LSK
Since 1975
LEE SWEE KIAT GROUP BERHAD
(607583-T)

2015
ANNUAL REPORT

Efficient • Improve • Integrity • Effective

Celebrating 40th Anniversary
1975 - 2015

IBG
International Brands Gallery

TEMPUR Napure® Germany ENGLANDER USA since 1894 VISCOPEDIC Visco Elastic Memory Foam Stressless CALIA ITALIA Mèta Italia Since 1972

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CORPORATE STRUCTURE

LSK

LEE SWEE KIAT GROUP BERHAD
(607583-T)

- **100%** Lee Swee Kiat Holdings Sdn Bhd
  - **100%** LSK Napure Latex Sdn Bhd
  - **100%** LSK Mattressworld Sdn Bhd
  - **100%** LSK Lamifoam Sdn Bhd
  - **100%** Mattressworld Marketing (M) Sdn Bhd

5- YEAR KEY FINANCIAL PERFORMANCE

	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Revenue	72,347	73,150	61,252	62,893	61,537
Profit before tax	5,152	4,790	1,846	1,775	2,880
Profit after tax	5,011	4,101	1,375	1,156	2,059
Earnings per share (sen)	2.99	2.44	0.82	0.69	1.23
Shareholders' equity	36,998	31,987	27,886	26,511	25,355
Total borrowings	(12,160)	(16,166)	(13,252)	(15,906)	(15,044)
Net cash / (debt)	(2,112)	(2,850)	(7,716)	(12,133)	(10,913)
Return on equity (%)	13.5%	12.8%	4.9%	4.4%	8.1%
Gearing ratio	0.33	0.50	0.48	0.60	0.59
Net gearing ratio	0.06	0.09	0.28	0.46	0.43

Analysis of financial performance

(1) 2011 – Profit before tax included a one-off insurance compensation of RM2.043 million.

(2) 2012 – An additional term loan of approximately RM5 million was added for the reconstruction of corporate office and factory.

(3) 2013 – Total net debt reduced substantially from RM12.133 million to RM7.716 million due to strong operating cashflow and prudent financial management.

(4) 2014 – The Group registered strong growth in revenue and profit in 2014 with broad-based increase in volume in both export and domestic market. There was a new term loan of RM3 million which was directly linked to a Savelink Current Account. Interest would be calculated after netting off the cash balance in the current accounts. The term loan increased both the borrowings and cash balance by RM3 million in 2014. The new term loan would act as a standby credit for the Group.

(5) 2015 – The implementation of Goods and Services Tax since April 2015 had badly affected the domestic sales. The Group's strong export sales has made up for the poor local demand and propelled the Group to surpass the RM5 million mark in profit before tax. Net debt was further reduced to RM2.112 million, the lowest level since the Group's listing in 2004.

CORPORATE INFORMATION

DIRECTORS

LEE AH BAH @ LEE SWEE KIAT	(Chairman, Non-Independent Non-Executive Director)
TAN KUIN LUAN	(Alternate Director to Lee Ah Bah @ Lee Swee Kiat)
DATO' LEE KONG SIM, ERIC	(Managing Director)
LEE KONG YAM, VINCENT	(Executive Director)
AU THIN AN @ LOW TEEN ANN	(Senior Independent Non-Executive Director)
TAN CHENG LEARN, ALAN	(Independent Non-Executive Director)
ABD MALIK BIN A RAHMAN	(Independent Non-Executive Director)

AUDIT COMMITTEE

ABD MALIK BIN A RAHMAN
(Chairman, Independent Non-Executive Director)
AU THIN AN @ LOW TEEN ANN
(Senior Independent Non-Executive Director)
TAN CHENG LEARN
(Independent Non-Executive Director)

NOMINATION COMMITTEE

AU THIN AN @ LOW TEEN ANN
(Chairman, Senior Independent Non-Executive Director)
ABD MALIK BIN A RAHMAN
(Independent Non-Executive Director)
TAN CHENG LEARN
(Independent Non-Executive Director)

REMUNERATION COMMITTEE

ABD MALIK BIN A RAHMAN
(Chairman, Independent Non-Executive Director)
AU THIN AN @ LOW TEEN ANN
(Senior Independent Non-Executive Director)
TAN CHENG LEARN
(Independent Non-Executive Director)

SECRETARIES

WONG WAI FOONG (MAICSA 7001358)
WONG PEIR CHYUN (MAICSA 7018710)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Wisma LSK
Lot 6122, Jalan Haji Abdul Manan
Off Jalan Meru, 41050 Klang
Selangor Darul Ehsan
Tel : +(603) 3392 4488
Fax : +(603) 3392 5588
Website : www.lsk.com.my

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Hong Leong Bank Berhad

SOLICITOR

JM Chong, Vincent Chee & Co.

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : +(603) 2783 9299
Fax : +(603) 2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : LEESK
Stock Code : 8079

AUDITORS

Nexia SSY (AF 2009)
SSY Building @ Sentral
Level 1, 2A Jalan USJ Sentral 3
USJ Sentral, Persiaran Subang 1
47620 Subang Jaya
Selangor Darul Ehsan, Malaysia
Tel : +(603) 8025 9793
Fax : +(603) 8025 9803
Website : www.nexiassy.com

PROFILE OF THE DIRECTORS

Lee Ah Bah @ Lee Swee Kiat
Non-Independent Non-Executive Chairman
77 years of age, Malaysian

Mr. Lee Swee Kiat was appointed to the Board of Directors of Lee Swee Kiat Group Berhad ("LSK") on 3 February 2004. He is the founder of the Group. Mr. Lee started his business venture in 1975 as a furniture wholesaler under Sun Sun Furniture (M) Sdn Bhd. He ventured into manufacturing of laminated foam in the 1980s and has since laid the foundation for the Company to expand until today.

Dato' Eric Lee Kong Sim
Managing Director
41 years of age, Malaysian

Dato' Eric Lee was appointed to the Board of Directors of LSK on 3 February 2004 as Executive Director. He was appointed as Managing Director on 25 August 2011. He is a fellow member of the Association of Chartered Certified Accountants (FCCA), a member of the Malaysian Institute of Accountants (MIA) and a member of the Malaysian Institute of Taxation (MIT). He joined the Group since 1997 and currently also hold the position as Chief Financial Officer of the Group. Dato' Eric Lee is currently the President of Kuala Lumpur Selangor Furniture Entrepreneur Association (KLSFEA).

Lee Kong Yam, Vincent
Executive Director
48 years of age, Malaysian

Mr. Lee Kong Yam was appointed to the Board of Directors of LSK on 3 February 2004 as Executive Director. In 1999, he obtained his Master of Business Administration from Honolulu University, USA. He joined LSK Group since 1991 and currently heads the PU Foaming and Lamination Divisions.

Abd Malik Bin A Rahman
Independent Non-Executive Director
67 years of age, Malaysian

Encik Malik was appointed to the Board of Directors of LSK on 30 January 2009 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee.

Encik Malik is a Chartered Accountant member of the Malaysian Institute of Accountants (MIA). He is also a Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants and a Certified Financial Planner (USA). He is a member of both the Malaysian Institute of Management and Chartered Management Institute (UK).

Encik Malik held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn. Bhd., Amway (Malaysia) Sdn. Bhd., Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn. Bhd. (Westports) from 1994 until 2003.

Encik Malik also sits on the Board of Affin Holdings Berhad, Affin Bank Berhad, Affin Hwang Investment Bank Berhad, Affin Hwang Asset Management Berhad, Boustead Heavy Industries Corporation Berhad, Boustead Penang Shipyard Sdn Berhad, CYL Corporation Berhad, Innity Corporation Berhad, and several other private limited companies.

