy under the Sustainable Energy Development Authority ("SEDA") initiatives that will augur well for the Group.

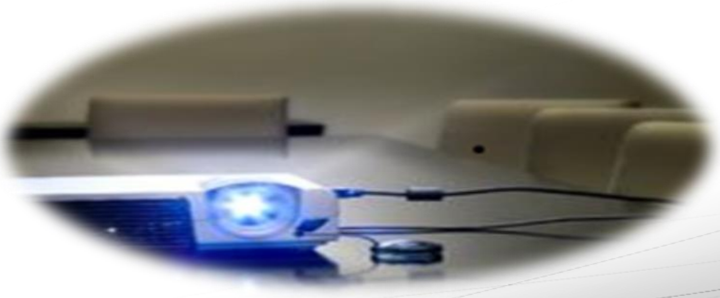
Summary

The Group does not expect the above initiatives to contribute immediately but is confident that these initiatives would contribute positively in the medium to longer term.

Board of Directors

Sitting (From left to right)
Low Teck Yin, Datuk Zaiton Binti Mohd Hassan and Hoh Yeong Cherng

Standing (From left to right)
Kamaruddin Bin Osman, Lee Yow Fui and Dr Abdul Azis Bin Ariffin



Datuk Zaiton Binti Mohd Hassan

Malaysian, Female, Aged 60
Senior Independent Non-Executive Chairperson
Date of Appointment: 28 May 2014

Areas of Expertise
Banking and Finance

Working Experience:
- Pricewaterhouse Coopers
- Bank Pembangunan (M) Bhd
- Bapema Corporation Sdn Bhd
- Malayan Banking Berhad

Present:
- Chairperson of the Nomination Committee
- Chairman of the Private Pension Administrator Malaysia
- Senior Independent Director / Non-Executive Director of Sime Darby Berhad
- Independent Non-Executive Director of Bank Islam Malaysia Berhad and BIMB Holdings Berhad
- Vice President of the Malaysian Institute of Accountants
- Chief Executive Officer of Malaysia Professional Accountancy Centre (MyPAC)
- Fellow and Council Member of the Association of Chartered Certified Accountants, UK
- Member of International Federation of Accountants (IFAC) Professional Accoutants in Business (PAIB) Committee

Directorship of other Listed Issuers/Public Companies:
- Listed Issuers: Sime Darby Berhad and BIMB Holdings Berhad
- Public Company: Bank Islam Malaysia Berhad

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest.
- Her shareholdings in Dolphin are disclosed on page 138 of this Annual Report

Low Teck Yin

Malaysian, Male, Aged 49
Group Managing Director
Date of Appointment: 14 May 2012

Areas of Expertise
Palm oil milling machineries

Working Experience:
- Jemco Sdn Bhd
- Gentrade Company

Present:
- Group Managing Director
- Member of the Remuneration Committee

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- Save and except the disclosures in this Annual Report, he has no family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 138 of this Annual Report

Hoh Yeong Cherng

Malaysian, Male, Aged 50
Group Executive Director
Date of Appointment: 14 May 2012

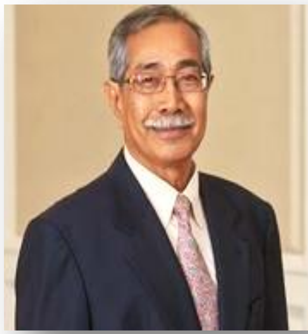
Areas of Expertise
Palm oil milling machineries and research

Working Experience:
- EPA Sdn Bhd
- Gentrade Company

Present:
- Group Executive Director

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- Save and except the disclosures in this Annual Report, he has no family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 138 of this Annual Report



Kamaruddin Bin Osman

Malaysian, Male, Aged 72
Independent Non-Executive Director
Date of Appointment: 28 May 2014

Areas of Expertise
Palm oil industry

Working Experience:
- Pineapple Cannery of Malaya Sdn Bhd (PCM);
- Malaysian Can Company Sdn Bhd
- The Development Authority for Pahang Tenggara (DARA)
- Sawira Sdn Bhd
- PT Ganda Prima
- Committee Member of the Palm Oil Millers Association of Malaysia
- Shareholder and Director of C.T. Golf Landscaping Sdn Bhd

Present:
- Independent Non-Executive Director
- Member of the Audit and Risk Committee
- Member of the Nomination Committee
- Chairman of the Remuneration Committee

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 138 of this Annual Report

DR. ABDUL AZIS BIN ARIFFIN

Malaysian, Male, Aged 70
Independent Non-Executive Director
Date of Appointment: 28 May 2014

Areas of Expertise
Research on milling activities in palm oil industry

Working Experience:
- Malaysian Rubber Producers' Research Association (Brickendonbury) in Hertford, UK
- Senior Research Officer of Rubber Research Institute of Malaysia
- Senior Research Officer Palm Oil Research Institute of Malaysia
- Senior Executive of Sime Darby Plantations Sdn Bhd
- Associate Professor at Universiti Putra Malaysia
- Research fellow at Institute of Advanced Technology, UPM

Present:
- Independent Non-Executive Director
- Member of the Audit and Risk Committee
- Member of the Nomination Committee
- Member of the Remuneration Committee

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 138 of this Annual Report

LEE YOW FUI

Malaysian, Male, Aged 46
Independent Non-Executive Director
Date of Appointment: 28 May 2014

Areas of Expertise
Accounting and Finance

Working Experience:
- Moores Rowland
- Deloitte & Touche
- Richard's Lighting Sdn Bhd
- Newspage (Malaysia) Sdn Bhd

Present:
- Independent Non-Executive Director
- Chairman of the Audit and Risk Committee
- Member of Certified Practising Accountant (CPA) Australia
- Public Accountant by the Malaysian Institute of Accountants
- Partner of Y.F. Lee & Associates

Directorship of other Listed Issuers/Public Companies:
- Does not hold any directorships in any other listed issuers/public companies

Others
- No family relationship with other directors and/or major shareholders of Dolphin
- No convictions of any offences within the past five (5) years
- No conflict of interest
- His shareholdings in Dolphin are disclosed on page 138 of this Annual Report

Profile of Key Management Team

Name	Nationality	Designation
Foo Phui Foong	Malaysian	Chief Financial Officer
Woo Wai Heng	Malaysian	Research & Development Director
Gunandawadu Akalangka Susantha De Zoysa	Sri Lankan	Business Director (Indonesia)
Lim Chian Hong	Malaysian	Senior Manager of Operational Division
Teoh Kah Lean	Malaysian	Head of Process Automation and Control Division
Afif Hadabi Bin Wahab	Malaysian	Head of Electro Pneumatic and Hydraulic Engineering Division
Lim Ah Ber	Malaysian	Head of Software Division

FOO PHUI FOONG
CHINESE, FEMALE, AGED 39
CHIEF FINANCIAL OFFICER

Ms Foo carries with her 15 years of experience in finance and accounting with companies involved in various fields such as advertising and production, stockbroking, education and retail. She joined our Dolphin Group as the Chief Financial Officer on 1 March 2015.

Prior to that, she was an accounts assistant with PRS Productions Sdn Bhd. She then left the professional work force for 1 year to further her education. In 2000, she joined TA Enterprise Sdn Bhd as a Junior Officer in the finance department. In 2003, she left TA Enterprise Sdn Bhd and joined Limkokwing University College Sdn Bhd ("Limkokwing University") as its Finance Manager of the Education Division. She then moved up the ranks and held positions such as Senior Finance Manager of the Retail Division, Senior Finance Manager of the International Division and Associate Finance Director of Limkokwing University's African operations. In 2009, she resigned from Limkokwing University to obtain her professional accountancy qualification. She then joined SMR HR Group Sdn Bhd, a wholly owned subsidiary of SMRT Holdings Berhad ("SMRT"), in 2011 as its Assistant Manager, Finance & Administration. Her last position held at SMRT was Group Finance Manager.

Ms Foo is a member of the Association of Chartered Certified Accountants (ACCA), United Kingdom. She is also registered as a member of the Malaysian Institute of Accountants (MIA).

She does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

WOO WAI HENG
CHINESE, MALE, AGED 54
RESEARCH & DEVELOPMENT DIRECTOR

Mr. Woo Wai Heng has more than 35 years of experience in process engineering involving information technology and automation systems. He joined Dolphin Group in 2003 and now he is our Group R&D Director, responsible for all research and development of our Group's products and services.

Mr Woo has vast experience holding positions in various companies involved in manufacturing and information technology, including Tamco Cutter Hammer Sdn Bhd, Ingeback Sdn Bhd, Precast Micro Injection Pile Sdn Bhd, Zenbes Sdn Bhd, BI-PLC Sdn Bhd and Econ Pile Sdn Bhd.

Mr Woo graduated from Sekolah Menengah Teknik, Ipoh, Perak.

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

GUNANDAWADU AKALANGKA SUSANTHA DE ZOYSA
SRI LANKAN, MALE, AGED 42
BUSINESS DIRECTOR (INDONESIA)

Mr. De Zoysa has more than 10 years of experience in both technical and financial issues related to developing and completing palm oil milling projects. He joined Dolphin Group in 2013 as Business Director for the Indonesian market, responsible for overseeing our Group business operations in Indonesia. His career started as a Coordinating Engineer in 2000 with John Sheritt Developments in Colombo, Sri Lanka, working on project and resource planning/ coordination activities at worksites. He then joined Hatton National Bank, Ltd. ("HNB") in 2001, in Colombo, Sri Lanka as a Project Analyst.

In 2008, Mr. De Zoysa returned to engineering as Project Coordinator, Implementations for PT Agro Indomas ("PTAI"), an Indonesian approved foreign investment company engaged in the business of oil palm production in the Kalimantan Region. At PTAI, Mr. De Zoysa had successfully executed major projects, involved throughout the idea development stage through to its actual implementation. He left PTAI and joined PT Dolphin in 2013 as our Business Director for the Indonesian market.

Mr. De Zoysa holds a Bachelor of Science in Civil Engineering from the University of Moratuwa, Sri Lanka in 2000. He is also an Associate Member of the Chartered Institute of Management Accountants (CIMA) and the Institute of Engineers of Sri Lanka (IESL).

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

LIM CHIAN HONG
CHINESE, MALE, AGED 50
SENIOR MANAGER OF OPERATIONAL DIVISION

Mr Lim carries with his 24 years of experience in manufacturing process and management. He joined our Group in 2014 as Project Manager and now he is our Senior Manager in Operational Division, responsible for managing the operations, developing and growing our operational staff.

Prior to that, he was a Product Engineer in Engineering Department with Ceemax Technology Sdn Bhd in 1993. He then moved up the ranks and held positions such as Manufacturing Manager in 2003. He was transferred to Likom Plastic Industries Sdn Bhd as Quality Assurance Manager in 2006 and subsequently invited to join Shandong Silverstone Luhe Rubber & Tire Co., Ltd, the People's Republic of China as Senior Quality Assurance Manager in 2007. In 2008, he was transferred to Likom Plastic Industries Sdn Bhd as Operation Manager.Mr Lim was seconded to Likom de Mexico as Senior Material Manager in 2010. In 2012, Mr Lim was transferred to Toyo Tire (Zhucheng) Co., Ltd. (TLZ), Shandong, the People's Republic of China as Senior Manager and then resigned in 2014.

Mr Lim was graduated from Tunku Abdul Rahman College, Malaysia in 1992 with an Advanced Diploma in Electronic Engineering. He received a Bachelor of Engineering (Hons) In Electronic Engineering from Oxford Brookes University in 1993. He is a ISO 9001 Lead Auditor certified by SIRIM.

He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

TEOH KAH LEAN
CHINESE, MALE, AGED 39
HEAD OF PROCESS AUTOMATION AND CONTROL DIVISION

Mr. Teoh Kah Lean has more than 15 years working experience in planning, developing and implementing state-of-the-art electro-automated solutions and software systems. In 2001, he started his career as a System Engineer at Opensys (M) Sdn Bhd. Later in the same year, he moved to MY Information Centre Sdn Bhd as a Systems Administrator. In 2002, he joined Business Flex Solutions Sdn Bhd as the Senior Software Engineer. He then resigned from Business Flex Solutions Sdn Bhd then joined Dolphin Group in 2004 as the Group Technical Manager. He was responsible for ensuring the seamless integration of electro-automation, hydraulic and software systems. Mr. Teoh holds a Bachelor of Information Technology (Hons) in Management Information Systems from University Malaysia Sabah in 2001 and he is also a certified PROFIBUS Engineer. He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

AFIF HADAFI BIN WAHAB
MALAYSIAN, MALE, AGED 35
HEAD OF ELECTRO PNEUMATIC AND HYDRAULIC ENGINEERING DIVISION

Afif Hadafi Bin Wahab has more than 10 years working experience in engineering field. He graduated from Universiti Teknologi Malaysia in 2005 with a Degree in Mechanical Engineering, majoring in Automotive Engineering. Upon graduation in 2005, he joined our Group as a Mechanical Engineer to provide technical assistance on hydraulic and pneumatic system work concerning design, as well as overseeing work order preparation, fabrication and system implementation. In 2009, En. Afif Hadafi was promoted to Head of Hydraulic and Pneumatic Division, responsible of overseeing departmental engineering and technical work as well as project planning, coordination and implementation. He is responsible for leading and supervising the design and fabrication of all Dolphin's products related to mechanical and hydraulic systems. He does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

LIM AH BER
MALAYSIAN, FEMALE, AGED 41
HEAD OF SOFTWARE DIVISION

Ms. Lim Ah Ber has over 15 years of experience in planning, developing and implementing state-of-the-art hardware and software systems. She started her career as an application developer for Hewlett Packard (M) Sdn Bhd in 1999. She then left and joined MY Information Centre Sdn Bhd in 2000 as a Team Leader and Applications Programmer before joining Business Flex Solutions Sdn Bhd in 2005 as a Senior Software Engineer. In 2007, she joined our Group as Head of software division after resigning from Business Flex Solutions Sdn Bhd. She is presently responsible for leading our Group's development of new software and enhancement of existing software as well as driving the adoption of leading technologies. She holds a Bachelor's Degree in Computer Science and Information Technology from Universiti Kebangsaan Malaysia which she obtained in 1999. She does not have any family relationship with any directors and/or major shareholders of the Group and has no conflict of interest with the Group.

Statement on Corporate Governance

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") sets out the principles and recommendations on the structures and processes that companies may adopt in governing the board towards achieving effective governance.

The Board of Directors ("Board") of Dolphin International Berhad ("DIB" or "the Company") is committed to ensuring that high standard of corporate governance is practised throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to safeguard shareholders' investments and to protect the interests of all stakeholders.

Towards this end, the Board of DIB is pleased to present herewith its statement in which the Group have applied the principles of good governance and the extent to which it has complied with the Code.

BOARD ROLES AND RESPONSIBILITIES

The Board assumes full responsibility of the overall performance of the Group by setting strategic plans for the Group and overseeing the conduct of the Group's businesses based on the periodic performance of the Group reported by management in the quarterly financial results and operational information and explanation provided by management.

The Board also reviews the adequacy and integrity of the Group's risk management, internal control systems and management information system including key risks and systems to manage these risks as well as develop shareholders' communication policy and management succession for the Group.

In line with the recommendations of the Code, the Board has formalised its Board Charter, which sets out a list of specific roles and functions reserved to the Board and other matters that are important for good corporate governance. The Board has also defined its ethical standards in the Code of Ethics and Conduct. The objective of the Code of Ethics and Conduct is for the Board and each Director to focus on areas of ethical risk, provide guidance to Directors to assist them to recognise and deal with unethical conduct and help to foster a culture of honesty, trust and responsibility.

The Board Charter and Code of Ethics and Conduct are made available on the Company's website at www.dolphinbhd.com and will be reviewed when necessary to ensure the Charter remains consistent with the Board's objective, current law and practices.

During the financial year, the Board spent significant amount of time and focus on the following main groups of issues:

i. Compliance matters comprising the review of the financial statements and disclosures, related party transactions, Board governance agenda and audit matters;

ii. New business expansion and acquisitions covering the pre and post consideration and impact of the acquisition of these new businesses in the Group; and

iii. Corporate finance matters for bonus issue of warrants.

COMPOSITION OF THE BOARD

Pursuant to Paragraph 15.02 of MMLR, Independent Directors should consist of at least two (2) or one-third (1/3) of the Board of Directors. Currently, the Board has six (6) members, comprising one (1) Senior Independent Non-Executive Chairperson, two (2) Executive Directors and three (3) Independent Non-Executive Directors. Four (4) of the Directors are Independent Directors, which is more than the 1/3 MMLR requirement. Together, the Directors bring competencies which allow a mix of qualifications, skills and experience which are necessary for the successful direction of the Group. The profile of each Director is presented on pages 11 to 13 of this Annual Report.

The Group practises the division of responsibility between the Chairperson and Group Managing Director ("GMD") and there is a balance of Executive, Non-Executive and Independent Non-Executive Directors. The roles of the Chairperson and GMD are separate and clearly defined, and are held individually by two (2) persons. The GMD is primarily responsible for the overall management and the day-to-day operations of the business of the Group whereas the Chairperson, who is a Senior Independent Non-Executive Director of the Board, is primarily responsible for the overall oversight role of the Board.

The Board believes that the current size, gender diversification and composition are appropriate for its purpose.