PROFILE OF THE DIRECTORS *(cont'd)*

Au Thin An @ Low Teen Ann

Senior Independent Non-Executive Director
72 years of age, Malaysian

Mr. Low Teen Ann was appointed to the Board of Directors of LSK on 26 March 2004 as Independent Non-Executive Director. He is the Chairman of Nomination Committee and a member of the Audit Committee and Remuneration Committee. He is a retired Insurance Broker/Consultant. He has considerable experience in insurance consultancy and risk management and was an Honorary Treasurer of Insurance Brokers Association of Malaysia. He was previously the Regional Director of the Insurance Broking Division of Sime Darby Bhd and the Deputy Chairman of Jardine Lloyd Thompson Sdn Bhd. He is also a Director of Classic Scenic Bhd.

Tan Cheng Learn, Alan

Independent Non-Executive Director
50 years of age, Malaysian

Mr. Alan Tan was appointed to the Board of Directors of LSK on 26 May 2005 as Independent Non-Executive Director. He is also a member for the Audit Committee, Remuneration Committee as well as Nomination Committee. He worked as a palm oil dealer in 1989 to 1993. He was appointed as Director for Great Vision Risk Management Sdn Bhd since 1993. He is also a Registered Financial Planner.

Tan Kuin Luan

Non-Independent Non-Executive Director
75 years of age, Malaysian

Madam Tan Kuin Luan was appointed to the Board of Directors of LSK as Alternate Director to Lee Ah Bah @ Lee Swee Kiat on 3 February 2004. She is the co-founder of the Group with Mr. Lee Swee Kiat.

Note:
Mr. Lee Kong Yam and Mr. Dato' Eric Lee are brothers and they are the sons of Mr. Lee Ah Bah @ Lee Swee Kiat and Madam Tan Kuin Luan.

Saved as disclosed, none of the Directors have:
(1) any family relationship with any Director and/or major shareholder of the Company; and
(2) any conflict of interest with the Company; and
(3) any conviction for offences within past 10 years other than traffic offences.

CHAIRMAN'S STATEMENT

Dear Fellow shareholders

On behalf of the Board of Directors, I am pleased to present to you the annual report of Lee Swee Kiat Group Berhad ("LSK") for the financial year ended 31 December 2015 (FY 2015). 2015 marked the 40th anniversary for LSK, with our first operation as a furniture wholesaler traced back to 1975. We celebrated this milestone with a strong bottom line in year 2015 despite various economic challenges. We managed to maintain our Turnover and Earnings before interest, tax, depreciation and amortization ("EBITDA") for the year while profit before tax surged pass the RM5 million to RM5.152 million. Net profit and earnings per share both increased by 22.2% from RM4.101 million (EPS of 2.44 sen) in FY 2014 to RM5.011 million (EPS of 2.99 sen) in FY 2015.

The key financial highlights are as follows:

Financial Highlights

RM'000	FY 2015	FY 2014	Change
Turnover	72,347	73,150	- 1.1%
EBITDA*	8,437	8,472	- 0.4%
Profit before tax	5,152	4,790	+ 7.6%
Net profit for the year	5,011	4,101	+ 22.2%
Earnings per share (sen)	2.99	2.44	+ 22.2%

** Earnings before interest, tax, depreciation and amortization*

General Operations

2015 was an extremely challenging year for the domestic market, especially post implementation of the Goods and Services Tax (GST) from April 2015. Local demand for furniture dried up as consumers held back their spending on durables. The rapid depreciation of Malaysia Ringgit delivered another blow to our distribution of imported brands which caused our imports to cost some 30% more after conversion. The double pressure of failing domestic sales and rising cost of goods sold posed serious challenges to the Group's domestic operations.

The property sector went through a period of strong headwinds with many developers facing difficulty in achieving sales target. While many thousands of units of houses sold during the past years would be handed over the vacant possessions within the next 2 years, thus flooding the property market, the demand for sale and rent are soft. These indirectly affect the demand of furniture in the local market.

Foreign Labour

The announcement of the impending hike in minimum wages from RM900 to RM1,000 from July 2016, together with the new levy structure will be new burdens to the cost structure of the Group. Nevertheless, the Group is constantly looking for ways to improve in terms of sales, product quality and efficiencies. We are confident to ride through the inevitable rise in labour costs.

Foreign labour has been an integral workforce for the furniture industry, our Group is no exception. The pre-requisite to be hardworking, willingness to work overtimes and less tendency to skip work are vital to efficient running of factory operations. The recent decision by the Government to freeze all new foreign labour, including those for replacement of those whose contracts expired and went back, poses serious consequences to the future operations of most manufacturing operations in Malaysia. Most manufacturing companies in Malaysia are Small & Medium Industries, which are one of the key backbones of the Malaysian economy. The high cost of automation would be beyond reach by most of them. Prolonged lack of productive labour is expected to jeorpadise the manufacturing output of Malaysia.

CHAIRMAN'S STATEMENT *(cont'd)*

Group Culture

Our group culture could be summarized as EIIE, being the acronym for Effective, Improve, Integrity and Efficient. We inculcate our team to strive for effectiveness in achieving our Group strategies, be one of most efficient players in the market, constantly improve oneself and grow with the company, and finally and the most important aspect, with strong integrity. We believe EIIE would be critical for the Group to face all economic challenges facing the Group from time to time, and allow us to excel over the long term.

NAPURE – The 100% Natural Latex

Napure latex, our flagship brand, again was the performer for the group in 2015. Low raw latex price coupled with the depreciation of the Ringgit against the US dollar has helped in the export market, which partly make up for the poor performance of the domestic market. The quality of our 100% natural latex foam is of international standard as we continue to improve our products for higher standards. We are now running at near full capacity and a new production line would be installed in 2016. Napure latex will continue to be our main business in 2016.

International Brands Gallery - IBG

IBGs would continue to be our focus in expanding our domestic retail sales. With our portfolio of strong international brands with back care functions, we have established a niche to be a strong retail chain for Ergonomic living.

Prospects for the Group

The Management strives to build a sustainable business model to maximise long term shareholder value. The acquisition of the Englander Trademark is in line with this mission. We have eliminated the risk of non-renewal of our Englander licensing rights by the principal. We are working on expanding the Englander brand through distribution and licensing in the ASEAN region.

Overall, the Group has had an outstanding year in 2015. Nevertheless, the performance of the Group will be affected from time to time by external factors including fluctuations in raw latex cost and exchange rate, as well as general economic situation. The Management is always cautious on various external risk factors that may affect the Group. We strive to have a relatively well balanced structure in terms of composition of export and domestic sales, as well as a natural hedging of exports and imports which would minimize the impact of any sudden fluctuation in foreign exchange. Barring unforeseen circumstances, the Management expects the performance for 2016 to be satisfactory.

Acknowledgement

I would like to take this opportunity to express my sincere appreciation to the Board of Directors, Management team and staff for their positive contributions, and to thank all customers, suppliers, bankers and our dedicated team of staff for their unwavering support throughout the years.

Lee Ah Bah @ Lee Swee Kiat
Chairman

CORPORATE GOVERNANCE & OTHER DISCLOSURES

The Board of Directors ("the Board") of Lee Swee Kiat Group Berhad ("the Company" or "LSKG") and its subsidiaries ("the Group") remain fully committed in maintaining good corporate governance principles in accordance to the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code") pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board has therefore strived to formulate policies and objectives as a fundamental part of discharging their responsibilities in protecting and enhancing shareholders' value with the practice of openness and corporate accountabilities.

The Board further acknowledged and implemented the principles and best practices embodied in the Code in the manner set below.

Principle 1: Establish Clear Roles and Responsibilities

The roles and responsibilities of the Management and the Board are established and understood by both parties to ensure accountability and separation of duties.

Board of Directors

Principal duties and responsibilities reserved for the Board

(a) Review, adopt and monitor the implementation of the strategic plans for the Group by the management to achieve long term shareholders' value as well as promoting sustainability within the context of environment, social and governance.