Further information on the composition of the Board are set out in the Board Charter, which is available under the "Corporate Governance" section at our Company's website at www.dolphinbhd.com.

BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. The Board may, whenever required, set up committees delegated with specified powers and responsibilities.

The Board has established the following Committees to assist the Board in the execution of its duties:
- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee

The number of meetings of the Board and Board Committees held during the financial year ended 31 December 2016 were:

Board of Directors	6 meetings
Audit and Risk Committee	5 meetings
Nomination Committee	1 meeting
Remuneration Committee	1 meeting

BOARD MEETINGS (Cont'd)

The attendance of each Director at the Board meetings held during the year are as follows:

Name of Director	Designation	Status of Directorship	Attendance of Meetings
Datuk Zaiton Binti Mohd Hassan	Senior Independent Non-Executive Chairperson	Independent and Non-Executive	6/6
Low Teck Yin	Group Managing Director	Executive Director	6/6
Hoh Yeong Cherng	Group Executive Director	Executive Director	5/6
Dr. Abdul Azis Bin Ariffin	Independent Non-Executive Director	Independent and Non-Executive	6/6
Kamaruddin Bin Osman	Independent Non-Executive Director	Independent and Non-Executive	6/6
Lee Yow Fui	Independent Non-Executive Director	Independent and Non-Executive	6/6

Overall, the Board is satisfied with the level of time commitment given by its members towards fulfilling their roles and responsibilities.

INFORMATION FOR THE BOARD

The supply, timeliness and quality of the information affect the effectiveness of the Board to overseeing the conduct of the business and to evaluate the management performance.

Prior to each Board Meeting, all Directors are given an agenda and a set of Board Papers to enable them to review the matters to be discussed at the Board Meeting and to be able to participate more effectively during the board meetings. The Board Papers include Minutes of the previous meeting, quarterly financial results and other issues requiring the Board's deliberation and approval. On the other hand, the Chairman of Audit and Risk, Remuneration, and Nomination Committees will report and propose to the Board the relevant matters which require Board's approval.

The Board members have unrestricted access to timely and accurate information, necessary for the performance of their duties as a full Board as well as in their individual capacities. Management personnel will be invited to the Board Meetings to assist the Board in understanding the Group's operations when needed.

All the Directors have the access to the advice and services of the Company Secretary, the Internal Auditors and the External Auditors. Subject to the Board's approval, all Board members could seek independent professional advice in furtherance of their responsibilities at the expense of the Company.

The Company Secretary provides guidance to the Board on matters pertaining to the Board's responsibilities in order to ensure that they are effectively discharged within the legal and regulatory requirements. This includes updating the Board on the MMLR, Companies Act, the Code and other legal and regulatory developments and their impact on the Group and its businesses. The Company Secretary attends all Board Meetings and Board Committees Meetings. The Company Secretary is responsible for the recording and safekeeping of the minutes and ensuring that these minutes are kept at the registered office of the Company and are available for inspection, if required.

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once in every three (3) years. A retiring Director shall be eligible for re-election by shareholders at the immediate Annual General Meeting.

BOARD COMMITTEES

The Board appoints the following Board Committees with specific terms of reference:

- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee

The Board has also approved and adopted a formal terms of reference that outlines the functions, duties and responsibilities of the Board Committees in line with the Board's objective in pursuing good governance practice.

Audit and Risk Committee

The Board has an Audit and Risk Committee whose composition meets the MMLR, where Independent Directors form the majority. The Chairman of the Audit and Risk Committee, an Independent Director, is a member of the Malaysian Institute of Accountants. The Audit and Risk Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors.

The Audit and Risk Committee has full access to both the internal and external auditors who in turn, have access at all times to the Chairman of the Audit and Risk Committee. The role of the Audit and Risk Committee and the numbers of meetings held during the financial year as well as the attendance record of each member are set out in the Audit and Risk Committee Report in this Annual Report.

Nomination Committee

The Board has established a Nomination Committee comprising entirely Non-Executive Directors, a majority of whom are independent and chaired by an Independent Director. The composition of the Nomination Committee is as follows:

Name	Designation	Directorship
Datuk Zaiton Binti Mohd Hassan	Chairperson	Senior Independent Non-Executive Chairperson
Dr. Abdul Azis Bin Ariffin	Member	Independent Non-Executive Director
Kamaruddin Bin Osman	Member	Independent Non-Executive Director

Nomination Committee (Cont'd)

The Nomination Committee is responsible for proposing new nominees to the Board and Board Committees, for assessing on an annual basis, the contribution of each individual Director and the overall effectiveness of the Board. The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the Nomination Committee.

The terms of reference of the Nomination Committee are as follows:

a. Recommend to the Board, candidates for all directorship positions to be filled by the Board. In making its recommendations, the Nomination Committee considers the candidates' skills, knowledge, expertise and experience, professionalism, integrity and in the case of candidates for position of Independent Non-Executive Directors, the Nomination Committee also evaluates the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

b. Recommend to the Board of Directors to fill the Board Committees.

c. Assess the effectiveness of the Board as a whole.

d. Assess the effectiveness of the Committees of the Board.

e. Assess the contribution of each individual Director.

f. Review and recommend to the Board the required mix of skills and experience and other qualities the Board requires in order to function competently and efficiently.

g. Assess the performance and contribution of Directors who stand for re-election whether they meet established performance evaluation criteria.

h. To develop criteria to assess independence of Directors.

i. To review the Board's succession plan.

j. To facilitate Board induction and training for newly appointed Directors.

k. To review training programs for the Board.

l. To facilitate achievement of Board diversity policies and targets.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee met one (1) time during the financial year and all members were present. During the year, the Nomination Committee, upon its recent annual review carried out, is satisfied that the size of the Board is optimum and comprising a good mix of experiences and expertise.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Directors, majority of whom are Independent Directors:

Name	Designation	Directorship
Kamaruddin Bin Osman	Chairman	Independent Non-Executive Director
Low Teck Yin	Member	Group Managing Director
Dr. Abdul Azis Bin Ariffin	Member	Independent Non-Executive Director

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Executive Directors on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the Executive Directors with each individual Director abstaining from decision in respect of his own remuneration.

In establishing the level of remuneration for the Group Executive Directors, the Remuneration Committee has regard to packages offered by comparable companies and may also obtain independent advice if deemed necessary.

The remuneration of the Executive Directors comprise a fixed salary and allowances, and a bonus approved by the Board. The remuneration for Non-Executive Directors comprise annual fees, meeting allowance and reimbursement of expenses for their services in connection with the Board and Board Committee activities.

The terms of reference of the Remuneration Committee with regard to its role are as follows:

- To review and recommend the remuneration packages of the Executive Directors, drawing from outside advice whenever necessary prior to making the relevant recommendations to the Board such that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully;

- The determination of remuneration package of Non-Executive Directors should be a matter of the Board as a whole; and

- review any major changes in remuneration policy and employee benefit structures throughout the Company or Group, and if thought fit, recommend them to the Board for adoption.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Remuneration Committee met once during the financial year and all the members were present.

Directors' Remuneration

The Remuneration Committee meets as and when required, has responsibility for determining all aspects of remuneration and terms and conditions of service of all the Directors, drawing from outside advice whenever necessary prior to making the relevant recommendation to the Board such that the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. A formal review of the Directors' remuneration is undertaken on a periodic basis as determined by the Board.

As per the recent amendments to the MMLR, the Company is required to disclose the remuneration of the Directors of the Company (including the remuneration for services rendered to the listed corporation as a group) for the financial year, stating the amount received from the listed corporation and the amount received on a group basis respectively.

The details of the aggregate remuneration of Directors for the financial year ended 31 December 2016 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Executive Directors				
Fees	-	-	-	-
Salaries and other emoluments	905,858	968,115	905,858	583,848
Total	**905,858**	**968,115**	**905,858**	**583,848**
Estimated monetary value of benefits-in-kind	28,500	36,953	28,500	17,707
Non-Executive Directors				
Fees	252,000	173,000	252,000	173,000
Other emoluments	23,000	18,000	23,000	18,000
Total	**275,000**	**191,000**	**275,000**	**191,000**

The remuneration paid to Directors during the year analysed into bands of RM50,000, which complies with the disclosure requirements under the MMLR is as follows:

	Non-Executive Directors	Executive Directors
RM100,000 and below	4	-
RM400,001 to RM450,000	-	1
RM500,001 to RM550,000	-	1
RM550,001 and above	-	-

BOARD ASSESSMENT

During the financial year ended 31 December 2016, the Nomination Committee undertook an evaluation process involving self and peer assessment by individual directors and an assessment of the independence of the Independent Directors. The Board of Directors including the executive directors are subject to the process of self and peer assessment annually.

The following assessments were undertaken by the Nomination Committee during the year under review:

- Reviewed the outcome of the self and peer assessment of individual Directors;
- Reviewed the outcome of the assessment of the Board;
- Reviewed the outcome of the assessment of the contribution of the Group Managing Director;
- Reviewed the adequacy of the Board in terms of its mix of skills and the core competencies; and
- Reviewed the suitability of candidates for appointment to the Board.

The Directors are provided with a questionnaire to carry out the assessment with absolute anonymity. The results are then tabulated by the Secretary and presented to the Nomination Committee for its review and recommendation to the Board. A full set of the results plus a summarised version are also provided to each Director for their information. The criteria that are used in the assessment of the Board include the adequacy of the Board structure, the efficiency and integrity of the Board’s operations and the effectiveness of the Board in the discharge of its duties and responsibilities.

The individual Director is assessed based on their competence, capability, time commitment, objectivity, integrity, participation in Board deliberations and their contribution to the objectives of the Board Committees on which they served. The assessment of the Group Managing Director and Executive Operation Director are co-related to the execution of the Group’s strategic business plans by management and the achievement of performance targets set by the Board.

The Nomination Committee upon its assessment of the above is satisfied that the Board has met the policy on its composition.

DIRECTORS’ CONTINUING TRAINING

All the Directors have attended the Mandatory Accreditation Programme (“MAP”) organised by Bursa Securities. The Directors will continue to undergo other appropriate training programmes to further enhance their professionalism and knowledge as directors of a public listed company and to keep abreast with the new developments within the business environment.

DIRECTORS' CONTINUING TRAINING (Cont'd)

The Board has assessed the training needs of the Directors and that the courses that had been attended by the Directors are as follows:

Name of Director	Topics of Courses Attended
Datuk Zaiton Binti Mohd Hassan	• Sime Darby Corporate Governance Workshop • The New and Revised Auditor Reporting Standards: Implications to Financial Institutions • The Economist Corporate Network • The Innovation Imperative • A view from the Periphery • Motors & Industrials – Living in a VUCA World • BNM-FIDE Dialogue on Corporate Governance Concept paper • Effective Board Evaluation • Integrated Reporting Conference – Connecting the dots • Pilot Run Islamic Finance for Board of Directors
Dr. Abdul Azis Bin Ariffin	• Indepth Seminar Presentation – Refining, Fractionation, Texturization and Manufacturing of Edible Oil and Fat Downstream Product from Palm and Palm Kernel Oil • 2016 National Seminar on Palm Oil Milling, Refining, Environment and Quality
Lee Yow Fui	• Persidangan Cukai Malaysia 2016 • Merger, Acquisition & Affiliation Seminar and Exhibition • Reinvestment Allowance – Understanding Schedule 7A ITA 1967 • Real Property Gains Tax, Rental Income for Property Investors • Latest Updates on Withholding Tax and Double Taxation Agreements In 2016

The Company Secretary has brief the Board on changes in the Companies Act, 2016 and the new and/or revised MMLR on a quarterly basis during the financial year ended 31 December 2016.

ACCOUNTABILITY AND AUDIT

The Company has established an Audit and Risk Committee to review the integrity of the financial reporting and to oversee the independence of the external auditors.

Transparency and Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced assessment of the Group's position and prospects. Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure all the applicable policies are applied consistently, and that the policies are supported by reasonable and prudent judgement and estimates while adhering to all applicable accounting standards. The role of the Audit and Risk Committee in the review and reporting of the financial information of the Group is outlined in the Audit and Risk Committee Report on pages 29 to 31.

Related Party Transactions

Directors recognise that they have to declare their respective interest in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit and Risk Committee reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of management integrity to arise. Details of related party transactions are set out in Note 35 to the financial statements.

Internal Control

The information on the Group's internal control is presented in the Statement on Internal Control and Risk Management.

Relationship with External Auditors

The Board has established a transparent and appropriate relationship with the external auditors through the Audit and Risk Committee. The role of the Audit and Risk Committee in relation to the external auditors is described in the Audit and Risk Committee Report.

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Material Business Risks

The Board acknowledges that risk management is an integral part of good management practice. Risk is inherent in all business activities. It is not however the Group's objective to eliminate risk totally. Instead, it is to provide structural means to identify, prioritise and manage the risks involved in all the Group's activities and to balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

Further details of the Group's system of risk management and internal control are reported in the Statement on Risk Management and Internal Control on pages 32 to 35 of this Annual Report.

Internal Audit Function

In a desire to maintain total independence in the management of the internal control environment and remain in compliance with the MMLR, the internal audit function of the Group has been outsourced to an independent party, Sterling Business Alignment Consulting Sdn Bhd ("SBAC"). The representative from SBAC is invited to table their reports at every Audit and Risk Committee Meeting. Details the Group's internal control system and framework are set out in the Directors' Statement on Risk Management and Internal Control and, the Audit and Risk Committee Report respectively.

The internal auditors report independently and directly to the Audit and Risk Committee in respect of the internal audit function. The Audit and Risk Committee together with the internal auditors agree on the scope and plan of internal audit activities annually and all audit findings arising therefrom are reported to the Audit and Risk Committee on a quarterly basis.

Further details of the activities of the risk management and internal audit function are set out in the Statement on Risk Management and Internal Control.

TIMELY DISCLOSURE AND INVESTOR RELATIONS

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the annual report, announcements to Bursa Securities, media releases, quarterly results, analyst briefings, Company websites and investor relation activities.

The annual report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information. Apart from the mandatory public announcements through Bursa Securities, the Group's website at www.dolphinbhd.com provides corporate, financial and non-financial information. Through the website, shareholders are able to direct queries to the Company. The Group's investor relation activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby enabling investors to make informed decisions.

The Board is committed under its corporate governance obligations to have an effective channel of communication with shareholders and the investing public.

EFFECTIVE COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

The Company is of the view that the Annual General Meeting and other general meetings are important opportunities for meeting investors and addressing their concerns. The Board, senior management and external auditors attend all such meetings. Registered shareholders are invited to attend and participate actively in such meetings, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions.

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded. Generally, resolutions will be carried out by show of hands except for substantive resolutions or as mandated by the authorities, the resolutions will be voted through polling session.

Audit and Risk Committee Report

The Board of Directors of Dolphin International Berhad ("the Board") is pleased to present the Audit and Risk Committee Report for the financial year ended 31 December 2016.

OBJECTIVE

The Audit and Risk Committee ("ARC") was established to act as a Committee for the Board of Directors to fulfill its fiduciary responsibilities in accordance with the Terms of Reference of the ARC of the Company and to assist the Board in reviewing the adequacy and integrity of the Group's financial administration, reporting and internal control.

COMPOSITION AND MEETINGS

As at the date of this Annual Report, the Audit and Risk Committee ("ARC") comprises three (3) Directors as follows:

Chairman
Lee Yow Fui (Independent Non-Executive Director)

Members
Dr. Abdul Azis Bin Ariffin (Independent Non-Executive Director)
Kamaruddin Bin Osman (Independent Non-Executive Director)

The ARC met five (5) times during the financial year ended 31 December 2016 and the details of their attendance are as follows:

Audit Committee Member	Attendance
Lee Yow Fui	5/5
Dr. Abdul Azis Bin Ariffin	5/5
Kamaruddin Bin Osman	5/5

Our ARC Chairman, Lee Yow Fui, is a member of Certified Practicing Accountant (CPA) Australia and a Public Accountant by the Malaysian Institute of Accountants. Accordingly, the Company complies with Paragraph 15.09(1)(c)(ii) (bb) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") on the composition of Audit and Risk Committee.

Details of the members of the ARC are contained in the Profile of Board of Directors as set out on pages 12 to 13 of this Annual Report.

TERMS OF REFERENCE

The terms of reference of the ARC are as follows:

Membership

1. The ARC shall be appointed by the Board from amongst their members and shall consist of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.

TERMS OF REFERENCE (Cont'd)

Membership (Cont'd)

2. At least one (1) member of the ARC:
   a. must be a member of the Malaysian Institute of Accountants; or
   b. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and
      - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
      - must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
      - fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

3. The members of the ARC shall elect a Chairman from amongst their members who shall be an Independent Non-Executive Director.

4. No alternate Director shall be appointed as a member of the ARC.

5. The term of office and performance of the ARC and each of its members shall be reviewed by the Board at least once every three years.

6. The Company Secretary or such other person(s) authorised by the Board of Directors shall act as the Secretary to the Committee.

7. If a member of the Committee resigns, dies or for any other reason ceases to be a member resulting in the number of members being reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

The Board of Directors is satisfied that the ARC and its members have discharged their responsibilities during the financial year in accordance with the terms of reference of the ARC.

SUMMARY OF WORK OF THE AUDIT AND RISK COMMITTEE

The Committee met five (5) times during the financial year to review the Company's and its subsidiaries' quarterly and audited financial statements prior to their approval by the Board. The Committee also acts as a forum for discussion on internal control issues and contributes to the Board's review of the Group's internal control and risk management systems.

During the financial year ended 31 December 2016, the works carried out by ARC in discharging their functions and duties are summarised as follow:

i) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Company's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reposting Standards 134 – Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 – Interim Financial Reporting as well as applicable disclosure provisions of the MMLR;

SUMMARY OF WORK OF THE AUDIT AND RISK COMMITTEE (Cont'd)

ii) Met the External Auditors without the presence of executive board members and management personnel to further discuss matters arising from audit;

iii) Before the commencement of audit for current financial year, the Audit Committee had also reviewed the External Auditors' Audit Planning Memorandum. The Committee noted the external auditors' key considerations, audit emphasis and approached made;

iv) Reviewed the audit plan of the External Auditors in terms of their scope of audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit;

v) Reviewed and discussed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensured that there were management action plans established for the implementation of the Internal Auditors' recommendations. The responsible member of management was invited to attend the ARC meeting to provide clarification on specific issues raised in the internal auditor reports. Summary of internal audit reports presented to the ARC provided status updates for management action plans to address the findings reported in the previous audit cycles; and

vi) Reviewed the related party transactions for compliance with both in-house procedures and the MMLR.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") of Dolphin International Berhad ("the Company") is pleased to present the following Statement on Risk Management and Internal Control of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2016. This has been prepared in accordance to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**MMLR**"), Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**") and "*Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers*".

BOARD'S RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining the Group's system of internal control, risk management and reviewing the adequacy and integrity of these systems. In view of the limitations that are inherent in any system of internal control, the system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board had received assurance from the Group Managing Director and Group Financial Officer that the Group's risk management and internal control is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying, evaluating, managing and responding to risks to achieve the objectives of the Group for the financial year under review. The Board reviews the process annually as well as when new emerging risks are identified as risk management forms an integral part of the Group's business operations and is embedded in the various work processes and procedures of the respective operational functions and management team.

During the financial year under review, the Group has drafted the Risk Management Plan and Policy and a set of Detailed Risk Management Procedures for Project Management. The improved risk management Plan and Policy includes the Commitment to Risk Management, Risk Management Framework, Risk Governance, Linking Risk Management and Strategy, Risks Registers, Risk Reporting, Risk Management Continuous Improvement and Crisis Management. The Risk Management Procedure for Project Management will be implemented in conjunction with the ISO 9001/2015 upgrading exercise in the financial year ending 31 December 2017. The system of internal controls that the Group intends to enhance provides a level of confidence on which the Board and the Audit Committee rely for assurance.

INTERNAL AUDIT FUNCTIONS

The Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to undertake its internal audit function. The internal auditor reviewed and addressed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to internal control processes. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

The Internal Auditors report directly to the Audit and Risk Committee on improvement measures pertaining to internal control, including subsequent follow-up to determine the extent of their recommendations that have been implemented by the Management. Periodic audit reports are submitted to the Audit and Risk Committee, who reviews the findings with Management at its quarterly meetings. Follow up visits were conducted during the November 2016 reporting to ensure weaknesses identified have been or are being addressed. The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame.

For the financial year ended 31 December 2016, one (1) follow up review and four (4) internal audit reviews had been carried out by the Internal Auditor:

Audit Period	Reporting Month	Name of Entity Audited	Audit Areas
January - March 2016	May 2016	Dolphin Applications Sdn Bhd Dolphin Engineering (M) Sdn Bhd	Project Revenue Recognition function.
April - June 2016	August 2016	Dolphin Applications Sdn Bhd Dolphin Engineering (M) Sdn Bhd	Technical functions (Pneumatic & Hydraulics, Electrical Automation and Software and Information Systems).
July - September 2016	November 2016	Dolphin Applications Sdn Bhd and Dolphin Engineering (M) Sdn Bhd	Sales & Marketing and Project Management functions. Follow-up actions on previously reported audited findings:
		Dolphin Applications Sdn Bhd and Dolphin Engineering (M) Sdn Bhd	• IA report in August 2016 on Technical functions.
		Dolphin Applications Sdn Bhd and Dolphin Engineering (M) Sdn Bhd	• IA report in May 2016 on Project Revenue Recognition functions.

INTERNAL AUDIT FUNCTIONS (Cont'd)

Audit Period	Reporting Month	Name of Entity Audited	Audit Areas
July - September 2016 (Continued)	November 2016 (Continued)	Dolphin Applications Sdn Bhd and Dolphin Engineering (M) Sdn Bhd Dolphin Systems Sdn Bhd, Dolphin Applications Sdn Bhd and Dolphin Engineering (M) Sdn Bhd	• IA report in February 2016 on Project Management and Procurement functions. • IA report in November 2015 on Sales & Marketing and Revenue functions.
October - December 2016	February 2017	Dolphin International Berhad and Group of Companies	Human Resources functions.

The Audit and Risk Committee keeps track and addresses any issues that relates to this matter at quarterly meeting and its members are constantly being updated on any activities that relates to the above. For the financial year ended 31 December 2016, the total internal audit fees incurred for the outsourced internal audit function is RM40,000.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM

1. Control Environment and Control Activities

- The Group maintains an organisation structure and hierarchical reporting with defined lines of responsibility and accountability.
- Designated staff are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group's system of internal control.
- Authorisation limits at appropriate levels are set out for controlling and approving capital expenditure and expenses.
- Policies and procedures for key business processes are formalised and documented for implementation and continuous improvements. These policy manuals are the subject of regular reviews to meet new operational and statutory requirements.

2. Monitoring and Communication

- Regular Board and Management meetings to assess performance and controls.
- Regular visits to operating units by members of the Board and senior management whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal controls by the independent consulting firm. Reports on findings of the internal audit and status report on follow up actions are presented to the Audit and Risk Committee of the Board for consideration.
- Management Accounts and reports are prepared regularly for monitoring of actual performance.
- An internal audit function carries out quarterly internal audit to ascertain the adequacy of and to monitor the effectiveness of operational and financial procedures. The internal audit also reviews and assesses risks faced by the Group and reports directly to the Audit and Risk Committee;
- Reporting of financials, operations and legal issues to the Board on a quarterly basis. Budgets for the financial year are also reviewed on a yearly basis and major variances are followed up and remedial actions are taken where necessary;

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL SYSTEM (Cont'd)

2. Monitoring and Communication (Cont'd)

- Regular internal audit visits to monitor compliance with policies and procedures to assess the integrity of both financial and non-financial information provided; and
- Follow-up visits are then subsequently conducted by the internal auditor to ensure proper implementation of agreed action plans by the respective process owners.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

CONCLUSION

For the financial year under review and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place is as far as practicable, adequate and effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.

At Dolphin, we strongly believe in harmonising our CSR efforts with our businesses and are ever mindful of our social obligations towards the marketplace, environment, communities and employees. We also believe we hold a special responsibility to make a positive social impact.

Dolphin is continuing its Corporate Social Responsibility (CSR) programs. Our Group has been involved in few CSR activities this past year.

EDUCATION EXCELLENCE

<u>Dolphin sponsored Best Student Awards in Universiti Putra Malaysia ("UPM")</u>

Dolphin International Berhad (DIB) Corporate Affairs Director Ms. Phang Sze Fui (center) presenting the Best Overall Student award to Mr. Koh Kok Yuen (right) from the Faculty of Engineering at UPM on 21st October 2016. Ms. Phang was accompanied by Dr. Mohamad Amran Bin Mohd Salleh (left), Head of Department of Chemical and Environmental Engineering, UPM.

As part of the Group's corporate social responsibility initiative, Dolphin participated as the sponsor of the best student award for five recipients this year.

Dolphin recognises that its employees are its assets and it imperative to provide a conducive workplace and to reinforce its core values towards achieving the goals of the organisation. In this regard, our Group has sponsored employees who willing to further their studies to pursue the Masters program in UPM.

Corporate Social Responsibility (Cont'd)

ENVIRONMENT

The Group is mindful of the direct impact our business has on the environment. Over the years, the Group has taken preventive measures to reduce environmental impact and carbon footprint from various initiatives such as:

- Minimising the usage of paper; and
- Minimising energy and fuel consumption.

The Group, in support of the local government's drive towards green buildings and technology, contributes to Malaysia's Green Objectives to reduce carbon footprint and one of its efforts include the adoption of green practices and solutions for the construction of the Ministry of International Trade and Industry building in Kuala Lumpur.

WORKPLACE

The Group recognises that our people are our key assets and acknowledges their invaluable contribution to the Group's growth. We uphold basic human rights and support workplace diversity. The Group practises non-prejudicial policies in respect of any race, gender, age or minorities.

The Group organises various trainings, seminars and workshops to upgrade and enhance the skills and knowledge of our employees. The training programmes range from job-related technical to soft skills, management and administrative courses.

HEALTH AND SAFETY

The Group is committed to the highest standards of the Health, Safety and Environmental ("HSE") protection. It is the Group's policy to take all precautions and safety measures to ensure our employees are working in a safe and healthy environment.

MARKETPLACE

The Group continuously promotes the conduct of business through transparency, accountability, integrity, and ethics in building long term relationships with our stakeholders.

The Group continuously initiates and manages various channels to engage with our stakeholders with the objective to foster good communications and relations by providing timely information.

COMMUNITY

The Group believes that contributing to the local community is not just something out of choice but is actually a vital part of our corporate existence. The Group plays an active role in contributing to the community and society through direct financial support, gifts in kind and voluntary work. We strongly believe in giving back and improving the well-being of our society through impactful initiatives.

Dolphin had approached one of the orphanage house in Semenyih to understand their needs. In an effort to provide a better and comfortable environment for them, Dolphin had contributed to improve their hygiene facilities at the orphanage house.

Statement of Responsibility by Directors

The Directors are required by the Companies Act, 1965 ("Act") to prepare the financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company and the financial performance and cash flows for the year ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure that the financial statements are drawn up in accordance with the provisions of the Act.

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

- adopted suitable accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departure being explained in the financial statements; and
- prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

UTILISATION OF PROCEEDS

The utilisation of the proceeds raised from the issuance of 46,000,000 Dolphin Shares, in conjunction with the listing of Dolphin on the Main Market of Bursa Malaysia Securities Berhad on 9 June 2015 is as follows:

Purpose	Time frame for utilisation from the date of Listing	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Renovation and extension of factory (which includes the purchase of additional machineries)	24 months	11,000	3,786	7,214
Working Capital	24 months	6,080	6,080	-
Set-up of a research and development facility	24 months	4,000	4,000	-
Repayment of bank borrowings	6 months	6,000	6,000	-
Estimated listing expenses	1 month	4,200	4,200	-
Total		**31,280**	**24,066**	**7,214**

AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2016, the amounts of audit and non-audit fees paid to the external auditors of the Group and of the Company are as tabulated below:

	Group RM	Company RM
Audit Fees		
- Current year	191,199	50,000
- Prior year	(59,333)	(11,000)
Non-audit fees	50,000	50,000
Total	**181,866**	**89,000**

REVALUATION OF LANDED PROPERTY

The Company does not have a policy of regular revaluation of landed properties.

SHARE BUY-BACKS

The Company does not have a scheme to buy back its own shares.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, the Company issued a bonus issue of 55,500,002 warrants on the basis of one (1) free warrant for every four (4) existing ordinary shares of RM0.20 each held in Dolphin on the entitlement date.

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

SANCTIONS AND/OR PENALTIES

In the financial year ended 31 December 2016, there were no sanctions and/or penalties imposed on Dolphin and its subsidiaries, Directors or management by any regulatory body.

VARIATION OF RESULTS, PROFIT ESTIMATES, FORECAST OR PROJECTIONS

There were no profit forecast issued by the Company for the financial year ended 31 December 2016.

PROFIT GUARANTEE

There were no profit guarantee issued by the Company for the financial year ended 31 December 2016.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Dolphin and its subsidiary companies have not entered into any material contracts outside the ordinary course of business, involving Directors and substantial shareholders for the financial year ended 31 December 2016.

DEPOSITORY RECEIPT PROGRAMME

There were no Depository Receipt Programme sponsored by the Company during the financial year ended 31 December 2016.

Financial Statements

42 Directors' Report

47 Statements of Financial Position

49 Statements of Comprehensive Income

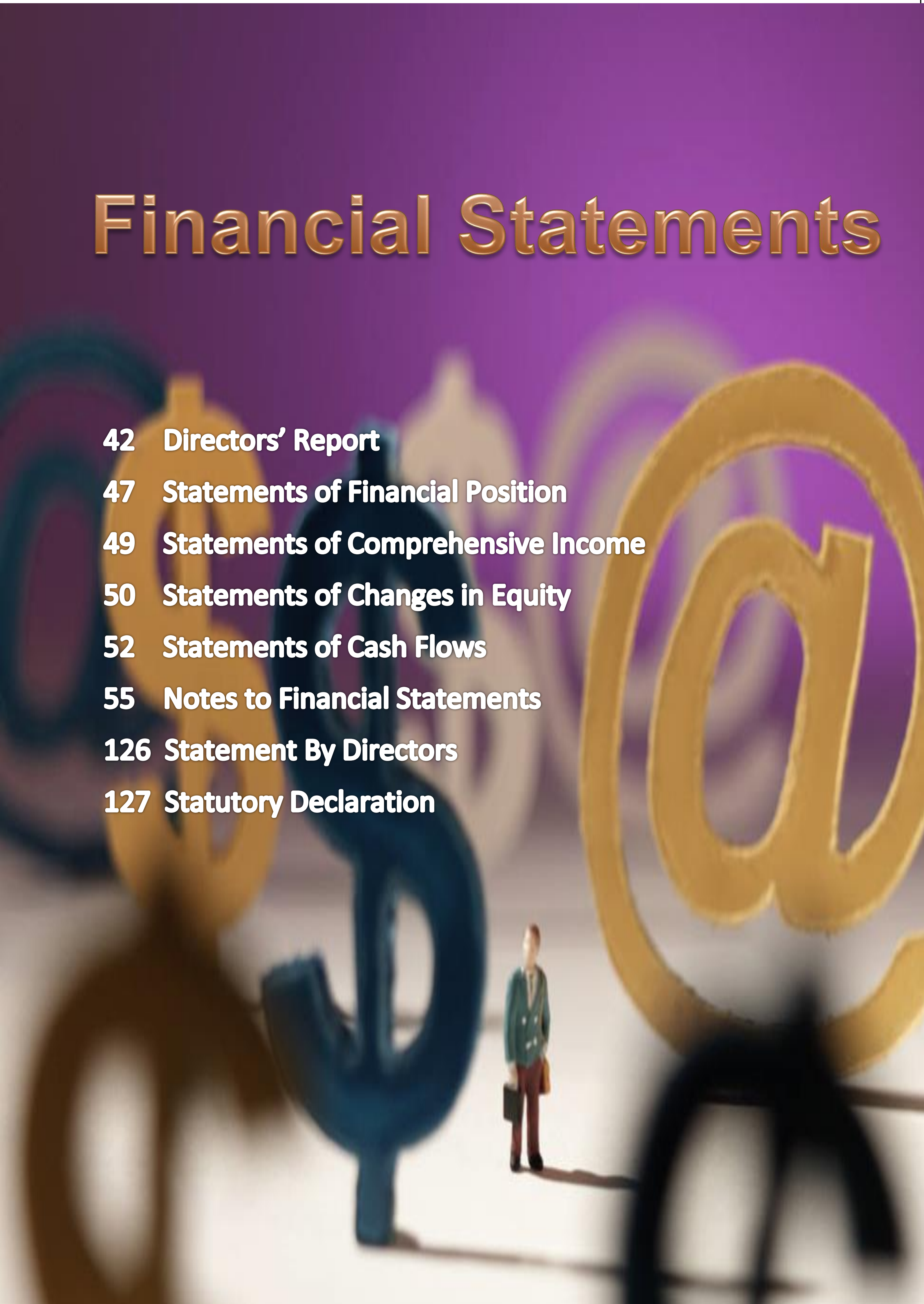
50 Statements of Changes in Equity

52 Statements of Cash Flows

55 Notes to Financial Statements

126 Statement By Directors

127 Statutory Declaration



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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group	Company
	RM	RM
Loss for the financial year, net of tax	(4,622,375)	(1,716,754)
Attributable to:		
Owners of the Company	(4,626,102)	(1,716,754)
Non-controlling interests	3,727	-
	(4,622,375)	(1,716,754)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(a) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Low Teck Yin
Hoh Yeong Cherng
Datuk Zaiton Binti Mohd Hassan
Dr. Abdul Azis Bin Ariffin
Kamaruddin Bin Osman
Lee Yow Fui

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares and in the warrants in the Company and its related corporation during the financial year were as follows:

Interest in the Company

	Number of ordinary shares of RM0.20 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Direct interests:				
Low Teck Yin	63,312,514	4,000,000	-	67,312,514
Hoh Yeong Cherng	63,312,527	4,000,000	-	67,312,527
Datuk Zaiton Binti Mohd Hassan	2,700,000	2,500,000	-	5,200,000
Dr. Abdul Azis Bin Ariffin	100,000	-	-	100,000
Kamaruddin Bin Osman	100,000	-	-	100,000
Lee Yow Fui	100,000	-	-	100,000
Indirect interests:				
Hoh Yeong Cherng*	484,500	-	-	484,500

* Deemed interested in the direct shareholdings in the Company of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.