(b) Review, adopt and monitor the annual budget for the Group with regular revision on forecast taking into account the changes in the economic, legal, social and general business environments.

(c) Constant review of various key performance ratios and embedded the performance link compensation plan in an Executive Directors Incentive Scheme for the Executive Directors, with key performance indicators including profitability, return on shareholders fund and gearing ratio target to encourage prudent financial management without involving excessive gearing.

(d) To carry out periodic review of the Code of Business Conduct and Ethics for the Group as follows:

(i) To practise the Group's Motto "EIIE" which stands for "Efficient, Improve, Integrity and Effective"

(ii) Compliance to all applicable laws, rules and regulations

(1) The Group shall constantly be aware of all applicable laws, rules and regulations applicable for lawful Group's business operations.
(2) The major laws, rules and regulations including, inter alia, the Income Tax Act, Labour Law, Bursa Securities Listing Requirements and The Goods and Services Tax Act.

(iii) To promote sustainability on environment, community and working environment

The Group has established in the Board Charter details of the Social Responsibility Philosophy which should be conveyed to the whole organization.

(iv) To cultivate an environment of high integrity by having a Whistle Blowing Policy

A Whistle Blowing Policy is in place to complement the internal audit procedures to assist the Board in deterring and early detection of fraud.

CORPORATE GOVERNANCE & OTHER DISCLOSURES *(cont'd)*

Principal duties and responsibilities reserved for the Board (continued)

(e) Identify key business risks with constant monitoring of market changes and to establish a risk management framework to manage those risks in order to safeguard company assets. The main risks identified and being monitored includes Forex Risk, Credit Risk, Default Risk, Fire Risk, Competitive Risk and Information Technology Risk. The internal auditors are assigned the job to monitor and report to the Audit Committee periodically on the various efforts undertaken by the Management to mitigate the above risks.

(f) Review the internal controls and management information systems for compliance with applicable laws and regulations.

(g) Establish a detailed annual internal audit plan covering various key operational and risk areas, and to monitor the execution of internal audit functions by having periodic meetings with the internal auditors.

(h) Establish and review the succession plan for the Group's Board of Directors and senior management group on an annual basis, and to provide necessary training as needed from time to time.

(i) To establish authorization limit which defines relevant matters and applicable limits for Chairman and Managing Director.

Management's responsibilities

The management is responsible for the day to day management of the Group, in line with the strategic plan and annual budget as approved by the Board. The role and responsibilities for the Chairman and Managing Director are clearly segregated to ensure a balance of power and authority.

The responsibilities of the Chairman are:

(i) Chair Board meetings in proper manner.
(ii) Ensure all relevant issues are tabled on Board Agenda.
(iii) Ensure compliance with Board Charter.
(iv) Ensure timely dissemination of Board papers by the Company Secretary to the Board members.
(v) Encourage all Directors to play an active role in Board activities.

The responsibilities of the Managing Director are:

(i) To formulate strategic plan and annual budget to ensure long term viability and sustainability for the Group.
(ii) To manage the day-to-day operations and businesses of the Group.
(iii) To implement the policies, corporate strategies and decisions adopted by the Board.
(iv) To report material and relevant matters to the Board timely and accurately.
(v) To create long term sustainable value for stakeholders of the Group.
(vi) To plan to reward shareholders with dividends by the year 2020.
(vii) To grow the Group both organically and through merger and acquisition in related fields with target minimum return on shareholders' fund of 8%.
(viii) To manage the operations of the Group with financial prudence and to work within the target gearing level of not exceeding 1 time on shareholders' fund.

Whistle Blowing Policy

The Board wishes to maintain a high standard to uphold legal, ethical and moral standards. The Board recognizes the limitation of internal control in detecting and eliminating fraud. To complement the internal control function, this whistle blowing policy is established to provide an additional avenue for minimizing and early detection of fraud from day to day operations.

Objectives

(a) To cultivate an environment of high integrity.
(b) To act as deterrent to potential fraud.
(c) To enhance awareness on the Group's stand on illegal, unethical and dishonest acts as well as consequences of such acts.
(d) To complement the internal audit function in minimizing or early detection of fraud.

Scope

This policy applies to any irregularity, or suspected irregularity, involving any employee or officer of the Group with any party who has business relationship with the Group.

Irregularity in this context is hereby defined as "an illegal, unethical or dishonest act committed by any party or parties resulting in some party or parties, be it an employee or officer or any stakeholders obtaining financial gains at the expense of the Group or other stakeholders".

Whistle blower has direct access to the mobile number and email of the Chairman of Audit Committee. He may choose to remain anonymous to protect his interest. Once a report has been lodged, the Board should establish a special task force to carry out investigation. The special task force should consist of at least two suitably qualified personnel based on the nature of such fraudulent activity. External professional may be considered if the circumstances warrant such appointment. A formal report of the findings should be submitted to the Board for examination and appropriate actions (including lodging a police report if it involves serious criminal act) should be taken by the Board depending on the nature and extent of such fraudulent act.

Access to information and advice

The Board stresses on the importance of timely dissemination of material information among the Board. All Board papers are circulated at least one week prior to the Board meeting by both electronic as well as circulation of hard copies. The Board has recently set up a formal Whatsapp Group for all Board members and the Company Secretary to further enhance the communications among the members for all material matters. These are to assist the Board in active involvement in material matters and to be able to respond immediately should the need arises. The Board has access to advice from external professionals as needed in discharging their duties.

Qualified and Competent Company Secretaries

The Company Secretaries are qualified pursuant to Section 139A of the Companies Act, 1965 as they are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

CORPORATE GOVERNANCE & OTHER DISCLOSURES *(cont'd)*

Qualified and Competent Company Secretaries (continued)

The responsibilities for the Company Secretaries are as follows:

(1) Implementation of corporate governance
   a. Assisting the board and chairman on the implementation of the Code
   b. Advising the board on the principles and recommendations of the Code and informing the board of any breaches
   c. Ensuring high standards of governance by keeping abreast with the latest developments in corporate governance changes in the legal and regulatory framework and international best practices

(2) Supports the board and chairman
   a. Providing advice to the chairman and directors as to their duties and responsibilities
   b. Preparing the agenda with the chairman and Managing Director and notifying all directors of board meetings
   c. Ensuring the meetings flow effectively
   d. Taking accurate and concise minutes of deliberations of the board during meetings
   e. Providing full access and services to the board

(3) Compliance with filing and administrative requirements
   a. Ensuring compliance with the procedures for conducting meetings and the safekeeping of corporate documentation
   b. Assisting the board with interpreting legal and regulatory acts related to the listing rules and international regulations and developments
   c. Advising the board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis
   d. Notifying the chairman of any possible violation of legal and regulatory acts

(4) Appointment of new directors
   a. Assisting the board in ensuring a smooth administration of the appointment of new directors
   b. Briefing new directors on organizational structure of the Group and procedures that regulate the operations of the board
   c. Ensuring availability of information required by new directors for the proper discharge of their duties

All Directors have access to the advice and services of the Company Secretaries.

Board Charter

The Board has established a Board Charter which elaborates on various aspects of the Board including Composition, Appointment and re-election, Assessments, Duties and Responsibilities, Board Committees, Board meetings, Financial Reporting, Director Remunerations, Directors' Training and Continuing Education, Investor Relations and Corporate Social Responsibilities.

The Board Charter will be reviewed annually for updates and relevance. The latest review date was on 12 April 2016.

The Board Charter can be viewed at the Company's official website at www.lsk.com.my under "Investor Relations" section.

Principle 2: Strengthen Composition

Board balance & composition

The Board currently comprises of six (6) Directors of whom one (1) is Managing Director, one (1) is Executive Director and four (4) are Non-Executive Directors. Three (3) of the Non-Executive Directors are Independent. Mr. Au Thin An @ Low Teen Ann is the Senior Independent Director.