DIRECTORS' INTERESTS (Cont'd)

	Number of ordinary shares of USD1.00 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Subsidiary				
PT Dolphin Indonesia				
Direct interests:				
Hoh Yeong Cherng	175,000	-	-	175,000

	Number of warrants of RM0.80 each				
	At 1.1.2016	Granted	Exercised	Sold	At 31.12.2016
Direct interests:					
Low Teck Yin	-	15,828,128	-	6,357,500	9,470,628
Hoh Yeong Cherng	-	15,828,131	-	2,380,000	13,448,131
Datuk Zaiton Binti Mohd Hassan	-	1,300,000	-	-	1,300,000
Dr. Abdul Azis Bin Ariffin	-	25,000	-	-	25,000
Kamaruddin Bin Osman	-	25,000	-	-	25,000
Lee Yow Fui	-	25,000	-	-	25,000
Indirect interests:					
Hoh Yeong Cherng*	-	121,125	-	121,050	75

* Deemed interested in the direct shareholdings in the Company of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.

By virtue of their interests in the ordinary shares of the Company, Low Teck Yin and Hoh Yeong Cherng are also deemed interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Details of significant event subsequent to the financial year are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

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

……………………………………………

LOW TECK YIN
Director

……………………………………………

HOH YEONG CHERNG
Director

Selangor Darul Ehsan

Date: 28 April 2017

Statements of Financial Position as at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	24,072,494	18,327,872	-	-
Investment property	6	194,455	196,952	-	-
Intangible assets	7	16,962,860	9,440,635	-	-
Investment in subsidiaries	8	-	-	45,570,002	45,570,000
Investment in an associate	9	113,815	186,265	-	-
Total non-current assets		41,343,624	28,151,724	45,570,002	45,570,000
Current assets					
Inventories	10	794,364	562,761	-	-
Trade and other receivables	11	18,766,098	17,934,675	18,855,451	12,255,060
Amount due from customers for contract works	12	58,207,832	80,934,941	-	-
Current tax assets		5,310	8,782	-	-
Fixed deposits placed with licensed banks	13	11,234,045	22,192,573	2,029,166	14,742,998
Cash and bank balances	14	5,583,373	3,068,011	5,188,398	628,355
		94,591,022	124,701,743	26,073,015	27,626,413
Non-current asset classified as held for sale	15	7,250,000	-	-	-
Total current assets		101,841,022	124,701,743	26,073,015	27,626,413
TOTAL ASSETS		143,184,646	152,853,467	71,643,017	73,196,413
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	44,400,002	44,400,002	44,400,002	44,400,002
Share premium	17	32,775,321	32,775,321	32,775,321	32,775,321
Other reserve	18	(23,144,715)	(23,144,715)	-	-
Foreign currency translation reserve	19	583,055	720,847	-	-
Retained earnings/(Accumulated losses)		24,453,831	29,079,933	(6,275,293)	(4,558,539)
		79,067,494	83,831,388	70,900,030	72,616,784
Non-controlling interests		67,792	62,010	-	-
Total equity		79,135,286	83,893,398	70,900,030	72,616,784

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Non-current liabilities					
Hire purchase payables	20	697,951	999,048	-	-
Bank borrowings	21	12,948,500	3,358,333	-	-
Provision for retirement benefits	22	19,983	21,604	-	-
Deferred tax liabilities	23	797,546	755,543	-	-
Total non-current liabilities		14,463,980	5,134,528	-	-
Current liabilities					
Hire purchase payables	20	509,464	618,274	-	-
Bank borrowings	21	29,737,535	31,201,869	-	-
Current tax liabilities		1,062,870	4,746,375	-	-
Trade and other payables	24	17,837,812	26,111,109	742,987	579,629
Amount due to customers for contract works	12	437,699	1,147,914	-	-
Total current liabilities		49,585,380	63,825,541	742,987	579,629
TOTAL LIABILITIES		64,049,360	68,960,069	742,987	579,629
TOTAL EQUITY AND LIABILITIES		143,184,646	152,853,467	71,643,017	73,196,413

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

Statements of Comprehensive Income
for the financial year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Revenue	25	44,136,219	69,441,348	-	-
Cost of sales	26	(36,593,386)	(50,756,098)	-	-
Gross profit		7,542,833	18,685,250	-	-
Other income	27	633,718	3,582,906	311,623	378,743
Administrative expenses		(8,324,629)	(13,848,409)	(2,028,377)	(4,163,113)
Sales and marketing expenses		(860,038)	(651,207)	-	-
Operating (loss)/profit		(1,008,116)	7,768,540	(1,716,754)	(3,784,370)
Finance costs	28	(3,495,884)	(2,669,021)	-	-
Share of results of an associate, net of tax		(15,000)	(15,568)	-	-
(Loss)/Profit before tax	29	(4,519,000)	5,083,951	(1,716,754)	(3,784,370)
Income tax expense	31	(103,375)	(2,224,106)	-	-
(Loss)/Profit for the financial year		(4,622,375)	2,859,845	(1,716,754)	(3,784,370)
Other comprehensive (loss)/income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		(135,737)	203,295	-	-
Total comprehensive (loss)/income for the financial year		(4,758,112)	3,063,140	(1,716,754)	(3,784,370)
(Loss)/Profit attributable to:					
Owners of the Company		(4,626,102)	2,859,611	(1,716,754)	(3,784,370)
Non-controlling interests		3,727	234	-	-
		(4,622,375)	2,859,845	(1,716,754)	(3,784,370)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(4,763,894)	2,994,238	(1,716,754)	(3,784,370)
Non-controlling interests		5,782	68,902	-	-
		(4,758,112)	3,063,140	(1,716,754)	(3,784,370)
(Loss)/Earnings per ordinary share attributable to the owners of the Company:					
Basic (sen)	32	(2.08)	1.77		
Diluted (sen)	32	(2.08)	1.77		

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

Statements of Changes in Equity
for the financial year ended 31 December 2016

	Attributable to Owners of the Company							
		Non-distributable			Distributable			
	Share capital RM	Share premium RM	Other reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group								
At 1 January 2015	2,000,002	-	3,749,998	586,220	26,220,322	32,556,542	(21,872)	32,534,670
Total comprehensive income for the financial year	-	-	-	134,627	2,859,611	2,994,238	68,902	3,063,140
Non-controlling interests arising from acquisition of a new subsidiary	-	-	-	-	-	-	14,980	14,980
Transaction with owners:								
Shares issued for acquisition of subsidiaries	33,200,000	12,240,000	(26,894,713)	-	-	18,545,287	-	18,545,287
Shares issued for initial public offerings	9,200,000	22,080,000	-	-	-	31,280,000	-	31,280,000
Transaction costs of shares issued	-	(1,544,679)	-	-	-	(1,544,679)	-	(1,544,679)
At 31 December 2015	44,400,002	32,775,321	(23,144,715)	720,847	29,079,933	83,831,388	62,010	83,893,398
Total comprehensive loss for the financial year	-	-	-	(137,792)	(4,626,102)	(4,763,894)	5,782	(4,758,112)
At 31 December 2016	44,400,002	32,775,321	(23,144,715)	583,055	24,453,831	79,067,494	67,792	79,135,286

Statements of Changes in Equity
for the financial year ended 31 December 2016 (Cont'd)

	Attributable to owners of the Company			
		Non-distributable	Distributable	
	Share capital RM	Share premium RM	Accumulated losses RM	Total equity RM
Company				
At 1 January 2015	2,000,002	-	(774,169)	1,225,833
Total comprehensive loss for the financial year	-	-	(3,784,370)	(3,784,370)
Transaction with owners:				
Shares issued for acquisition of subsidiaries	33,200,000	12,240,000	-	45,440,000
Shares issued for initial public offerings	9,200,000	22,080,000	-	31,280,000
Transaction costs of shares issued	-	(1,544,679)	-	(1,544,679)
At 31 December 2015	44,400,002	32,775,321	(4,558,539)	72,616,784
Total comprehensive loss for the financial year	-	-	(1,716,754)	(1,716,754)
At 31 December 2016	44,400,002	32,775,321	(6,275,293)	70,900,030

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

Statements of Cash Flows
for the financial year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/Profit before tax	(4,519,000)	5,083,951	(1,716,754)	(3,784,370)
Adjustments for:				
Depreciation of property, plant and equipment	1,089,966	963,559	-	-
Depreciation of investment property	2,497	1,872	-	-
Amortisation of intangible assets	164,321	2,462,998	-	-
Interest income	(507,740)	(562,684)	(311,623)	(362,210)
Interest expenses	3,495,884	2,669,021	-	-
Impairment loss on investment in an associate	57,450	-	-	-
Impairment loss on property, plant and equipment	103,726	-	-	-
Impairment loss on a trade receivable	294,375	-	-	-
Gain on disposal of property, plant and equipment	(459)	(80,600)	-	-
Gain on bargain purchase arising from business combinations	-	(2,480,747)	-	-
Unrealised loss/(gain) on foreign exchange	299,642	(412,993)	-	-
Property, plant and equipment written off	104,312	-	-	-
Share of result of an associate, net of tax	15,000	15,568	-	-
Provision for retirement benefits	(3,218)	5,958	-	-
Operating profit/(loss) before changes in working capital	596,756	7,665,903	(2,028,377)	(4,146,580)
Changes in working capital:				
Inventories	(231,603)	69,427	-	-
Trade and other receivables	(120,476)	11,759,551	(6,825)	(10,941,471)
Trade and other payables	(12,643,152)	(3,437,927)	157,882	208,642
Amount due from contract customers	22,016,894	(17,282,492)	-	-
Net cash flows from/(used in) operations	9,618,419	(1,225,538)	(1,877,320)	(14,879,409)
Interests received	507,740	562,684	311,623	362,210
Interests paid	(2,775,770)	(2,358,502)	-	-
Income tax refunded	37,174	-	-	-
Income tax paid	(3,778,579)	(3,321,488)	-	-
Net cash flows from/(used in) operating activities	3,608,984	(6,342,844)	(1,565,697)	(14,517,199)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	-	(1,697,408)	(2)	(130,000)
Acquisition of property, plant and equipment (Note (a))	(3,108,210)	(602,152)	-	-
Proceeds from disposal of property, plant and equipment	3,108	232,245	-	-
Net change in amounts due from subsidiaries	-	-	(6,588,090)	-
Deposits paid for acquisition of property, plant and equipment	(1,402,188)	(1,290,000)	-	-
Development costs	(7,686,546)	(522,645)	-	-
Net cash flows used in investing activities	(12,193,836)	(3,879,960)	(6,588,092)	(130,000)
Cash flows from financing activities				
Interests paid	(720,114)	(310,519)	-	-
Net changes in amount due to a director	4,510,400	-	-	-
Increase in deposits pledged	(1,755,305)	(4,323,542)	-	-
Payment to hire purchase payables	(627,208)	(470,976)	-	-
Drawdown of bank borrowing	10,965,000	-	-	-
Payment of bank borrowings	(13,687,832)	(17,130,716)	-	-
Other acquisition	-	22,007	-	-
Proceeds from issuance of shares arising from initial public offering	-	29,735,321	-	29,735,321
Net cash flows (used in)/from financing activities	(1,315,059)	7,521,575	-	29,735,321
Net (decrease)/increase in cash and cash equivalents	(9,899,911)	(2,701,229)	(8,153,789)	15,088,122
Cash and cash equivalents as at beginning of the financial year	8,118,340	10,649,563	15,371,353	283,231
Effects of exchange rate changes on cash and cash equivalents	(182,225)	170,006	-	-
Cash and cash equivalents as at end of the financial year	(1,963,796)	8,118,340	7,217,564	15,371,353
Analysis of cash and cash equivalents:				
Fixed deposits placed with licensed banks	11,234,045	22,192,573	2,029,166	14,742,998
Cash and bank balances (Note 14)	5,583,373	3,068,011	5,188,398	628,355
Bank overdrafts	(9,576,335)	(9,692,670)	-	-
	7,241,083	15,567,914	7,217,564	15,371,353
Less: Fixed deposits held as security values (Note 13)	(9,204,879)	(7,449,574)	-	-
	(1,963,796)	8,118,340	7,217,564	15,371,353

Note:
(a) Acquisition of property, plant and equipment

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Acquisition of property, plant and equipment	14,290,511	602,152	-	-
Financed by hire purchase arrangements	(217,301)	-	-	-
Financed by term loan arrangements	(10,965,000)	-	-	-
Cash payments on acquisition of property, plant and equipment	3,108,210	602,152	-	-

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

1. CORPORATE INFORMATION

Dolphin International 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 Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 17 & 19, Jalan Puteri 5/20, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

2. BASIS OF PREPARATION (Cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statement of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

2. BASIS OF PREPARATION (Cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Key requirements of MFRS 9: (Cont'd)

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:
(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Int will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Int 13	Customer Loyalty Programmes
IC Int 15	Agreements for the Construction of Real Estate
IC Int 18	Transfers of Assets from Customers
IC Int 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statements of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

2. BASIS OF PREPARATION (Cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosure*, MFRS 119 *Employee Benefits* and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:
(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 4 Insurance Contracts

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

Amendments to MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

2. BASIS OF PREPARATION (Cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2. BASIS OF PREPARATION (Cont'd)

2.6 Use of estimate and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries, associates, and joint ventures used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Reorganisation

Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group;
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves; and
- the comparative information presented in these consolidated financial statements is that of acquired entity.

(b) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its control over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group losses control of the acquirees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 Basis of consolidation (Cont'd)

(b) Subsidiaries and business combination (Cont'd)

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8(a) to the financial statements.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 BASIS OF CONSOLIDATION (Cont'd)

(b) Subsidiaries and business combination (Cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(d) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investments in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

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

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 an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 BASIS OF CONSOLIDATION (Cont'd)

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.12(b) to the financial statements.

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.3 Foreign currency transactions and operations (Cont'd)

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Financial instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

The Group and the Company categorise the financial instruments as follows: (Cont'd)

(i) Financial assets (Cont'd)

Loans and receivables

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

Subsequent to the initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceeding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gain or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial assets are derecognised. Interest income calculated using effective interest method is recognised in profit or loss.

Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's rights to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Financial instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

The Group and the Company categorise the financial instruments as follows: (Cont'd)

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to the initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

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 convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Financial instruments (Cont'd)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

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

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Property, plant and equipment (Cont'd)

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Leasehold land	99 years
Leasehold buildings	50 years
Freehold buildings	50 years
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	10 years
Plant and machinery	16 years
Renovation	10 years
Software	5 – 10 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Leases (Cont'd)

Lessee accounting (Cont'd)

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

The Group uses the cost model to measure its investment properties after initial recognition. Accordingly investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of impairment losses is in accordance with Note 3.12(b) to the financial statements.

3.8 Goodwill and other intangible assets

(a) Goodwill and other intangible assets

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b) to the financial statements.

In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.8 Goodwill and other intangible assets (Cont'd)

(b) Research and development costs

Research costs are recognised in profit or loss as incurred.

An intangible asset arising from development is recognised when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the intangible asset will generate future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment loss is in accordance with Note 3.12(b) to the financial statements.

(c) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Goodwill and other intangible assets (Cont'd)

(d) Amortisation

The amortisation methods used and the estimated useful lives are as follows:

	Method	Useful lives (years)
Other intangible assets	Revenue-based	2

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

3.9 Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:
- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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.

3.10 Construction contracts

Construction works are stated at cost plus attributable profit less progress billings. Cost comprises direct labour, material costs, sub-contractor sum and an allocated proportion of directly related overheads. Administrative and general expenses are charged to the profit or loss as and when incurred.

When the outcome of a construction contract can be reliably estimated, contract revenue and contract cost are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Contract cost is recognised as expense in the period which it is incurred.

Irrespective of whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Provision is made for all anticipated losses on construction work. Provision for warranties is made for expected/estimated repair costs for making good certain defects and damages during the warranty periods.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers for contract works.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three month or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.12 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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 carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 Impairment of assets (Cont'd)

(a) Impairment and uncollectibility of financial assets (Cont'd)

<u>Available-for-sale financial assets</u>

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

<u>Unquoted equity instruments carried at cost</u>

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and amount due from customers for contract work) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets (Cont'd)

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed 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 or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.13 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.14 Employee benefits

(a) Short term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.14 Employee benefits (Cont'd)

(c) Retirement benefits plan

A foreign subsidiary of the Group provides retirement benefits plan to its employees in conformity with the requirements of the law.

The calculation of estimated liabilities for the retirement benefits plan is determined using management's calculation. The assumptions used are discount rate, annual salary increment rate and pension age.

The Group recognises the following costs in profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.15 Revenue and other income

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

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

<u>Construction contracts</u>
Revenue from construction contracts is accounted for by the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

<u>Interest income</u>
Interest income is recognised using the effective interest method.

<u>Rental income</u>
Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.16 Borrowing costs (Cont'd)

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.17 Income tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.17 Income tax (Cont'd)

(b) Deferred tax (Cont'd)

Where investment properties are carried at fair value in accordance with the accounting policy, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Managing Director of the Group that makes strategic decisions.

3.19 Fair value measurements

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 Fair value measurements (Cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.20 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

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

3.21 Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

4.1 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5 to the financial statements, the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5 to the financial statements.

4.2 Useful lives of intangible assets

The Group and the Company estimate the useful lives to amortise intangible assets based on the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The estimated useful lives of intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in the estimates. A reduction in the estimated useful lives of the intangible assets would increase the recorded expenses and decrease the non-current assets. The carrying amounts of the intangible assets are disclosed Note 7 to the financial statements.

4.3 Impairment of goodwill

The Group assesses at each reporting date whether there is any indication that goodwill may be impaired. For the purpose of assessing impairment, assets (including goodwill) are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). In determining the value-in-use of a cash-generating unit, management estimates the discounted cash flows using reasonable and supportable inputs about sales, costs of sales and other expenses based on past experience, current events and reasonably possible future developments. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7 to the financial statements.

4.4 Impairment of financial assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 36(a) to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.5 Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

4.6 Write-down of obsolete or slow moving inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's and the Company's inventories are disclosed in Note 10 to the financial statements.

4.7 Construction contracts

Significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the work that are recoverable from the customers. In making judgements, the Group and the Company evaluate based on the past experience and work of specialists.

The carrying amounts of amount owing by contract customers and amount owing to contract customers are disclosed in Note 12 to the financial statements.

4.8 Measurement of income tax expense

The Group and the Company operate in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period those differences arise. The income tax expense of the Group and the Company are disclosed in Note 31 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM	Leasehold building RM	Freehold lands RM	Freehold buildings RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Computer hardware RM	Plant and machinery RM	Total RM
Cost											
At 1 January 2016	4,006,991	445,221	4,721,616	6,720,440	85,913	2,665,316	313,665	394,852	833,752	-	20,187,766
Additions	-	-	10,000,000	3,321,700	1,940	587,302	7,350	181,981	74,281	115,957	14,290,511
Disposals	-	-	-	-	-	-	(1,228)	-	(3,578)	-	(4,806)
Written off	-	-	-	-	(648)	(179,674)	(1,488)	(3,024)	(4,335)	-	(189,169)
Transfer to asset held for sale (Note 15)	-	-	(3,106,114)	(4,659,172)	-	-	-	-	-	-	(7,765,286)
Foreign exchange translation adjustment	-	-	-	-	837	29,164	1,536	1,568	-	-	33,105
At 31 December 2016	4,006,991	445,221	11,615,502	5,382,968	88,042	3,102,108	319,835	575,377	900,120	115,957	26,552,121
Accumulated depreciation and impairment loss											
At 1 January 2016	106,715	23,003	-	362,493	15,469	879,863	78,358	42,765	351,228	-	1,859,894
Depreciation charge for the financial year	41,309	8,904	-	194,535	12,755	589,425	39,945	43,550	155,946	3,597	1,089,966
Disposals	-	-	-	-	-	-	(568)	-	(1,589)	-	(2,157)
Written off	-	-	-	-	(231)	(80,853)	(642)	(1,336)	(1,795)	-	(84,857)
Impairment loss	-	-	43,812	59,914	-	-	-	-	-	-	103,726
Transfer to asset held for sale (Note 15)	-	-	(43,812)	(471,474)	-	-	-	-	-	-	(515,286)
Foreign exchange translation adjustment	-	-	-	-	288	26,640	781	605	-	27	28,341
At 31 December 2016	148,024	31,907	-	145,468	28,281	1,415,075	117,874	85,584	503,790	3,624	2,479,627
Net carrying amount											
At 31 December 2016	3,858,967	413,314	11,615,502	5,237,500	59,761	1,687,033	201,961	489,793	396,330	112,333	24,072,494

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Leasehold land RM	Leasehold building RM	Freehold lands RM	Freehold buildings RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Computer hardware RM	Total RM
Cost										
At 1 January 2015	4,006,991	445,221	3,106,114	4,659,172	21,540	1,458,554	131,161	84,164	649,448	14,562,365
Acquisition of subsidiaries	-	-	1,615,502	2,061,268	17,920	1,526,713	64,401	40,444	12,252	5,338,500
Additions	-	-	-	-	45,360	-	116,544	268,196	172,052	602,152
Disposals	-	-	-	-	-	(358,020)	-	-	-	(358,020)
Foreign exchange translation adjustment	-	-	-	-	1,093	38,069	1,559	2,048	-	42,769
At 31 December 2015	4,006,991	445,221	4,721,616	6,720,440	85,913	2,665,316	313,665	394,852	833,752	20,187,766
Accumulated depreciation										
At 1 January 2015	65,406	14,099	-	232,960	5,836	480,774	41,433	6,656	229,837	1,077,001
Depreciation charge for the financial year	41,309	8,904	-	129,533	9,408	581,054	36,354	35,606	121,391	963,559
Disposals	-	-	-	-	-	(206,375)	-	-	-	(206,375)
Foreign exchange translation adjustment	-	-	-	-	225	24,410	571	503	-	25,709
At 31 December 2015	106,715	23,003	-	362,493	15,469	879,863	78,358	42,765	351,228	1,859,894
Net carrying amount										
At 31 December 2015	3,900,276	422,218	4,721,616	6,357,947	70,444	1,785,453	235,307	352,087	482,524	18,327,872

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(a) Assets under finance leases

The carrying amounts of assets under finance lease arrangements are as follows:

	Group	
	2016 RM	2015 RM
Motor vehicles	1,342,865	1,785,453

(b) Assets pledged as security

Freehold and leasehold lands and buildings with net carrying amounts of RM21,125,283 (2015: RM15,402,057) have been pledged as security to secure credit facilities granted to two of its subsidiaries as disclosed in Note 21 to the financial statements.

(c) Lease period for leasehold land

Leasehold land has a lease period of 99 years expiring 1 June 2109.

6. INVESTMENT PROPERTY

	Group	
	2016 RM	2015 RM
At cost		
At 1 January	198,824	-
Acquisition of a subsidiary	-	198,824
At 31 December	198,824	198,824
Accumulated depreciation		
At 1 January	1,872	-
Depreciation charge for the financial year	2,497	1,872
At 31 December	4,369	1,872
Net carrying amount	194,455	196,952
Fair Value	232,836	244,925

6. INVESTMENT PROPERTY (Cont'd)

The following are recognised in profit or loss in respect of investment property:

	Group	
	2016	2015
	RM	RM
Rental income	9,057	6,792
Direct operating expenses:		
Depreciation	2,497	1,872
Building maintenance	1,642	1,232
Quit rent and assessment	1,465	855

The Group's investment property is held under leasehold interests, comprising one commercial property which is leased to a third party. The said investment property has a lease period of 99 years expiring on 17 July 2091.

Fair value information

Fair value of investment property is categorised as follows:

	Group Level 3 RM
2016	
Commercial property	232,836
2015	
Commercial property	244,925

Level 3 fair value

The fair value on the investment property is determined based on sales comparison approach and cost approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot. The most significant input in cost approach is cost per square foot.

7. INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Other RM	Total RM
Group				
Cost				
At 1 January 2015	-	8,733,623	-	8,733,623
Acquisition of subsidiaries (Note 8)	20,046	-	2,627,319	2,647,365
Additions	-	522,645	-	522,645
At 31 December 2015	20,046	9,256,268	2,627,319	11,903,633
Additions	-	7,686,546	-	7,686,546
At 31 December 2016	20,046	16,942,814	2,627,319	19,590,179
Accumulated amortisation				
At 1 January 2015	-	-	-	-
Amortisation charge during the financial year	-	-	2,462,998	2,462,998
At 31 December 2015	-	-	2,462,998	2,462,998
Amortisation charge during the financial year	-	-	164,321	164,321
At 31 December 2016	-	-	2,627,319	2,627,319
Net carrying amount				
At 31 December 2016	20,046	16,942,814	-	16,962,860
At 31 December 2015	20,046	9,256,268	164,321	9,440,635

Goodwill

The carrying amount of goodwill allocated to the Group's cash generating unit ("CGU") is based on the CGU's excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. The goodwill was allocated to the Group's construction and project management cash generating unit.

The recoverable amount of a CGU is determined based on value-in-use calculations using 5 years of cash flows projections from financial budgets and projections approved by management.

7. INTANGIBLE ASSETS (Cont'd)

Development costs

The development expenditures incurred were in relation to the development of automated sterilisation system for palm oil extraction and yet to be commercialised.

Included in the additions of the development costs for the financial year are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Staff costs	1,162,834	522,645

The directors have assessed the recoverable amount of the assets based on its value-in-use and are of the view that there is no impact resulting from the impairment review by the directors.

Other

Other intangible asset represents the identifiable asset arising from the purchase price allocation exercise performed by the Company in connection with the acquisition of Dolphin Engineering (M) Sdn. Bhd. ("DESB") based on the DESB's secured contracts as at the date of business combination.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	RM	**RM**
Unquoted shares - at cost	45,570,002	45,570,000

8. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Effective ownership interest 2016 %	2015 %	Principal activities
Direct subsidiaries				
Dolphin Applications Sdn Bhd ("DASB")	Malaysia	100	100	Involved in the sale, design, engineering, development and integration of electro-automation and related proprietary systems and products for the palm oil milling sector.
Dolphin Engineering (M) Sdn Bhd ("DESB")	Malaysia	100	100	Involved in the sale, design, engineering, development and integration of pneumatic, hydraulic and related proprietary systems and products for the palm oil milling sector.
Dolphin Systems Sdn Bhd ("DSSB")	Malaysia	100	100	Involved in the sale, design, programming and development of propriety system hardware and software application solutions for the palm oil milling sector.
Dolphin Components Sdn Bhd ("DCSB")	Malaysia	75	75	Sale and trading of components and consumable parts for the palm oil milling machineries sector.
Dolphin Biogas Sdn Bhd ("DBSB") #	Malaysia	100	-	Investment holding.
Indirect Subsidiaries held via DASB				
PT Dolphin Indonesia ("PTDI") *	Indonesia	90	90	Sales, marketing, installation, after-sales and maintenance of the Group's customised electro-automation, pneumatic and hydraulic systems in Indonesia.
Dolphin Robotic Systems Sdn Bhd ("DRSSB")	Malaysia	100	100	Design, engineering and development of palm Fresh Fruit Bunches ("FFB") sterilisation and related system, components and parts.

\# *No audited financial statements are available as the company is newly acquired on 18 November 2016 and is immaterial.*

* *Audited by an independent member firm of Baker Tilly International.*

8. INVESTMENT IN SUBSIDIARIES (Cont'd)

Acquisition of subsidiaries

(i) 2016

(a) Acquisition of DBSB

On 18 November 2016, the Company acquired 2 ordinary share of RM1.00 each in Dolphin Biogas Sdn. Bhd. ("DBSB"), representing the entire issued and paid-up share capital for a total cash purchase consideration of RM2.00. DBSB is now a wholly-owned subsidiary of the Company.

(ii) 2015

(a) Acquisition of DASB

On 30 May 2014, the Company had entered into a conditional sale and purchase agreement to acquire the entire equity interests in DASB of RM2,666,666 comprising 2,666,666 ordinary shares of RM1.00 each for a total purchase consideration of RM28,100,000 which was wholly satisfied by the issuance of 140,500,000 ordinary shares at an issue price of RM0.20 each. The said acquisition was completed on 31 March 2015 and DASB become a wholly-owned subsidiary of the Company.

(b) Acquisition of DESB, DSSB and DCSB

(i) On 30 May 2014, the Company had entered into a conditional sale and purchase agreement to acquire the entire equity interest in DESB of RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,100,000 which was wholly satisfied by the issuance of 25,500,000 ordinary shares at an issue price of RM0.20 each. The said acquisition was completed on 31 March 2015 and DESB become a wholly-owned subsidiary of the Company.

(ii) On 30 May 2014, the Company had entered into a conditional sale and purchase agreement to acquire the entire equity interest in DSSB of RM500,000 comprising 500,000 ordinary shares of RM1.00 each for a total cash purchase consideration of RM65,000. The said acquisition was completed on 31 March 2015 and DSSB become a wholly-owned subsidiary of the Company.

(iii) On 30 May 2014, the Company had entered into a conditional sale and purchase agreement to acquire 75% equity interest in DCSB of RM100,000 comprising 100,000 ordinary shares of RM1.00 each for a total cash purchase consideration of RM65,000. The said acquisition was completed on 31 March 2015 and DCSB become 75% owned subsidiary of the Company.

Non-controlling interests in subsidiaries

The financial information of non-controlling interests were not disclosed as the Group does not have any material non-controlling interests.

9. INVESTMENT IN AN ASSOCIATE

	Group 2016 RM	Group 2015 RM
Unquoted shares, at cost	207,750	207,750
Shares of post-acquisition reserves	(36,485)	(21,485)
Less: Impairment losses	(57,450)	-
	113,815	186,265

Details of the associate are as follows:

Name of company	Principal place of business/ country of incorporation	Effective ownership interest 2016	Effective ownership interest 2015	Principal activities
PT Emas Hijau Sejahtera Kapuas Indonesia ("PT Emas Hijau") #	Indonesia	30%	30%	Currently dormant. Intended principal activity is that of the management and operation of palm oil mills in Indonesia.

\# *Equity accounting was done based on the management financial statements as the audited financial statements of this company are not available.*

The summarised financial information of the associate is as follows:

	Group 2016 RM	Group 2015 RM
Results		
Loss for the financial year	(50,002)	(51,893)
Assets and liabilities		
Current assets	762,756	725,291
Current liabilities	19,245	447
Reconciliation of net assets to carrying amount:		
Share of net assets at 31 December	223,053	217,453
Impairment losses	(57,450)	-
Foreign exchange differences	(51,788)	(31,188)
Carrying amount in the statements of financial position	113,815	186,265

10. INVENTORIES

	Group	
	2016	2015
	RM	RM
At cost:		
Trading parts and materials	794,364	562,761

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM1,654,204 (2015: RM5,013,975).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade				
Trade receivables	14,370,162	11,236,243	-	-
Retention sum	171,121	1,873,407	-	-
Less: Allowance for impairment loss	(325,289)	(30,914)	-	-
	14,215,994	13,078,736	-	-
Non-trade				
Other receivables	277,681	2,007,724	6,825	-
GST refundable	643,558	963,999	-	-
Prepayments	793,441	478,003	-	-
Non-refundable deposits	2,692,188	1,290,000	-	-
Refundable deposits	143,236	116,213	1,000	1,000
Amount owing by subsidiaries	-	-	18,847,626	12,254,060
	4,550,104	4,855,939	18,855,451	12,255,060
Total trade and other receivables	18,766,098	17,934,675	18,855,451	12,255,060

(a) Amount owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand in cash.

(b) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 90 days (2015: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

11. TRADE AND OTHER RECEIVABLES (Cont'd)

(b) Trade receivables (Cont'd)

The Group and the Company maintain an aging analysis in respect of trade receivables only. The aging analysis of the Group's and the Company's trade receivables are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Neither past due nor impaired	9,372,271	2,066,961
Past due but not impaired:		
1 to 30 days past due not impaired	21,708	331,786
31 to 60 days past due not impaired	156,846	296,875
61 to 90 days past due not impaired	-	918,514
More than 90 days past due not impaired	4,494,048	7,591,193
	4,672,602	9,138,368
Impaired	325,289	30,914
	14,370,162	11,236,243

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Group	
	2016	**2015**
	RM	**RM**
At 1 January	30,914	30,914
Charge for the financial year	294,375	-
At 31 December	325,289	30,914

(c) Non-refundable deposits

Included in non-refundable deposits of the Group as follows:

(i) In current financial year, an amount of RM2,692,188 (2015: Nil) paid as a deposit for the renovation expenses of the new factory for a total cost of RM6,730,471. The balance of the renovation expenses is disclosed as capital commitment in Note 34 to the financial statements.

(ii) In previous financial year, an amount of RM1,290,000 paid as a deposit for the acquisition of a property for a total purchase consideration of RM12,900,000. The balance of the purchase consideration is disclosed as capital commitment in Note 34 to the financial statements. The said acquisition was completed during the current financial year.

12. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	Group	
	2016	2015
	RM	RM
Aggregate costs incurred to date	204,767,750	171,370,929
Attributable profits recognised to date	61,531,393	56,897,899
	266,299,143	228,268,828
Less: Progress billings	(208,529,010)	(148,481,801)
	57,770,133	79,787,027
Analysed as follows:		
Amount due from customers for contract works included under current assets	58,207,832	80,934,941
Amount due to customers for contract works included under current liabilities	(437,699)	(1,147,914)
	57,770,133	79,787,027

13. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Group

The fixed deposits placed with licensed banks totalling RM9,204,879 (2015: RM7,449,574) have been pledged to licensed banks to secure credit facilities granted to its subsidiaries as disclosed in Note 21 to the financial statements. Fixed deposits place with licensed banks earn effective interest rate ranging from 2.55% to 3.85% (2015: 2.70% to 4.05%). The maturity period is ranging from 1 month to 12 months.

14. CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash at bank	5,566,126	3,039,784	5,188,398	628,353
Cash in hand	17,247	28,227	-	2
	5,583,373	3,068,011	5,188,398	628,355

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

Group

Included in non-current asset classified as held for sale is a freehold land and building with carrying amount of RM7,250,000 (previously classified as property, plant and equipment).