The Board seeks to have a clear division of responsibilities between running the Board and the Group's operational business. The positions of Chairman ("Non-Executive Chairman") and Managing Director are separated and clearly defined.

All the Board Committees including the Audit Committee, Nomination Committee and Remuneration Committee consists of Independent Non-Executive Directors.

Appointments to the Board, re-election and re-appointment

Any appointment of a new Director shall first obtain the recommendation by the Nomination Committee before tabling it to the Board for approval. Any new appointment would have to be notified to the Chairman.

Pursuant to the Company's Articles of Association, at least one-third (1/3) of the Directors are required to retire by rotation from office at each Annual General Meeting ("AGM") and may offer themselves for re-election. Every Director must retire from office at least once in every three years.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years are required to retire from office at every AGM and may offer themselves for re-appointment and to hold office until the conclusion of the next AGM.

The name and details of the Directors standing for re-appointment and re-election at the Company's forthcoming AGM are disclosed in the Notice of AGM and their Profile are set out in page 5 and 6 of this Annual Report.

The Nomination Committee would conduct formal annual evaluation and assessment on the performance of all Directors as well as the Board collectively. Criteria of evaluation & assessment includes Board Mix & Composition, Quality of information & decision Making and Board room Activities. Separate evaluation & assessment were carried out individually for each and every Director and Collectively as a Board. The assessment results are compiled and reviewed annually by the Nomination Committee before proposing recommendations to the Board.

Gender Diversity

The Board acknowledges the benefits of a balanced gender diversity in the Board composition. The current Board consists of 6 male and 1 alternate female Director. The senior management level consists of 2 females and 1 male. The average age for the current 6 Board Directors is 59.7 years and the senior management is 44.3 years. There are a total of 3 females which made up about 30% of the combined Board and senior management team. Where possible, gender diversity will be taken into account when there is a need to replace or appoint a new Director to the Board. The Board target to have one additional female Director by the year 2018.

Audit Committee

The Audit Committee was established on 26 July 2004. The tenure of the Audit Committee should be reviewed every 3 years by the Board. Its role and function is to assist the Board in overseeing the Group's activities within its clearly defined terms of reference. The Audit Committee Report for the current financial year can be found in pages 21 to 23 of this Annual Report.

Nomination Committee

The Nomination Committee was established on 25 August 2004. The tenure of the Nomination Committee should be reviewed every 3 years by the Board. Its role and function is to assist the Board in nominating new nominees to the Board of Directors. The Nomination Committee shall also assess the performance of the Directors of the Company on an on-going basis. The members of the Nomination Committee are as follows:

Chairman
Au Thin An @ Low Teen Ann – Senior Independent Non-Executive Director

Members
Abd Malik Bin A Rahman – Independent Non-Executive Director
Tan Cheng Learn – Independent Non-Executive Director

The duties and responsibilities of the Nomination Committee are as follows:-

(i) To recommend the nomination of a person or persons for all directorships to be filled by the shareholders or the Board;
(ii) To consider, in making its recommendations, candidates for directorships proposed by the Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder;
(iii) To recommend to the Board, Directors to fill the seats on board committees;
(iv) To assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual Director;
(v) Review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and thereafter, recommend its findings to the Board;
(vi) To develop the criteria to assess the independence of Independent Non-Executive Directors annually, especially on those who have served for more than 9 years;
(vii) To review Board's succession plans;
(viii) To facilitate Board induction and training for newly appointed Directors;
(ix) To review training programs of the Board;
(x) To facilitate achievement of Board gender diversity policies; and
(xi) To consider and examine such other matters as the Nomination Committee deems fit.

The Nomination Committee also takes recognition of the requirement that the Board has to consist of an appropriate balance of a broad range of skills, expertise, experience and competence and encourages diversity in gender, age, culture and socioeconomic backgrounds.

During the financial year ended 31 December 2015, the Nomination Committee held one (1) meeting. The Nomination Committee carries out an annual assessment on the contribution and performance of Board, Board Committees and each individual Director against a set of criteria that encompasses a diverse set of skills and experience via performance evaluation form. The Nomination Committee also carries out assessment on the independence of the Independent Directors.

Nomination Committee (continued)

The Board is satisfied with the contribution and performance of each individual Director. The Independent Directors comply with the criteria of Independence based on the LR of Bursa Securities. There is no change to the composition of Directors in 2015. All the Directors complied with the fit and proper criteria approved by the Board.

Remuneration Committee

The Remuneration Committee was established on 25 August 2004. The tenure of the Remuneration Committee should be reviewed every 3 years by the Board. Its role is to assist the Board in their responsibilities in assessing the remuneration package of the Executive Directors. The members of the Remuneration Committee are as follows:

Chairman
Abd Malik Bin A Rahman - Independent Non-Executive Director

Members
Au Thin An @ Low Teen Ann – Senior Independent Non-Executive Director
Tan Cheng Learn – Independent Non-Executive Director

Function
The Committee shall ensure that the remuneration package of Directors is aligned with the business strategy and long-term objectives of the Company, and to reflect the Board's responsibilities, expertise and complexity of the Company's activities.

Directors' Remuneration

(i) The Group set remuneration for Directors at levels which are sufficient to attract and retain suitable candidates for long term sustainable operation of the Group. Various parameters including skills, years of relevant experience, function, workload and responsibilities involved are taken into consideration.

(ii) The Group has established an Executive Director Incentive Scheme ("EDIS") to reward the Executive Directors based objectively on the Company's annual performance. Various Key Performance Indicators ("KPI") including profit before tax, return on shareholders' fund and gearing level of the Group are assessed to arrive at the annual performance incentive. The KPI are selected to encourage improved performance of the Group based on efficient use of the shareholders' fund prudently and without incurring excessive borrowings which may increase default risks. For the year 2015, about 40% of the total Directors' Remuneration are incentive-based payments.

(iii) Independent Directors will be paid a basic fee as well as a meeting allowance. The level of remuneration will reflect the contribution and responsibilities undertaken by the Independent Directors. The fee will be subject to the approval of shareholders at the AGM.

(iv) Where necessary, a service contract may be drawn to attract suitable candidate to be an Executive Director.

(v) Aggregate remuneration of Directors is as follows:

Categories	Fees RM'000	Salaries & Other emoluments RM'000	Total RM'000
Executive Directors	-	1,381	1,381
Non-Executive Directors	708	-	708
Total	708	1,381	2,089

Directors' Remuneration (continued)

(vi) The Directors' remuneration is broadly categorised into the following bands:

Categories	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM300,001 – RM350,000	-	2
RM400,001 – RM450,000	1	-
RM950,001 – RM1,000,000	1	-

* Remuneration paid to an Alternate Director who is a Non-Executive Director of the subsidiary has been placed according to the classification of the principal director.

Principle 3: Reinforce Independence

Chairman and Managing Director

The roles of Chairman and Managing Directors are undertaken by separate persons. The Chairman is a Non-Executive member of the Board. The Group does not have a majority of Independent Directors in the Board as recommended by the Code. The Board is of the opinion that current Board composition with all three Board Committees consisting solely of Independent Directors, serves well for the Group in discharging the duties of the Board with proper check and balance in place.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the re-designation as Non-Independent Director. The said Director may continue to serve as an Independent Director with shareholders' approval at AGM. The approval shall be valid until the next AGM.

The Company Secretary ensures that all the necessary information is obtained and that all legal and regulatory obligations are met before the appointment is made.