At the reporting date, the disposal is pending finalisation as certain terms and conditions stipulated in the conditional sales and purchase agreement which were entered on 23 December 2016 are still unfulfilled.

16. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares Unit	RM	Number of shares Unit	RM
Authorised:				
At 1 January				
- ordinary shares of RM0.20 each	500,000,000	100,000,000	25,000,000	5,000,000
Created during the financial year	-	-	475,000,000	95,000,000
At 31 December				
- ordinary shares of RM0.20 each	500,000,000	100,000,000	500,000,000	100,000,000
Issued and fully paid:				
At 1 January				
- ordinary shares of RM0.20 each	222,000,010	44,400,002	10,000,010	2,000,002
Issued during the financial year	-	-	212,000,000	42,400,000
At 31 December				
- ordinary shares of RM0.20 each	222,000,010	44,400,002	222,000,010	44,400,002

In the previous financial year, the Company:

(a) increased its authorised share capital from RM5,000,000 divided into 25,000,000 shares of RM0.20 each to RM100,000,000 divided into 500,000,000 shares of RM0.20 each by creation of additional 475,000,000 ordinary shares of RM0.20 each;

(b) issued 140,500,000 new ordinary shares of RM0.20 each for the acquisition of a subsidiary as disclosed in Note 8(ii)(a) to the financial statements;

(c) issued 25,500,000 new ordinary shares of RM0.20 each for the acquisition of a subsidiary as disclosed in Note 8(ii)(b) to the financial statements. For the purpose of accounting for the shares consideration, the fair value of RM0.68 per ordinary shares as at the date of completion was recorded instead of the issue price of RM0.20 per ordinary shares; and

(d) issued 46,000,000 new ordinary shares of RM0.20 each at an issue price of RM0.68 per ordinary share pursuant to the initial public offering in conjunction with the listing and quotation of the Company on the Main Market of Bursa Malaysia Securities Berhad.

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

17. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company above the par value of the shares. The share premium may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

18. OTHER RESERVE

Non-distributable

The other reserve are arising from the acquisition of DASB which was completed on 31 March 2015, being difference between the purchase consideration to acquire DASB and the share capital of DASB as at that date.

19. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20. HIRE PURCHASE PAYABLES

	Group	
	2016	2015
	RM	RM
Future minimum hire purchase payables		
- not later than one year	561,068	684,805
- later than one year but not later than five years	748,868	1,051,587
	1,309,936	1,736,392
Less: Future finance charges	(102,521)	(119,070)
Present value of hire purchase payables	1,207,415	1,617,322
Analysis of present value of hire purchase payables:		
Not later than one year (included under current liabilities)	509,464	618,274
Later than one year but not later than five years (included under non-current liabilities)	697,951	999,048
	1,207,415	1,617,322

The hire purchase payables bear interest rates ranging from 2.44% to 4.76% (2015: 3.62% to 4.56%) per annum.

21. BANK BORROWINGS

	Group 2016 RM	Group 2015 RM
Short term borrowings - secured		
Bank overdrafts	9,576,335	9,692,670
Bankers' acceptances	396,000	-
Invoice financing	15,148,850	13,465,250
Promissory notes	1,935,143	3,821,392
Term loans	1,024,359	667,450
Trust receipts	1,656,848	3,555,107
	29,737,535	31,201,869
Long term borrowings - secured		
Term loans	12,948,500	3,358,333
Total loan borrowings	42,686,035	34,560,202

	Group 2016 RM	Group 2015 RM
Comprising portion repayable:		
Within the next twelve months	29,737,535	31,201,869
After the next twelve months:		
- later than one year but not later than two years	1,009,550	703,701
- later than two years but not later than five years	2,782,267	941,150
- more than five years	9,156,683	1,713,482
	12,948,500	3,358,333
	42,686,035	34,560,202

The borrowings bear interests at rates which are on a floating rate basis are as follows:

	Group 2016 % per annum	Group 2015 % per annum
Term loans	5.37 to 8.02	5.03 to 7.60
Invoice financing	8.05 to 9.06	8.10
Bank overdrafts	7.92 to 8.20	8.10 to 8.35
Promissory notes	7.92 to 8.07	8.10
Trust receipts	8.05 to 9.06	8.10

21. BANK BORROWINGS (Cont'd)

The bank borrowings are secured and supported by the following:

(i) A fixed charged over all cash deposits deposited by its subsidiaries together with a cash deposit agreement;
(ii) Corporate guarantee by the Company and a subsidiary;
(iii) Deed of assignment of contract proceeds; and
(iv) First and second legal charges created over the freehold and leasehold lands and buildings of its subsidiaries.

Invoice financing, promissory notes and trust receipts have maturity periods ranging from 14 days to 150 days (2015: 106 days to 270 days).

22. PROVISION FOR RETIREMENT BENEFITS

The Group operates unfunded defined retirement benefits plan for its employees.

The total amount recognised in the statements of financial position are as follow:

	Group	
	2016	**2015**
	RM	**RM**
Present value of unfunded defined benefits obligations	19,983	21,604

The following table shown reconciliation from the opening balance to the closing balance for the retirement benefits plan:

	Group	
	2016	**2015**
	RM	**RM**
At the beginning of the financial year	21,604	14,136
Included in the profit or loss:		
- current service costs	10,753	6,374
- interest income	1,926	1,322
- effect of curtailment for resigned staff	(15,897)	(1,738)
	(3,218)	5,958
Foreign exchange translation adjustment	1,597	1,510
	19,983	21,604

22. PROVISION FOR RETIREMENT BENEFITS (Cont'd)

The principal assumptions used are as follow:

	Group	
	2016	2015
	RM	RM
Discount rate	8.30	9.10
Expected rate of salary increase	6.00	6.00

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumption, holding assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increased Defined benefit obligations		Decreased Defined benefit obligations	
	2016	2015	2016	2015
	RM	RM	RM	RM
Increased/Decreased of:				
- 1% discount rate	(1,217)	(822)	1,573	1,036
- 1% expected rate of salary increase	1,715	1,195	(1,374)	(989)

23. DEFERRED TAX (LIABILITIES)/ASSETS

	Group	
	2016	2015
	RM	RM
Deferred tax assets		
At 1 January	18,820	-
Recognised in statements of comprehensive income (Note 31)		
- current year	(20,060)	17,688
Difference in forex exchange	1,240	1,132
At 31 December	-	18,820

23. DEFERRED TAX (LIABILITIES)/ASSETS (Cont'd)

	Group	
	2016	2015
	RM	RM
Deferred tax liabilities		
At 1 January	774,363	30,782
Acquisition of subsidiaries	-	750,755
Recognised in statements of comprehensive income (Note 31)		
- current year	12,746	33,105
- under/(over) accrual in prior year	10,437	(40,279)
At 31 December	797,546	774,363
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	18,820
Deferred tax liabilities	(797,546)	(774,363)
	(797,546)	(755,543)

Deferred tax assets mainly derived from retirement benefits plan, property, plant and equipment and provision of impairment for trade receivables. Deferred tax liabilities mainly derived from intangible asset, and property, plant and equipment.

Unrecognised deferred tax assets

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

	Group	
	2016	2015
	RM	RM
Taxable temporary differences	(670,115)	(313,938)
Unutilised tax losses	(971,860)	(582,731)
	(1,641,975)	(896,669)
Potential deferred tax assets at 24% (2015: 24%)	(394,074)	(215,201)

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade				
Trade payables	7,106,495	17,999,149	-	-
Accruals	2,113,216	1,864,174	-	-
	9,219,711	19,863,323	-	-
Non-trade				
Other payables	1,239,576	772,740	95,669	139,800
GST payable	121,388	348	-	-
Non-refundable deposits	725,000	700	-	-
Accruals	1,993,737	5,445,998	641,842	439,829
Amount owing to a director	4,538,400	28,000	-	-
Amount owing to a subsidiary	-	-	5,476	-
	8,618,101	6,247,786	742,987	579,629
Total trade and other payables	17,837,812	26,111,109	742,987	579,629

(a) Trade payables are non-interest bearing and are normally settled within 30 days to 90 days (2015: 30 days to 90 days).

(b) Other payables are non-interest bearing and are normally settled within 30 days to 90 days (2015: 30 days to 90 days).

(c) Amount owing to a director and subsidiary are non-trade in nature, unsecured, non-interest bearing and repayable upon demand in cash.

25. REVENUE

	Group 2016 RM	Group 2015 RM
Sale of goods	6,399,744	9,868,460
Revenue from contract works	37,736,475	59,572,888
	44,136,219	69,441,348

26. COST OF SALES

	Group 2016 RM	Group 2015 RM
Cost of goods sold	2,627,311	7,055,761
Project costs related to contract works	33,966,075	43,700,337
	36,593,386	50,756,098

27. OTHER INCOME

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Bank interests	52,427	51,987	48,689	16,533
Fixed deposit interests	455,313	579,216	262,934	362,210
Gain on bargain purchase arising from business combinations	-	2,480,747	-	-
Gain on disposal of property, plant and equipment	459	80,600	-	-
Rental income	9,058	4,547	-	-
Miscellaneous income	116,461	385,808	-	-
	633,718	3,582,906	311,623	378,743

28. FINANCE COSTS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest expenses				
- bankers' acceptances	9,435	-	-	-
- bank guarantee charges	14,914	8,593	-	-
- bank overdrafts	787,377	489,890	-	-
- commitment fees	7,057	22,352	-	-
- forex currency trust receipt	861	-	-	-
- hire purchase	58,389	72,095	-	-
- invoice financing	1,433,568	1,200,227	-	-
- others	-	4,293	-	-
- promissory notes	296,396	142,192	-	-
- term loans	661,725	238,424	-	-
- trust receipts	226,162	490,955	-	-
	3,495,884	2,669,021	-	-

29. (LOSS)/PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group 2016 RM	Group 2015 RM	Company Company RM	Company 2015 RM
Auditors' remuneration:				
Statutory audit fees:				
- Malaysian operations				
- current year	140,000	184,333	50,000	50,000
- prior year	(59,333)	(11,000)	(11,000)	(3,000)
- Overseas operations				
- current year	51,199	30,959	-	-
Non statutory audit fees:				
- Malaysian operations	50,000	58,200	50,000	40,000
Depreciation of property, plant and equipment	1,089,966	963,559	-	-
Depreciation of investment property	2,497	1,872	-	-
Amortisation of intangible asset	164,321	2,462,998	-	-
Directors' remuneration				
- fees and allowances	275,000	191,000	275,000	191,000
- salaries and other emoluments (Note 30)	905,858	968,115	905,858	583,848
Impairment loss on investment in an associate	57,450	-	-	-
Impairment loss on property, plant and equipment	103,726	-	-	-
Impairment loss on a trade receivable	294,375	-	-	-

29. (LOSS)/PROFIT BEFORE TAX (Cont'd)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax: (Cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment written off	104,312	-	-	-
Provision for retirement benefits	(3,218)	5,958	-	-
Net foreign currency (gain)/loss				
- realised	(833,173)	5,124	-	-
- unrealised	299,642	(412,993)	-	-
Rental of premises	253,454	217,120	-	-
Rental of motor vehicles	10,295	8,824	-	-
Rental of office equipment	34,403	52,037	-	-
Staff costs (Note 30)	4,459,463	4,729,954	323,527	127,962

30. STAFF COSTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Salaries, wages, allowances, commissions and bonuses	3,902,977	4,242,222	275,155	115,192
Employees' Provident Funds	499,750	441,179	47,630	12,408
Other staff related benefits	59,954	40,595	742	362
Provision for retirement benefits (Note 22)	(3,218)	5,958	-	-
	4,459,463	4,729,954	323,527	127,962
Directors' remuneration:				
Salaries and bonuses	750,000	812,500	750,000	500,000
Employees' Provident Funds	154,375	154,375	154,375	83,125
Other staff related benefits	1,483	1,240	1,483	723
	905,858	968,115	905,858	583,848

The estimated monetary value of benefit-in-kind is as follow:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Key management personnel	60,482	46,450	-	-
Directors	28,500	36,953	28,500	17,707
	88,982	83,403	28,500	17,707

31. INCOME TAX EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Income tax				
- current financial year	103,615	2,498,489	-	-
- over accrual in prior financial years	(43,483)	(249,521)	-	-
	60,132	2,248,968	-	-
Deferred tax liabilities (Note 23)				
- current financial year	32,806	15,417	-	-
- under accrual in prior financial years	10,437	(40,279)	-	-
	43,243	(24,862)	-	-
	103,375	2,224,106	-	-

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

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
(Loss)/Profit before tax	(4,519,000)	5,083,951	(1,716,754)	(3,784,370)
Tax at applicable tax rate of 24% (2015: 25%)	(1,084,560)	1,270,988	(412,021)	(946,093)
Adjustments:				
- different tax rate in other countries	(2,235)	-	-	-
- non-deductible expenses	1,172,997	1,463,673	486,810	1,040,778
- non-taxable income	(128,654)	(248,492)	(74,789)	(94,685)
- over provision in prior financial year	(33,046)	(289,800)	-	-
- deferred tax not recognised on tax losses and temporary differences	178,873	27,737	-	-
Income tax expense for the financial year	103,375	2,224,106	-	-

32. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per ordinary share

	Group	
	2016	2015
	RM	RM
Net (loss)/profit attributable to the owners of the Company	(4,626,102)	2,859,611
Weighted average number of ordinary shares in issue	222,000,010	161,989,050
Basic (loss)/earnings per ordinary share (sen)	(2.08)	1.77

(b) Diluted (loss)/earnings per ordinary share

The diluted (loss)/earnings per ordinary share of the Group for the financial year ended 31 December 2016 is equivalent to the basic (loss)/earnings per ordinary share of the Group as the Company has no dilutive potential ordinary shares.

33. FINANCIAL GUARANTEE

(a) Corporate guarantee

	Company	
	2016	2015
	RM	RM
Corporate guarantee granted to a licensed bank for credit facilities granted to subsidiaries	42,686,035	15,871,110

(b) Bank Guarantee

	Group	
	2016	2015
	RM	RM
Bank guarantees issued for contract customers for performance of contracts	5,867,366	5,545,844

The bank guarantees are secured by the following:

(i) A fixed charged over all cash deposits deposited by two of its subsidiaries together with a cash deposit agreement; and

(ii) Legal charges created over the freehold and leasehold lands and buildings of its subsidiaries.

34. CAPITAL COMMITMENT

	Group	
	2016	**2015**
	RM	**RM**
As at 31 December		
Approved and contracted for but not provided for in the financial statements		
Property, plant and equipment (Note 11(c))	4,038,283	11,610,000

35. 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 operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

(a) Identify of related parties

The nature of the relationship with the related parties is as follows:

Name of Related Parties	**Nature of Relationship**
DASB	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 31 March 2015.
DESB	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 31 March 2015.
DRSSB	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 31 March 2015.
DSSB	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 31 March 2015.
PT Dolphin Indonesia	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 31 March 2015.

35. RELATED PARTIES (Cont'd)

(a) Identify of related parties (Cont'd)

The nature of the relationship with the related parties is as follows: (Cont'd)

Name of Related Parties	Nature of Relationship
DCSB	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 31 March 2015.
DBSB	A company previously in which certain directors have interests. It becomes the subsidiary following the completion of the acquisition by the Company on 18 November 2016.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
DSSB				
- management fee	-	-	100,000	-

(c) Compensation of key management personnel

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Salaries, allowances and bonuses	2,389,718	1,998,581	1,099,578	615,192
Employees' Provident Funds	391,321	280,217	202,005	95,533
Other staff related benefits	7,951	5,630	2,225	1,085
	2,788,990	2,284,428	1,303,808	711,810

The estimated monetary value of benefit-in-kind of the Group and the Company is RM88,982 (2015: RM83,403) and RM28,500 (2015: RM17,707) respectively.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Carrying amount RM	L&R RM	FL RM
At 31 December 2016			
Financial assets			
Group			
Trade and other receivables (excluding GST refundable, non-refundable deposits and prepayments)	14,636,911	14,636,911	-
Fixed deposit placed with licensed banks	11,234,045	11,234,045	-
Cash and bank balances	5,583,373	5,583,373	-
	31,454,329	31,454,329	-
Company			
Trade and other receivables	18,855,451	18,855,451	-
Fixed deposit placed with licensed banks	2,029,166	2,029,166	-
Cash and bank balances	5,188,398	5,188,398	-
	26,073,015	26,073,015	-
Financial liabilities			
Group			
Hire purchase payables	(1,207,415)	-	(1,207,415)
Bank borrowings	(42,686,035)	-	(42,686,035)
Trade and other payables (excluding GST payable and non-refundable deposits)	(16,991,424)	-	(16,991,424)
	(60,884,874)	-	(60,884,874)
Financial liabilities			
Company			
Trade and other payables	(742,987)	-	(742,987)
	(742,987)	-	(742,987)

36. FINANCIAL INSTRUMENTS (Cont'd)

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

	Carrying amount RM	L&R RM	FL RM
At 31 December 2015			
Financial assets			
Group			
Trade and other receivables (excluding GST refundable, non-refundable deposits and prepayments)	15,202,673	15,202,673	-
Fixed deposit placed with licensed banks	22,192,573	22,192,573	-
Cash and bank balances	3,068,011	3,068,011	-
	40,463,257	40,463,257	-
Company			
Trade and other receivables	12,255,060	12,255,060	-
Fixed deposit placed with licensed banks	14,742,998	14,742,998	-
Cash and bank balances	628,355	628,355	-
	27,626,413	27,626,413	-
Financial liabilities			
Group			
Hire purchase payables	(1,617,322)	-	(1,617,322)
Bank borrowings	(34,560,202)	-	(34,560,202)
Trade and other payables (excluding GST payable and non-refundable deposits)	(26,110,061)	-	(26,110,061)
	(62,287,585)	-	(62,287,585)
Company			
Trade and other payables	(579,629)	-	(579,629)
	(579,629)	-	(579,629)

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company use derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit and risk committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company use aging analysis to monitor the credit quality of the trade receivables. The aging of trade receivables as at the end of the financial year is disclosed in Note 11 to the financial statements. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant portion of these trade receivables are regular customers that have been transacting with the Group and the Company. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Trade and other receivables (Cont'd)

The Group and the Company monitor the results of the subsidiaries in determining the recoverability of the amount owing by subsidiaries.