As at the date of this report, both Mr. Au Thin An @ Low Teen Ann and Mr Tan Cheng Learn have served the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years. The Board recommended them to continue to act as Independent Non-Executive Directors based on the following justifications:

(a) They have fulfilled the criteria under the definition of Independent Director as stated in the LR of Bursa Securities, and thus, they would be able to function as a check and balance, bringing an element of objectivity to the Board;
(b) They have vast experience in a diverse range of businesses and therefore would be able to provide constructive opinions; they exercise independent judgment and have the ability to act in the best interest of the Company;
(c) They have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
(d) They have continued to exercise their independence and due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.

Principle 4: Foster Commitment

Board meetings

All Board members are expected to commit their time in proper discharging of their duties by attending at least 75% of meetings conducted by the Group. All Directors do not hold more than 5 Directorships in listed companies as required under Paragraph 15.06 of the Listing Requirements.

CORPORATE GOVERNANCE & OTHER DISCLOSURES *(cont'd)*

The Board endeavors to meet at least four (4) times a year, with additional meetings to be convened when necessary. The annual meeting calendar was prepared and distributed to all Directors at the beginning of the financial year.

Five (5) Board meetings were held during the financial year ended 31 December 2015. Details of attendance are as follows:

Directors	Attendance
(1) Lee Ah Bah @ Lee Swee Kiat	5/5
(2) Dato' Lee Kong Sim, Eric	5/5
(3) Lee Kong Yam	5/5
(4) Au Thin An @ Low Teen Ann	5/5
(5) Tan Cheng Learn	5/5
(6) Abd Malik Bin A Rahman	5/5

Directors' Training & Continuing Education

All Directors of the Company have attended the Mandatory Accreditation Program ("MAP") and continue to undergo relevant programmes and attend similar seminars from time to time to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively.

During the financial year ended 31 December 2015, the Directors had attended the following training programmes/seminars:

(a) Lee Ah Bah @ Lee Swee Kiat
- (i) Brand seminar by KLSFEA on 24 and 25 of July 2015.

(b) Dato' Lee Kong Sim, Eric
- (i) Brand seminar by KLSFEA on 24 and 25 of July 2015.
- (ii) CG Breakfast Series with Directors on Board Remuneration & Fees by Bursa Malaysia on 26 November 2015.

(c) Lee Kong Yam, Vincent
- (i) Brand seminar by KLSFEA on 24 and 25 of July 2015.

(d) Au Thin An @ Low Teen Ann
- (i) 11th Tricor Tax and Corporate Seminar on 4 November 2015 by Tricor Tax Services Sdn Bhd.

(e) Tan Cheng Learn
- (i) Where to Put Your Money in 2015 on 24 January 2015 organised by Sin Chew and Great Vision.

(f) Abd Malik Bin A Rahman
- (i) Affin Hwang Capital Conference Series 2015- Navigating through turbulent times by Affin Hwang Capital on 10 February 2015.
- (ii) Industry Consultation Session: 2015 Non-Executive Directors remuneration study organized by FIDE Forum on 6 May 2015.
- (iii) Impact of new accounting standard IFRS 9 on Banks by FIDE on 5 June 2015.
- (iv) 7th Annual Corporate Governance Summit by Asian World Summit on 8 & 9 June 2015.
- (v) Capital Market Director's Training program (CMDP) 2015 by SC on 15-17 June & 2-3 July 2015.
- (vi) CG Breakfast Series: The Board 's response in light of rising shareholder engagements by Bursa Malaysia on 4 August 2015.
- (vii) AMLATFPUAA 2001: complexity & its impact on investment banking by Affin Hwang Capital on 24 August 2015.
- (viii) Board Chairman Series Part 2: Leadership Excellence from the Chair by Bursa Malaysia on 3 September 2015.

CORPORATE GOVERNANCE & OTHER DISCLOSURES *(cont'd)*

(ix) Corporate Governance: How to Maximise Internal Audit by Bursa Malaysia on 9 September 2015.
(x) The interplay between CG, NFI and investment decision by Bursa Malaysia on 22 September 2015.
(xi) Economy & Financial Market post global financial crisis by Affin Holdings on 11 November 2015.
(xii) Budget 2016 & GST updates, cybercrime in financial services sector, Anti-Money Laundering Act , South East Asian banking by Affin Holdings / PWC on 3 December 2015.
(xiii) Launch of Directors' Remuneration Report 2015 by Bank Negara Malaysia on 7 December 2015.

Principle 5: Uphold integrity of Financial Reporting

Compliance with Applicable Financial Reporting Standards and Bursa Securities Listing Requirements

In presenting the interim financial results and the annual audited financial statements, the Board takes responsibility to ensure that these financial statements are drawn up in accordance with the provisions of the Companies Act 1965 and applicable financial reporting standards in Malaysia as well as Bursa Securities Listing Requirements.

The Audit Committee would review all interim financial results with the Management and have separate private review session with the external auditors on the annual audited financial statements before recommending to the Board for approval and announcement.

Suitability of External Auditors

The Company maintains a transparent relationship with the external auditors, and the Audit Committee will discuss with the external auditors for professional advice and compliance with accounting standards. The current External Auditor, Nexia SSY, has served the Group since 2013. Nexia SSY is the new Audit firm resulting from merger of our previous auditor from year 2007 to 2012, Messers Sia & Co and other Audit firms. The External Audit firm practices rotation of engagement partners in accordance to the requirements of the Audit Oversight Board.

The Audit Committee had two private meetings with the External Auditors to discuss on the audit proceedings.

The Audit Committee had conducted annual assessment on the suitability and independence of External Auditors based on experience, competency, quality of services, the resources of the firm and the professional staff assigned to the audit. Written assurance of their independence from the External Auditors had been obtained. The Audit Committee is satisfied with the suitability and independence of the External Auditor.

Principle 6: Recognise and Manage Risk

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls, and compliance with laws and regulations as well as with internal procedures and guidelines. The internal control system also aims at identifying and managing any risks that the Company may encounter in pursuit of its business objectives. A Statement on Risk Management and Internal Control of the Company is set out on page 24 and 25 of this Annual Report.

Internal Audit

The Board acknowledges their responsibility to maintain a system of internal control and risk management. The internal audit function provides reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively. The internal audit plan is reviewed and approved by the Audit Committee annually to reflect on the actual situation faced by the Group.

The activities of the internal auditors during the financial year are set out in the Audit Committee Report on page 23.

Principle 7 & 8: Ensure Timely Disclosure & Strengthen Shareholder Relations

Relations with Shareholders and Investors

The Company carefully follows the disclosure requirements of Bursa Securities in relation to the proper and timely dissemination of information to the shareholders. The Company is cautious not to provide undisclosed material information to any party to the disadvantage of other shareholders. The Group maintains an official website at www.lsk.com.my with regular updates of official announcements and financial reports. There is also a link to our marketing website showing our portfolio of international brands. The Management from time to time shares business performance with various financial media including Star Media group and the Edge financial group on various insightful aspects of the business and potential impact of economic, social, Government policies on the Group. Shareholders and investors may also forward their queries to the Group via the official email to info@lsk.com.my.

Quarterly Disclosures

The Audit Committee would review all quarterly financial statements and ensure that all disclosures are made on timely and concise manner within two months from the end of each quarter, with a forward looking statement on the status and progress of the Group for the financial year.

The Annual Report

The Annual Report is a key communication channel between the Group and all stakeholders. It is published within 4 months after the financial year end. The Chairman's Statement provide insightful interpretation of the Group's performance together with general operations, key contributors of the Group's performance as well as matters affecting the Group's business.

AGM

The AGM is an important forum where shareholders can communicate directly with the Company. Shareholders are notified of the meeting together with a copy of the Company's Annual Report at least 21 days before the meeting. During the meeting, the Board will clarify any queries raised by shareholders in relation to the performance of the Group. Each item of the special business included in the notice of the meeting will be accompanied by a clear explanation of the effects of a proposed resolution.

Poll Voting

The Board would encourage poll voting on substantive resolutions. The Chairman would inform shareholders of their rights to demand for a poll vote at the commencement of general meeting. So far, the Company had not conducted any poll voting as the Board is of the view that there was no contentious issue raised at the meeting.

CORPORATE GOVERNANCE & OTHER DISCLOSURES *(cont'd)*

Other Compliance Information

(1) Utilisation of Proceeds

The Company did not raise any funds through any corporate proposals during the financial year.

(2) Recurrent Related Party Transactions

During the financial year, the recurrent related party transaction involving the Directors or Substantial Shareholders of the Company are as follows:

The subsidiary involved	Related transacting parties	Nature of recurrent transactions	Limit approved by last AGM	Amount transactedfrom last AGM till 31/12/2015
LSKM	LSKS	Rental of premises in Johor Bahru	RM180,000	RM60,000
LSKM	LSKS	Rental of premises in Penang	RM320,000	RM80,000
LSKM	LSKS	Media booking	RM1,500,000	RM490,858

Note:-
1. LSKM refers to LSK Mattressworld Sdn Bhd.
2. LSKS refers to Lee Swee Kiat & Sons Sdn Bhd who is the major shareholder of the Company. Lee Ah Bah @ Lee Swee Kiat, Tan Kuin Luan, Lee Kong Yam and Dato' Lee Kong Sim are directors of LSKS and collectively hold 100% interest in LSKS.

(3) Share Buy-backs

There was no share buy-back by the Company during the financial year.

(4) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company does not have any ADR or GDR programme in place.

(5) Sanctions and/or Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year under review.

(6) Non-Audit Fees

There was no non-audit fees paid or payable to the external auditors or its associates by the Group for the year ended 31 December 2015.

(7) Variation in Results

The Company did not make or announce any profit estimate, forecast or projection during the financial year ended 31 December 2015. There was no material variation to the unaudited results which were announced for the financial year ended 31 December 2015.

(8) Profit Guarantees

There was no profit guarantee given by the Company for the financial year.

(9) Material Contracts or Loans

During the financial year, there was no material contract or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

(10) Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued or exercisable during the financial year.

AUDIT COMMITTEE REPORT

The Board of Lee Swee Kiat Group Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2015.

Audit Committee

Chairman	:	Abd Malik Bin A Rahman Independent Non-Executive Director
Members	:	Au Thin An @ Low Teen Ann Senior Independent Non-Executive Director
		Tan Cheng Learn Independent Non-Executive Director

Summary of Terms of Reference of Audit Committee

Duties and Responsibilities of the Committee

The Committee shall discharge the following functions:

(1) To review the following and report the same to the Board of Directors:

(a) with the external auditors, the audit plan, his evaluation of the system of internal controls, his audit report;

(b) the assistance given by the employees of the Company to the external auditor;

(c) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

(d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(e) the quarterly results and year-end financial statements, prior to the approval by the Board of Directors focusing particularly on:

(i) changes in or implementation of major accounting policy changes;
(ii) significant and unusual events;
(iii) going concern assumption; and
(iv) compliance with accounting standards and other legal requirements;

(f) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(g) any letter of resignation from the external auditors;

(h) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;

(i) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;

AUDIT COMMITTEE REPORT *(cont'd)*

Summary of Terms of Reference of Audit Committee (continued)

Duties and Responsibilities of the Committee (continued)

(j) the effectiveness of the related system of risk management and internal control in managing the significant risks, including exception reporting on significant risk management and control failures or weaknesses, which have a material impact on the Company's financial position;

(k) review any appraisal or assessment of the performance of members of the internal audit function; and

(l) to review the external auditors' management letter and management's responses.

(2) To conduct private meeting with external auditors at least twice a year without the presence of Management on issues relating to external audit.

(3) To approve any appointment or termination of senior staff members of the internal audit function.

(4) To take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(5) To establish formal policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors.

(6) To recommend the nomination of a person or persons as external auditors.

(7) To carry out annual review of the performance of the external auditors, including assessment of suitability and independence of external auditors in the performance of their obligations as external auditors.

(8) To establish policies and procedures to assess the suitability and independence of external auditors.

(9) To review and monitor suitability and independence of the external auditors.

(10) To obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements.

(11) To ensure the internal audit function is independent of the activities it audits and the internal audit function reports directly to the Audit Committee.

(12) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved.

(13) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of the Management where necessary).

(14) To consider major findings of internal investigations and Management's response.

(15) To report promptly to Bursa Securities where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

(16) To carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors.

Summary of Activities for the Financial Year

During the financial year ended 31 December 2015, the Audit Committee met five (5) times and the minutes of the Committee meetings were formally tabled to the Board for its attention and action.

Summary of activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31 December 2015 is as follows:

(1) Reviewed with external auditors on the Audit Plan and scope of audit and resolved any issues that arose during the audit.
(2) Private meetings with the external auditors on concerns and issues they had before and after the audit.
(3) Reviewed the unaudited quarterly financial statements of the Group as well as the Annual Report.
(4) Reviewed the Related Party Transactions.
(5) Formulate internal audit framework and identity internal audit risk.
(6) Reviewed reports issued by in-house internal auditor and followed up on implementation of audit recommendations.
(7) Reviewed the internal control requirements of the Group, including any significant concentration of credit risk faced by the Group.
(8) Reviewed the operational efficiency and ratio analysis including the financial ratio.
(9) Assessed the suitability and independence of the external auditors.
(10) Reviewed and approved the Internal Audit Plan for the year.
(11) Assessed the operational risk profile of the Company to identify risk areas of and impacts to the Company and to recommend the remedial action plans.

Meetings and Attendance of Audit Committee

The Members of Audit Committee met five (5) times during the financial year ended 31 December 2015 and the attendance of the members is as follows:

	Directors	Attendance
(1)	Abd Malik Bin A Rahman	5/5
(2)	Au Thin An @ Low Teen Ann	5/5
(3)	Tan Cheng Learn	5/5

Summary of Activities of Internal Audit Function

An Internal Audit Plan approved by the Audit Committee is in place and during the financial year ended 31 December 2015, the internal audit department has conducted audits in various areas and controls put in place to strengthen the Group's operating procedures.

In 2015, the internal auditors have completed the key areas of audit in accordance to the Internal Audit Plan and Risk Management Framework, including the check on proper impairment of trade receivables, periodic review of compliance with latest Bursa Securities reporting requirements, check on purchasing cycle and control, proper tagging of fixed assets and depreciation policies, stock take and valuation, new customer credit controls, related party transactions and risk Management. Please refer to the Statement of Risk Management and Internal Control for more information.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Code requires the Board of listed companies to maintain a sound internal control system to safeguard shareholders' investment and the Group's assets. The Board has taken an active approach to establish a Risk Management Framework to identify various risks facing the Group and drawn up measures to contain and mitigate the risks. The Board is pleased to provide the following statement, which outlines the state of internal control of the Group pursuant to Paragraph 15.26 (b) of the LR of Bursa Securities.

Board Responsibilities

The Board is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risk of failure to achieve business objectives, and to provide only reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process is regularly reviewed by the Board.

The key features of the internal control framework include the following:

(1) Company's policies and procedures are documented and communicated to the staff so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements;

(2) Organisation structure is clearly defined with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated;

(3) The Board meets regularly and is kept updated on the progress and operations of the Group, and any significant changes in both the internal and external business environment, which may result in significant risk;

(4) The financial results are reviewed quarterly by the Audit Committee and the Board, and if necessary with the presence of the external auditors; and

(5) The Executive Directors and Management meet regularly to discuss various operational issues and market changes to decide tactical plan.