<u>Credit risk concentration profile</u>
The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

	Group	
	2016	**2015**
	RM	**RM**
Customer A	-	2,840,714
Customer B	1,901,094	2,235,725
Customer C	-	1,601,900
Customer D	6,863,678	1,058,029

Other financial assets

For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by placement with licensed financial institution with a healthy credit rating. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM42,686,035 (2015: RM15,871,110) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 33 to the financial statements. As at the reporting date, there was no indication that the subsidiaries would default on repayment.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(ii) Liquidity risk (Cont'd)

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations as follows:

		Contractual undiscounted cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2016					
Group					
Trade and other payables	16,991,424	16,991,424	-	-	16,991,424
Hire purchase payables	1,207,415	561,068	748,868	-	1,309,936
Bank borrowings	42,686,035	30,474,046	7,710,049	9,856,298	48,040,393
	60,884,874	48,026,538	8,458,917	9,856,298	66,341,753
Company					
Corporate guarantee	-	42,686,035	-	-	42,686,035
Trade and other payables	742,987	742,987	-	-	742,987
	742,987	43,429,022	-	-	43,429,022

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(ii) Liquidity risk (Cont'd)

		Contractual undiscounted cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2015					
Group					
Trade and other payables	26,110,061	26,110,061	-	-	26,110,061
Hire purchase payables	1,617,322	684,805	1,051,587	-	1,736,392
Bank borrowings	34,560,202	31,415,416	2,194,500	1,917,658	35,527,574
	62,287,585	58,210,282	3,246,087	1,917,658	63,374,027
Company					
Corporate guarantee	-	15,871,110	-	-	15,871,110
Trade and other payables	579,629	579,629	-	-	579,629
	579,629	16,450,739	-	-	16,450,739

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency) and the Group's net investments in a foreign subsidiary.

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(iii) Foreign currency risk (Cont'd)

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	Group Functional currencies RM
2016	
Financial assets and liabilities not held in functional currencies:	
Trade receivables	
United States Dollar	1,832,548
Indonesian Rupiah	1,746,616
	3,579,164
Cash and cash equivalents	
United States Dollar	86,306
Indonesian Rupiah	13,825
Others	2,803
	102,934
Trade payables	
Indonesian Rupiah	10,831
	10,831

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(iii) Foreign currency risk (Cont'd)

	Group Functional currencies RM
2015	
Financial assets and liabilities not held in functional currencies:	
Trade receivables	
United States Dollar	4,350,406
Indonesian Rupiah	2,419,633
	6,770,039
Cash and cash equivalents	
United States Dollar	1,837,058
Indonesian Rupiah	69,714
Others	4,471
	1,911,243
Trade payables	
United States Dollar	790,522
Indonesian Rupiah	477,770
	1,268,292

Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD") and Indonesian Rupiah ("IDR").

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(iii) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk (Cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the USD and IDR, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on profit for the financial year RM
2016		
- USD	+ 15%	287,828
	- 15%	(287,828)
- IDR	+ 15%	262,442
	- 15%	(262,442)
2015		
- USD	+ 15%	747,739
	- 15%	(747,739)
- IDR	+ 15%	301,737
	- 15%	(301,737)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Group's and the Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(iv) Interest rate risk (Cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period were:

		Group	
		2016	**2015**
	Note	**RM**	**RM**
Floating rate instruments			
Financial Liabilities			
Bank overdrafts	21	9,576,335	9,692,670
Bankers' acceptances	21	396,000	-
Invoice financing	21	15,148,850	13,465,250
Promissory notes	21	1,935,143	3,821,392
Term loans	21	13,972,859	4,025,783
Trust receipts	21	1,656,848	3,555,107
		42,686,035	34,560,202
Fixed rate instruments			
Financial Assets			
Fixed deposits placed with licensed banks	13	11,234,045	22,192,573
Financial Liabilities			
Hire purchase payables	20	1,207,415	1,617,322

Sensitivity analysis for interest rate risk

(i) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

36. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management (Cont'd)

(iv) Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk (continued)

(ii) *Fair value sensitivity analysis for floating rate instruments*

A change of 0.5% in interest rates at the end of reporting period would have increased/(decreased) (loss)/profit before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Change in basis points	Effect on profit or loss for the financial year RM
Group		
2016	+ 50	(162,207)
	- 50	162,207
2015	+ 50	(129,601)
	- 50	129,601

(c) Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The fair value of the hire purchase payables is determined using the discounted cash flows method based on the discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value information (Cont'd)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 3 RM
Group		
2016		
Financial liabilities		
Hire purchase payables	1,207,415	1,250,640
2015		
Financial liabilities		
Hire purchase payables	1,617,322	1,683,470

There were no financial instruments carried at fair value under Company level as at 31 December 2016 that are required to be disclosed.

37. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to maintain healthy capital ratio, ensure that they have sufficient funds to manage day-to-day business operation and to fund their expansion and growth.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total bank borrowings and hire purchase payables divided by total equity. The gearing ratio at 31 December 2016 and 31 December 2015 are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Bank borrowings	42,686,035	34,560,202	-	-
Hire purchase payables	1,207,415	1,617,322	-	-
Total bank borrowings and hire purchase payables	43,893,450	36,177,524	-	-
Equity attributable to owners of the Company	79,067,494	83,831,388	70,900,030	72,616,784
Gearing ratio	55.5%	43.2%	Not applicable	Not applicable

The policy of the Group is to maintain a bank debt gearing ratio (total bank borrowings and hire purchase payables divided by total equity) of not more than 1.0 time.

38. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group Managing Director for the purpose of making decisions about resource allocation and performance assessment. Therefore, the Group's reportable segments under MFRS 8 are as follows:

(a) Provision of milling systems and solutions;
(b) Supply of parts and maintenance services; and
(c) Investment holding and management services.

Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment profit

Segment performance is used to measure performance as the Group Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segments assets are measured based on all assets of a segment other than current tax assets and investment in an associate, as included in the internal reports that are reviewed by the Group Managing Director.

Segment liabilities

The total of segment liabilities are measured based on all liabilities of a segment other than provision of retirement benefits, current and deferred tax liabilities as included in the internal reports that are reviewed by the Group Managing Director.

38. SEGMENT INFORMATION (Cont'd)

(a) Operating segment

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Note	Consolidation RM
2016						
Revenue						
Segment revenue	42,852,398	1,460,785	-	(176,964)	(a)	44,136,219
Results						
Segment loss	(3,135,293)	(352,522)	(967,821)	(63,364)	(b)	(4,519,000)
Net assets						
Current tax assets	5,045	265	-	-		5,310
Investment in an associate	-	-	150,300	(36,485)		113,815
Segment assets	158,606,871	9,848,412	71,607,047	(96,996,809)		143,065,521
Total segment assets	158,611,916	9,848,677	71,757,347	(97,033,294)	(c)	143,184,646
Current tax liabilities	(1,009,726)	(53,144)	-	-		(1,062,870)
Deferred tax liabilities	(757,669)	(39,877)	-	-		(797,546)
Provision for retirement benefits	(18,984)	(999)	-	-		(19,983)
Segment liabilities	(100,784,586)	(6,224,302)	(952,223)	45,792,150		(62,168,961)
Total segment liabilities	(102,570,965)	(6,318,322)	(952,223)	45,792,150	(c)	(64,049,360)
Total segment net assets	56,040,951	3,530,355	70,805,124	(51,241,144)		79,135,286

38. SEGMENT INFORMATION (Cont'd)

(a) Operating segment (Cont'd)

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Note	Consolidation RM
2016						
Other information						
Amortisation of intangible asset	-	-	-	164,321		164,321
Capital expenditures	522,053	27,476	13,740,982	-		14,290,511
Depreciation for property, plant and equipment	199,398	22,640	867,928	-		1,089,966
Depreciation of investment property	2,372	125	-	-		2,497
Gain on disposal of property, plant and equipment	(436)	(23)	-	-		(459)
Impairment loss on investment in an associate	-	-	57,450	-		57,450
Impairment loss on property, plant and equipment	-	-	103,726	-		103,726
Impairment loss on a trade receivable	-	294,375	-	-		294,375
Interest expenses	3,420,157	75,727	-	-		3,495,884
Interest income	-	-	(508,244)	-		(508,244)
Income tax expenses	402,141	41,225	-	(339,991)		103,375
Property, plant and equipment written off	99,097	5,215	-	-		104,312
Provision for retirement benefits	(3,057)	(161)	-	-		(3,218)
Share of results of an associate, net of tax	-	-	-	15,000		15,000
Unrealised loss on foreign exchange	284,660	14,982	-	-		299,642

38. SEGMENT INFORMATION (Cont'd)

(a) Operating segment (Cont'd)

	Provision of milling systems and solutions RM	Supply of parts and maintenance services RM	Investment holdings and management services RM	Adjustments and eliminations RM	Note	Consolidation RM
2015						
Revenue						
Segment revenue	67,866,053	1,822,845	-	(247,550)	(a)	69,441,348
Results						
Segment profit/(loss)	8,971,292	417,134	(3,796,171)	(508,304)	(b)	5,083,951
Net assets						
Current tax assets	8,343	439	-	-		8,782
Investment in an associate	-	-	207,750	(21,485)		186,265
Segment assets	146,574,293	9,593,122	73,067,222	(76,576,217)		152,658,420
Total segment assets	146,582,636	9,593,561	73,274,972	(76,597,702)	(c)	152,853,467
Current tax liabilities	(4,208,306)	(538,069)	-	-		(4,746,375)
Deferred tax liabilities	(111,656)	12,943	-	(656,830)		(755,543)
Provision for retirement benefits	(20,524)	(1,080)	-	-		(21,604)
Segment liabilities	(83,603,553)	(4,102,428)	(2,079,566)	26,349,000		(63,436,547)
Total segment liabilities	(87,944,039)	(4,628,634)	(2,079,566)	25,692,170	(c)	(68,960,069)
Total segment net assets	58,638,597	4,964,927	71,195,406	(50,905,532)		83,893,398
Other information						
Amortisation of intangible assets	-	-	2,462,998	-		2,462,998
Capital expenditures (including additions arising from business combinations)	5,643,619	297,033	-	-		5,940,652
Depreciation for property, plant and equipment	747,838	215,721	-	-		963,559
Depreciation of investment property	1,872	-	-	-		1,872
Gain on bargain purchase arising from business combinations	-	-	-	(2,480,747)		(2,480,747)
Gain on disposal of property, plant and equipment	(76,570)	(4,030)	-	-		(80,600)
Interest income	-	-	(562,684)	-		(562,684)
Interest expenses	2,669,021	-	-	-		2,669,021
Income tax expenses	2,130,765	93,341	-	-		2,224,106
Provision for retirement benefits	5,660	298	-	-		5,958
Share of results of an associate, net of tax	-	-	-	15,568		15,568
Unrealised (gain)/loss on foreign exchange	(426,008)	13,015	-	-		(412,993)

38. SEGMENT INFORMATION (Cont'd)

(a) Operating segment (Cont'd)

Note:
Nature of elimination to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment revenue is eliminated in consolidated statements;
(b) Inter-segment expenses are eliminated on consolidation; and
(c) Inter-segment assets and liabilities are eliminated on consolidation.

Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

2016	**Revenue RM**	**Non-current assets (exclude financial assets, investment in an associate and deferred tax assets) RM**
Malaysia	42,823,346	40,911,604
Indonesia	1,312,873	318,205
	44,136,219	41,229,809

2015	**Revenue RM**	**Non-current assets (exclude financial assets, investment in an associate and deferred tax assets) RM**
Malaysia	68,238,914	27,816,144
Indonesia	1,202,434	149,315
	69,441,348	27,965,459

Information about major customers
For provision of milling systems and solutions segment revenue from three major customers represented RM31,827,201 (2015: RM51,596,965) of the Group total revenue.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) On 18 November 2016, the Company acquired 2 ordinary share of RM1.00 each in Dolphin Biogas Sdn Bhd ("DBSB"), representing the entire issued and paid-up share capital for a total cash purchase consideration of RM2.00. DBSB is now a wholly-owned subsidiary of the Company.

(ii) On 9 December 2016, a wholly-owned subsidiary of the Company, DBSB has entered into a Sale of Shares Agreement ("SSA") with Seri Ulu Langat Palm Oil Mill Sdn Bhd ("SULPOM"), Yap Hai San, Dato' Hj Azlin Bin Hj Sarbani to acquire 205,000 ordinary shares in Biogas Sulpom Sdn Bhd ("BSSB"), representing the entire issued and paid-up share capital of BSSB for a total purchase consideration of RM300,000 ("Acquisition of BSSB").

On 9 December 2016, DIB and DBSB have entered into a Subscription and Shareholders Agreements ("SSHA") with SULPOM for the subscription of shares in DBSB and to put into effect and regulate their relationship as shareholders of DBSB.

The Acquisition of BSSB is subject to conditions subsequent to be fulfilled by 30 April 2017 or such other further extension mutually agreed between parties.

40. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Companies Act, 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act, 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act, 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act, 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act, 2016 are different from those requirements set out in the Companies Act, 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

Supplementary Information on the Disclosure of Realised and Unrealised Profit or Loss

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings/(accumulated losses) of the Group and the Company as at 31 December 2016 and 31 December 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:				
- Realised	25,827,139	27,566,187	(6,275,293)	(4,558,539)
- Unrealised	(1,097,188)	(337,406)	-	-
	24,729,951	27,228,781	(6,275,293)	(4,558,539)
Total share of retained earnings from an associate:				
- Realised	(36,485)	(21,485)	-	-
	24,693,466	27,207,296	(6,275,293)	(4,558,539)
Less: Consolidation adjustments	(239,635)	1,872,637	-	-
Total retained earnings/(accumulated losses)	24,453,831	29,079,933	(6,275,293)	(4,558,539)

Statement by Directors

Pursuant to S169(15) of the Companies Act, 1965

We, **LOW TECK YIN** and **HOH YEONG CHERNG,** being two of the directors of DOLPHIN INTERNATIONAL BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 47 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 125 has been prepared in accordance with the 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 Requirement*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

....

LOW TECK YIN
Director

....

HOH YEONG CHERNG
Director

Selangor Darul Ehsan

Date: 28 April 2017

Statutory Declaration
Pursuant to S169(16) of the Companies Act, 1965

I, **FOO PHUI FOONG**, being the officer primarily responsible for the financial management of DOLPHIN INTERNATIONAL BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 124 and the supplementary information set out on page 125 are 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.

....
FOO PHUI FOONG

Subscribed and solemnly declared by the abovenamed at Selangor Darul Ehsan on 28 April 2017.

Before me,

....
Wong Choy Yin (No. B508)
Commissioner for Oaths

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Dolphin International Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 124.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Development costs (Note 4.2 and Note 7 to the financial statements)

The Group has significant balance of development expenditure in relation to the development of automated sterilisation system for palm oil extraction and the system which is yet to be commercialised as at 31 December 2016. There is a risk that the future performance of the assets may not lead to its carrying value being recoverable in full. Our focus has been on the estimated value-in-use from the commercialisation of the automated sterilisation system. Significant judgements arise over the discount rate, gross profit margin and forecast growth rates used in the projection.

Development costs (Note 4.2 and Note 7 to the financial statements) (Cont'd)

Our audit response:
Our audit procedures focus on evaluating the cash flows projections and the Group's forecasting procedures which included, among others:
- reviewing the cash flows projection in accordance to MFRS 136 Impairment of Assets;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rate, forecast growth rates and gross profit margin;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

Revenue and cost of sales recognition from contract works (Note 4.7, Note 25 and Note 26 to the financial statements)

The Group recognises revenue based on the stage of completion for each project contract at the reporting date. Significant judgement is required in the estimation of total project costs. Where the actual total project costs are different from the estimated total project costs, such difference will impact the profit or loss recognised. The amount of revenue and corresponding cost of sales recognised in a financial year on the contract works are dependent on the appropriate assessment and judgement of the directors on the estimated total project revenue and costs to completion.