Risk Management Framework

The Board is aware of the importance of effective risk management system to get the Company prepared amidst the turbulent business environment. This system should be capable of responding quickly to risk factors arising from factors within the Group as well as external factors. The Group has on-going process for identifying and monitoring of significant risks through continuous review of potential risk areas by regular meetings and discussions. Where a particular risk is identified, the Board will implement precautionary measures to mitigate the risk if possible.

Identify, evaluation, Managing and Review of Risks

A Risk Management Framework was established after detail review and brainstorming between the Board and the Management. A total of 6 major risks are identified as key risks, including Forex Risk, Credit Risk, Default Risk, Fire Risk, Competitive Risk and Information Technology Risk. Various measures to contain and mitigate the identified risks were established.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(cont'd)*

Identify, evaluation, Managing and Review of Risks (continued)

The Board has empowered the Audit Committee to oversee the continual monitoring and implementation of the various measures of containment and mitigation of risks with the assistance of the Internal Audit team. The Internal Auditors have to verify and confirm the measures taken by the management and submit quarterly updates on all development in accordance to the Risk Management Framework. The Board would carry out annual assessment of the adequacy and effectiveness of the Risk Management and internal control by the end of every year and issue directives to amend and improve the Internal Audit Plan as the Board deem necessary.

In 2015, the Board has assessed the adequacy and effectiveness of the risk management and internal control for reasonable assurance that significant risks which impact the Company's strategies and objectives are within levels appropriate to the Company's business. The Board acknowledged that neither risk management nor internal control processes could provide absolute assurance.

The Board has taken steps to highlight the importance of risk management by embedding risk management in the Key Performance Indicators ("KPI") for the Management in the annual assessment and in determining Director's remuneration and incentives. The KPI includes profitability, return on shareholders' fund and gearing level.

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

The external auditors has reviewed the Group's Statement of Internal Control for year 2015 and is satisfied with the scope and content of the statement.

Internal Audit Function

The Group has in place an in-house internal audit team which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the systems of internal control put in place. This function adopts a risk-based approach and independently reviews the risk exposures and control processes on governance, risk management and internal control processes implemented by the Management and reports to the Audit Committee.

The Internal Audit Plan for 2015 covers areas including:

(1) Credit control on both new customers credit as well as customer overdue aging details.
(2) Control on fixed assets register and proper depreciation policies being followed.
(3) Control on purchasing cycle, sales cycle, stock cycle, export procedures, payroll processing and petty cash system.
(4) Control of documentations including safe upkeep and ease of retrievals.
(5) Risk Management covering Forex Risk, Credit Risk, Default Risk, Fire Risk, Competitive Risk and Information Technology Risk, with periodic reports on latest development and management actions to contain the identified risks.
(6) Control and report on Related Parties Transactions.
(7) Follow ups on the implementation of recommendations by the external auditors.

A total of 4 reports were submitted directly to Audit Committee in 2015 to cover various audit areas identified in Annual Audit Plan which was approved by the Audit Committee.

The Board, in striving for continuous improvement, will put in place appropriate action plans, where necessary, to further enhance the Group's system of internal control.

The Internal Audit Reports and Risk Management Reports are made available to the external auditors to provide assistance to the risk-based audit approach. The external auditors have reviewed and are satisfied with the standard of internal control for the FY 2015.

For FY 2015, the estimated cost incurred for our internal audit function was RM30,000.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The Group's corporate social responsibility ("CSR") philosophy covers both the social and the environmental aspects amidst our business strategy for long term sustainable and balanced growth. This is in line with the CSR Framework for Public Listed Companies launched by Bursa Securities.

The Group emphasises CSR on the following key areas:

(i) Environment

Our latex plant produces 100% natural latex foam that is using renewable rubber tree resources as our core materials. We use the environmental friendly Dunlop process that minimises the release of carbon-dioxide gas into the atmosphere. We also practise a system of removing harmful waste discharge by having a waste water treatment plant. Our advanced machinery using Far-infra red moisture extraction technology helps to conserve energy consumption in our drying process.

(ii) Community

The Group acknowledges its social responsibilities to the community. The Group's products are produced or managed to the highest standards in quality control. The Group uses food grade purified water in the washing of its natural latex product and every piece of latex are subject to vigorous tensile test to ensure top quality products are produced.

The Group has from time to time donated mattresses and pillows to charitable organisations.

(iii) Working environment

The Group strives to provide a conducive working environment for both administrative and production workers. Staff are sent for external training to better equip them with relevant skills and knowledge of work. All employees are covered by insurance and their welfare is closely monitored to avoid any violation of Labour law.

The breakdown of employee category of the Group according to gender, age group and ethnicity as at December 2015 was as follows:-

Gender	**Male**		**Female**		**Total**
	186		46		232
Age Group	**<25**	**25-40**	**41-55**	**>55**	**Total**
	48	146	32	6	232
Ethnicity	**Malay**	**Chinese**	**Indian**	**Others**	**Total**
	28	44	7	153	232

Reports and financial statements

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are as disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Financial results

	Group RM'000	Company RM'000
Profit for the year	5,011	11,847

Dividends

No dividends were paid, declared or proposed since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2015.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares and debentures

There were no issue of shares or debentures during the financial year.

Directors

The Directors of the Company who held office since the date of the last report are as follows:

Lee Ah Bah @ Lee Swee Kiat
Tan Kuin Luan (alternate Director to Lee Ah Bah @ Lee Swee Kiat)
Lee Kong Yam
Dato' Lee Kong Sim
Au Thin An @ Low Teen Ann
Tan Cheng Learn
Abd Malik Bin A Rahman

Retirement and re-election of the Directors at the Annual General Meeting will be in accordance with the Company's Articles of Association.

Directors' interests

According to the Register of Directors' shareholdings, particulars of interests of those Directors who held office at the end of the financial year in the shares of the Company during the financial year were as follows:

	Number of ordinary shares of RM0.10 each in the Company			
	At 1.1.2015	Bought	Sold	At 31.12.2015
Shareholdings in which the Directors are deemed to have an interest:				
Lee Ah Bah @ Lee Swee Kiat	78,299,000	-	-	78,299,000
Tan Kuin Luan	78,299,000	-	-	78,299,000
Lee Kong Yam	78,299,000	-	-	78,299,000
Dato' Lee Kong Sim	78,299,000	-	-	78,299,000
Au Thin An @ Low Teen Ann	10,000	-	-	10,000

Lee Ah Bah @ Lee Swee Kiat, Tan Kuin Luan, Lee Kong Yam and Dato' Lee Kong Sim, by virtue of their indirect interests in the shares of the Company, are deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest under Section 6A of the Companies Act 1965.

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

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in the financial statements) by reason of a contract made by the Company or a related company 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 arrangement whose object was 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.

Other statutory information

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

(a) to ascertain that proper 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; and

(b) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount to which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

DIRECTORS' REPORT *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2015

Other statutory information (continued)

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

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

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

(b) Other than as disclosed in Note 31 to the financial statements, no other contingent or other liability of the Group and 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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations when they fall due.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liability of any other person nor has any contingent liability arisen in the Group and in the Company.

Auditors

The auditors, Messrs Nexia SSY, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 April 2016.

Lee Kong Yam
Executive Director

Dato' Lee Kong Sim
Managing Director

Klang

STATEMENT BY DIRECTORS

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

We, Lee Kong Yam and Dato' Lee Kong Sim, being two of the Directors of Lee Swee Kiat Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 34 to 78 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 2015 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 34 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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements* as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 April 2016.

Lee Kong Yam
Executive Director

Dato' Lee Kong Sim
Managing Director

Klang

STATUTORY DECLARATION

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

I, Dato' Lee Kong Sim, being the Director primarily responsible for the financial management of Lee Swee Kiat Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 78 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Dato' Lee Kong Sim
at Puchong in the state of Selangor
on 12 April 2016.