Our audit response:
Our audit procedures on the samples of major projects, in particular those material by size which included, among others,
- reviewing the controls over the Group's process in recording project costs, preparing project budget and calculating the stage of completion;
- reviewing directors' assumptions by referring to evidence including historical accuracy of the Group's estimates in previous periods, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions across projects, and discussing project progress with project manager; and
- checking the computation of the revenue and corresponding cost of sales for each project and considering the implications of identified errors and changes in estimates.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the accounts and the auditors' reports of the subsidiary of which we have not acted as auditors, which are indicated in Note 8 to the financial statements, being accounts that have been included in the consolidated accounts.

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

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 125 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 the 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 contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/18 (J)
Chartered Accountant

Kuala Lumpur

Date: 28 April 2017

List of Properties Owned by the Group

Location	Date of Acquisition	Tenure	Built-up Area (Square metres)	Description of Property / Existing Use	Net Carrying Amount as at 31 Dec 2016 (RM'000)
Dolphin Engineering (M) Sdn Bhd					
17 & 19, Jalan Puteri 5/20, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan.	13 Apr 2007	Freehold	919.74	2 units of 3 storey intermediate shop office used as our Group's office, workshop for the production and assembly of our products and store	1,676
845, Block A, Leisure Commerce Square, No. 9, Jalan PJS 8/9, 47300 Petaling Jaya, Selangor Darul Ehsan.	20 Jan 1996	Leasehold, 99 years expiring on 17 July 2091	58.25	Office unit located on the 8th floor of a 12 storey office block rented to third party	194
32, Jalan Serindit 2, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan.	26 Mar 2008	Freehold	805.84	1 ½ storey semi-detached factory. The ground floor of the property is used as workshop for the production and assembly of our products for our Group while the first floor of the property is currently used as an office for the Electrical & Automation Department.	1,916
Dolphin Applications Sdn Bhd					
16, Jalan Serindit 2, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan.	15 Jun 2012	Leasehold, 99 years expiring on 1 June 2109	374.585	1 ½ storey semi-detached factory (corner unit). The ground floor of the property is used as corporate office while the first floor of the property is currently used as training room.	4,272
22, Jalan Sepadu 25/123, Taman Perindustrian Axis, Seksyen 25, 40400 Shah Alam, Selangor Darul Ehsan.	4 Jun 2012	Freehold	1,111.2	Single storey detached factory cum office buildings, erected on all that piece of industrial land. Currently vacant.	7,250
20, Jalan Industri PBP 8, Taman Industri Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan.	19 Nov 2015	Freehold	2,462.77	2 storey factory cum 3 storey office building erected thereon all that piece of industrial land. Currently vacant.	13,261

ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2017

Issued and fully paid-up share capital	:	RM44,400,002
Voting rights	:	On show of hands one vote for every shareholder or on a poll one vote for every ordinary share held
Number of shareholders	:	1,409

DISTRIBUTION OF SHAREHOLDINGS AS AT 12 APRIL 2017

Size of Shareholdings	No. of Shareholders	Holdings	Total Holdings %
Less than 100 shares	4	65	0.00
100 to 1,000 shares	86	56,002	0.03
1,001 to 10,000 shares	554	3,605,000	1.62
10,001 to 100,000 shares	616	22,836,000	10.29
100,001 to less than 5% of issued shares	147	82,057,902	36.96
5% and above of issued shares	2	113,445,041	51.10
Total	**1,409**	**222,000,010**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 12 APRIL 2017

	Name of Shareholder	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Low Teck Yin	56,632,514	25.51	-	-
2	Hoh Yeong Cherng	56,812,527	25.59	(1)484,500	0.22
3	Hoh Kok Wah	25,000	0.01	(2)57,272,027	25.80
4	Hoh Yeong Jian	459,500	0.21	(3)56,837,527	25.60

Notes:
(1) Deemed interested in the direct shareholdings in Dolphin of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.
(2) Deemed interested in the direct shareholdings in Dolphin of his sons, Hoh Yeong Cherng and Hoh Yeong Jian.
(3) Deemed interested in the direct shareholdings in Dolphin of his sibling, Hoh Yeong Cherng, and father, Hoh Kok Wah.

THIRTY (30) LARGEST SHAREHOLDERS AS AT 12 APRIL 2017 (Cont'd)
(Without aggregating securities from different securities accounts belonging to the same person)

No	Shareholders	No. of Shares Held	% of Total Issued Shares
1.	Maybank Securities Nominees (Tempatan) Sdn Bhd – Pledged securities account for Hoh Yeong Cherng	19,260,000	8.68
2.	Maybank Securities Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Teck Yin	18,680,000	8.41
3.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account for Hoh Yeong Cherng	11,900,000	5.36
4.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Teck Yin	11,900,000	5.36
5.	Low Teck Yin	8,152,514	3.67
6.	Hoh Yeong Cherng	7,752,527	3.49
7.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Low Teck Yin	7,000,000	3.15
8.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Hoh Yeong Cherng	7,000,000	3.15
9.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account – Ambank (M) Berhad for Low Teck Yin	6,400,000	2.88
10.	Amsec Nominees (Tempatan) Sdn Bhd – Pledged securities account – Ambank (M) Berhad for Hoh Yeong Cherng	6,400,000	2.88
11.	Zaiton Binti Mohd Hassan	5,200,000	2.34
12.	Amsec Nominees (Tempatan) Sdn Bhd – MTrustee Berhad for Pacific Pearl Fund	5,096,400	2.30
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Teck Yin	4,500,000	2.03
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Hoh Yeong Cherng	4,500,000	2.03
15.	RHB Nominees (Tempatan) Sdn Bhd – Pledged securities account for Fong Kok Leong	2,887,500	1.30
16.	Tan Cheu Khea	2,675,500	1.21
17.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Tay Hock Soon	2,604,100	1.17
18.	Lim Thou Tun	2,244,950	1.01
19.	Tan Hwe Chin	2,099,000	0.95
20.	Lim Zhi Hui	2,090,950	0.94
21.	Maybank Nominees (Tempatan) Sdn Bhd – Pledged securities account for Ang He Yam	2,000,000	0.90
22.	SJ SEC Nominees (Tempatan) Sdn Bhd – Pledged securities account for Francis Ho Ik Sing	1,834,300	0.83
23.	Lim Kwee Theng	1,712,002	0.77
24.	Seow Lan Thye	1,457,000	0.66
25.	Grandworth Group Ltd.	1,200,000	0.54
26.	Chen Lai Li	1,191,300	0.54
27.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Choo Kuan Yen	1,105,800	0.50
28.	Ang Yin Keong	1,080,000	0.49
29.	PM Nominees (Tempatan) Sdn Bhd – CIMB Bank for Koh Peck Guan (B)	1,050,000	0.47
30.	Lee Kah Leong	1,017,000	0.46
Total		**151,990,843**	**68.46**

Analysis of Warrant Holdings

ANALYSIS OF WARRANTHOLDINGS AS AT 12 APRIL 2017

Number of Warrants in Issue	:	55,500,002	
Exercise Price of Warrants	:	RM0.80 per ordinary share	
Voting rights	:	One (1) vote per warrant holder on show of hands or one (1) vote per warrant on a poll	In the meeting of warrant holders
Number of Warrant Holders	:	1,091	

ANALYSIS BY SIZE OF WARRANT HOLDINGS (WARRANTS 2016/2021) AS AT 12 APRIL 2017

Size of Warrant holdings	No. of Warrant Holders	Holdings	Total Holdings %
Less than 100 warrants	74	3,021	0.01
100 to 1,000 warrants	176	96,113	0.17
1,001 to 10,000 warrants	405	1,610,900	2.90
10,001 to 100,000 warrants	339	14,395,825	25.94
100,001 to less than 5% of issued warrants	96	35,657,268	64.25
5% and above of issued warrants	1	3,736,875	6.73
Total	**1,091**	**55,500,002**	**100.00**

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 12 APRIL 2017
(Without aggregating securities from different securities accounts belonging to the same person)

No	Warrant holders	No. of Warrants Held	% of Total Issued Warrants
1.	Affin Hwang Nominees (Tempatan) Sdn Bhd – Phillip Securities Pte Ltd for Lim Kwee Gee	3,736,875	6.73
2.	Lim Chee Pin	2,459,118	4.43
3.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Kong Kok Choy	2,000,000	3.60
4.	Zaiton Binti Mohd Hassan	1,300,000	2.34
5.	Lina Yek	1,174,100	2.12
6.	Lim Kwee Theng	1,164,700	2.10
7.	Tan Hwe Chin	1,128,250	2.03
8.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Tay Hock Soon	1,097,000	1.98
9.	Chong Kah An	1,037,900	1.87
10.	Chiang Saw Chaw	1,000,000	1.80
11.	AMSEC Nominees (Tempatan) Sdn Bhd - MTrustee Berhad for Pacific Pearl Fund	909,850	1.64

THIRTY (30) LARGEST WARRANT HOLDERS AS AT 12 APRIL 2017 (Cont'd)
(Without aggregating securities from different securities accounts belonging to the same person)

No	Warrant holders	No. of Warrants Held	% of Total Issued Warrants
12.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Lim Jit Soon	870,000	1.57
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Chua Boon Yong	400,000	1.44
14.	Yong Kok Fong	711,800	1.28
15.	Loh Yoon Shya	578,000	1.04
16.	Lim Si Xian	549,500	0.99
17.	Liew Sin Woh	500,000	0.90
18.	Lye Ha Noou @ Lai Chow Mooi	500,000	0.90
19.	Lim Kwan Joo	480,000	0.86
20.	Public Nominees (Tempatan) Sdn Bhd – Pledged securities account for Gan Chen Liam	480,000	0.86
21.	Ong Weng Hoong	470,000	0.85
22.	Lee Hau King	459,500	0.83
23.	Lim Kang Pow	431,250	0.78
24.	Liew Mee Kien	400,000	0.72
25.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged securities account for Low Wee Kiat	393,000	0.71
26.	RHB Nominees (Tempatan) Sdn Bhd – Pledged securities account for Tang Jee Eng	390,000	0.70
27.	Tan Eng Hock	380,000	0.68
28.	Tan Meng Hooi	380,000	0.68
29.	Tan Chew Chung	362,400	0.65
30.	Lau Fui Seng	350,000	0.63
Total		**26,493,243**	**47.74**

DIRECTORS' SHAREHOLDINGS AS AT 12 APRIL 2017

Name of Director		Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1	Low Teck Yin	56,632,514	25.51	-	-
2	Hoh Yeong Cherng	56,812,527	25.59	(1)484,500	0.22
3	Datuk Zaiton Binti Mohd Hassan	5,200,000	2.34	-	-
4	Dr Abdul Azis Bin Ariffin	100,000	0.05	-	-
5	Kamaruddin Bin Osman	100,000	0.05	-	-
6	Lee Yow Fui	100,000	0.05	-	-

(1) Deemed interested in the direct shareholdings in Dolphin of his sibling, Hoh Yeong Jian, and father, Hoh Kok Wah.

DIRECTORS' WARRANT HOLDINGS AS AT 12 APRIL 2017

Name of Director		Direct Interest		Indirect Interest	
		No. of Warrants	%	No. of Warrants	%
1	Low Teck Yin	28	00.00	-	-
2	Hoh Yeong Cherng	31	00.00	(1) 75	0.00
3	Datuk Zaiton Binti Mohd Hassan	1,300,000	2.34	-	-
4	Dr Abdul Azis Bin Ariffin	25,000	0.05	-	-
5	Kamaruddin Bin Osman	25,000	0.05	-	-
6	Lee Yow Fui	25,000	0.05	-	-

(1) Deemed interested in the direct warrant holdings in Dolphin of his sibling, Hoh Yeong Jian.

DOLPHIN INTERNATIONAL BERHAD
(Company No: 1001521-X)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Dolphin International Berhad ("**Dolphin**" or "**Company**") will be held at Cindai 1, Cyberview Resort & Spa, Persiaran Multimedia, 63000 Cyberjaya, Malaysia on Tuesday, 20 June 2017 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:

ORDINARY BUSINESS:

1.	To receive the Audited Financial Statements for the year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	***Please refer to Note 1***
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2016.	*Resolution 1*
3.	To re-elect Dr. Abdul Azis Bin Ariffin who retires by rotation pursuant to Article 99 of the Company's Articles of Association.	*Resolution 2*
4.	To re-elect Mr. Lee Yow Fui who retires by rotation pursuant to Article 99 of the Company's Articles of Association.	*Resolution 3*
5.	To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	*Resolution 4*

SPECIAL BUSINESS:

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution:

6. **ORDINARY RESOLUTION** *Resolution 5*
   - **Authority for Directors to allot and issue shares pursuant to Section 76 of the Companies Act, 2016**

   "**THAT** pursuant to Section 76 of the Companies Act, 2016 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 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 Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. Ordinary Resolution *Resolution 6*

- Re-appointment of Director – **Encik Kamaruddin Bin Osman**

To re-appoint Encik Kamaruddin Bin Osman under the resolution passed at the last Annual General Meeting held on 27 June 2016 pursuant to Section 129 of the Companies Act 1965 (which was then in force), to continue to act as director of the Company from the date of this Annual General Meeting.

ANY OTHER BUSINESS:

8. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Dated: 26 May 2017
Kuala Lumpur

NOTES:

1. *This Agenda item is meant for discussion only as the provision of Section 248(2) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.*

2. *A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.*

2. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarialy certified copy of that power or authority shall be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. If the appointer is a corporation, either under its Common Seal (if any) or under the hand of an officer or attorney duly authorised.*

4. *In respect of deposited securities, only members whose names appear on the Record of Depositors as at 14 June 2017 shall be eligible to attend, participate, speak and vote at the Fifth Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

5. ***Explanatory Notes on Special Business***

Resolution 5 pursuant to Section 76 of the Companies Act, 2016

The proposed Ordinary Resolution 5 is intended to renew the authority granted to the Directors of the Company at the Fourth Annual General Meeting of the Company held on 27 June 2016 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting.

The Company did not issue any share pursuant to a mandate granted to the Directors at the last Annual General Meeting held on 27 June 2016.

The general mandate for the issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding future investment, working capital and/or acquisition(s).

6. Resolution 6 – Re-appointment of Director

The proposed Ordinary Resolutions under item 7 is to seek shareholders' approval on the re-appointment of Encik Kamaruddin Bin Osman, who had been re-appointed in the previous Annual General Meeting held on 27 June 2016 as Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Fifth Annual General Meeting*, as a Director of the Company. If passed, the proposed Resolution 6 will authorize the continuation of Encik Kamaruddin Bin Osman in office from the date of the Fifth* Annual General Meeting *onwards.*

STATEMENT ACCOMPANYING NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

1. The Directors seeking for re-election/re-appointment at the Fifth Annual General Meeting of Dolphin International Berhad are as follows :

   1.1 Dr. Abdul Azis Bin Ariffin (Article 99)
   1.2 Mr. Lee Yow Fui (Article 99)

   The profiles of the Directors who are standing for re-election is set out on pages 12 to 13 of this Annual Report respectively.

2. The details of attendance of the Directors of the Company at Board of Directors' Meetings held during the financial year ended 31 December 2016 are disclosed in the Corporate Governance Statement set out on page 20 of this Annual Report.

3. The details of the Fifth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Tuesday, 20 June 2017	10.00 a.m.	Cindai 1, Cyberview Resort & Spa, Persiaran Multimedia, 63000 Cyberjaya, Malaysia

DOLPHIN INTERNATIONAL BERHAD
(Company No: 1001521-X)

FORM OF PROXY

I/We ____ (name of shareholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. ________________________________ (New) ______________________

(Old) of ____ (full address)

being a Member/Members of Dolphin International Berhad hereby appoint ________

____ NRIC No. _____________________________

(New) (name of proxy as per NRIC, in capital letters) ______________________________ (Old) of

____ (full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at Cindai 1, Cyberview Resort & Spa, Persiaran Multimedia, 63000 Cyberjaya, Malaysia on Tuesday, 20 June 2017 at 10.00 a.m..

I/We direct my/our proxy to vote for or against the resolution to be proposed at the meeting as hereunder indicated.

		For	**Against**
Ordinary Resolution 1	To approve the payment of Directors' fee for the financial year ended 31 December 2016		
Ordinary Resolution 2	Re-election of Director – Dr. Abdul Azis Bin Ariffin		
Ordinary Resolution 3	Re-election of Director – Mr. Lee Yow Fui		
Ordinary Resolution 4	To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
Ordinary Resolution 5	Authority to Issue Shares Pursuant to Section 76 of the Companies Act, 2016		
Ordinary Resolution 6	Re-appointment of Director – Encik Kamaruddin Bin Osman		

Dated this ______________ day ___________________ 2017

CDS ACCOUNT NO.	NUMBER OF SHARES HELD

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

____
Signature/Common Seal

NOTES:

1. *A member of the Company shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting and where the member appoints two (2) proxies to attend, participate, speak and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.*

2. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarialy certified copy of that power or authority shall be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. If the appointer is a corporation, either under its Common Seal (if any) or under the hand of an officer or attorney duly authorised.*

4. *In respect of deposited securities, only members whose names appear on the Record of Depositors as at 14 June 2017 shall be eligible to attend, participate, speak and vote at the Fifth Annual General Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Company Secretary
Dolphin International Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

1st fold here

Dolphin International Berhad
(1001521-X)

No. 17 & 19, Jalan Puteri 5/20
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan

Tel: +603-8062 2289
Fax: +603-8060 8613

Website: www.dolphinbhd.com