Dato' Lee Kong Sim
Managing Director

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEE SWEE KIAT GROUP BERHAD (COMPANY NO: 607583-T) (INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of Lee Swee Kiat Group Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and the summary of significant accounting policies and other explanatory information, as set out on pages 34 to 78.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 34 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and does not form part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* 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 directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Nexia SSY
AF: 2009
Chartered Accountants

Jason Sia Sze Wan
No. 2376/05/18 (J)
Partner

Subang Jaya
12 April 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**31,759**	32,298	**-**	-
Intangible assets	7	**4,608**	-	**-**	-
Investment in subsidiaries	8	**-**	-	**36,626**	25,670
Deferred tax assets	9	**379**	397	**-**	-
		36,746	32,695	**36,626**	25,670
Current assets					
Inventories	10	**9,916**	8,088	**-**	-
Trade receivables	11	**5,619**	6,802	**-**	-
Other receivables and deposits	12	**1,744**	1,960	**-**	2
Amount due from subsidiaries	13	**-**	-	**295**	-
Tax recoverable		**13**	30	**27**	27
Cash and bank balances	14	**10,048**	13,316	**62**	32
		27,340	30,196	**384**	61
TOTAL ASSETS		**64,086**	62,891	**37,010**	25,731
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	15	**16,782**	16,782	**16,782**	16,782
Capital reserves		**5,410**	5,410	**5,410**	5,410
Retained profits		**14,806**	9,795	**14,778**	2,931
TOTAL EQUITY		**36,998**	31,987	**36,970**	25,123
Non-current liabilities					
Borrowings	16	**9,852**	8,842	**-**	-
Deferred tax liabilities	9	**1,450**	1,713	**-**	-
Other payables	18	**1,170**	-	**-**	-
		12,472	10,555	**-**	-

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

STATEMENTS OF FINANCIAL POSITION (*cont'd*)
AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Current liabilities					
Borrowings	16	**2,308**	7,324	**-**	-
Amount due to subsidiaries	13	**-**	-	**-**	565
Trade payables	17	**7,366**	8,206	**-**	-
Other payables, accruals and deposits received	18	**4,822**	4,618	**40**	43
Derivatives	19	**-**	74	**-**	-
Taxation		**120**	127	**-**	-
		14,616	20,349	**40**	608
TOTAL LIABILITIES		**27,088**	30,904	**40**	608
TOTAL EQUITY AND LIABILITIES		**64,086**	62,891	**37,010**	25,731

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	**2015**	2014
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	20	**72,347**	73,150	**1,120**	-
Cost of sales		**(48,347)**	(50,260)	-	-
Gross profit		**24,000**	22,890	**1,120**	-
Reversal of allowance for diminution in value of investment in subsidiaries		**-**	-	**10,956**	-
Other operating income		**1,729**	990	*****	*
Administrative expenses		**(10,139)**	(9,759)	**(229)**	(220)
Selling and distribution expenses		**(7,847)**	(6,671)	**-**	-
Other operating expenses		**(2,154)**	(1,917)	**-**	-
Profit/(loss) from operations	21	**5,589**	5,533	**11,847**	(220)
Finance costs	24	**(437)**	(743)	**-**	-
Profit/(loss) before taxation		**5,152**	4,790	**11,847**	(220)
Taxation	25	**(141)**	(689)	*****	3
Profit/(loss) for the year		**5,011**	4,101	**11,847**	(217)
Basic earnings per share (sen)	26	**2.99**	2.44		

** Denotes amount below RM1,000*

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital RM'000	Capital reserves RM'000	Retained profits RM'000	Total RM'000
Group				
At 1 January 2015	**16,782**	**5,410**	**9,795**	**31,987**
Profit for the year	**-**	**-**	**5,011**	**5,011**
At 31 December 2015	**16,782**	**5,410**	**14,806**	**36,998**
At 1 January 2014	16,782	5,410	5,694	27,886
Profit for the year	-	-	4,101	4,101
At 31 December 2014	16,782	5,410	9,795	31,987
Company				
At 1 January 2015	**16,782**	**5,410**	**2,931**	**25,123**
Profit for the year	**-**	**-**	**11,847**	**11,847**
At 31 December 2015	**16,782**	**5,410**	**14,778**	**36,970**
At 1 January 2014	16,782	5,410	3,148	25,340
Loss for the year	-	-	(217)	(217)
At 31 December 2014	16,782	5,410	2,931	25,123

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	**5,152**	4,790	**11,847**	(220)
Adjustments for:				
Allowance for doubtful debts	**53**	-	**-**	-
Bad debts written off	**3**	8	**-**	-
Depreciation of property, plant and equipment	**2,848**	2,939	**-**	-
Fair value loss arising from derivatives	**-**	74	**-**	-
Impairment on property, plant and equipment	**-**	299	**-**	-
Interest expenses	**437**	743	**-**	-
Dividend income	**-**	-	**(1,000)**	-
Gain on disposal of investment in subsidiary	**-**	(10)	**-**	-
Gain on disposal of property, plant and equipment	**(41)**	(61)	**-**	-
Interest income	**(11)**	(41)	*****	*
Reversal of allowance for diminution in value of investment in subsidiaries	**-**	-	**(10,956)**	-
Unrealised foreign exchange loss/(gain)	**387**	(368)	**-**	-
Operating profit/(loss) before working capital changes	**8,828**	8,373	**(109)**	(220)
Increase in inventories	**(1,828)**	(320)	**-**	-
Decrease/(increase) in receivables	**1,278**	(2,515)	**2**	(2)
(Increase)/(decrease) in amount due from/(to) subsidiaries	**-**	-	**(860)**	(11)
(Decrease)/increase in payables	**(1,324)**	1,679	**(3)**	(5)
Cash generated from/(used in) operations	**6,954**	7,217	**(970)**	(238)
Income tax paid	**(409)**	(91)	**-**	-
Income tax refunded	**33**	2	**-**	-
Net cash generated from/(used in) operating activities	**6,578**	7,128	**(970)**	(238)

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

STATEMENTS OF CASH FLOWS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from investing activities				
Dividends received	**-**	-	**1,000**	-
Interest received	**11**	41	*****	*
Proceeds from disposal of investment in subsidiary	**-**	10	**-**	-
Proceeds from disposal of property, plant and equipment	**116**	62	**-**	-
Acquisitions of trademarks	**(3,146)**	-	**-**	-
Purchase of property, plant and equipment (Note 29)	**(2,119)**	(1,068)	**-**	-
Net cash (used in)/generated from investing activities	**(5,138)**	(955)	**1,000**	*
Cash flows from financing activities				
Net (repayment)/drawdown of banker's acceptances	**(5,401)**	803	**-**	-
Repayment of finance lease liabilities	**(224)**	(179)	**-**	-
Repayment of term loans	**(1,646)**	(1,274)	**-**	-
Drawdown of term loans	**3,000**	3,000	**-**	-
Interest paid	**(437)**	(743)	**-**	-
Net cash (used in)/generated from financing activities	**(4,708)**	1,607	**-**	-
Net (decrease)/increase in cash and cash equivalents	**(3,268)**	7,780	**30**	(238)
Cash and cash equivalents at beginning of the year	**13,316**	5,536	**32**	270
Cash and cash equivalents at end of the year	**10,048**	13,316	**62**	32
Cash and cash equivalents comprise:				
Cash and bank balances (Note 14)	**10,048**	13,316	**62**	32

** Denotes amount below RM1,000*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company are located at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as disclosed in Note 8. There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 232 (2014: 237) and 2 (2014: 2) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 12 April 2016.

2. Basis of preparation of the financial statements

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia and rounded to the nearest thousand (RM’000) unless stated otherwise.

3. Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the statement of financial position date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra group balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(b) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the profit or loss as incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an indefinite useful life and therefore is not depreciated.

Depreciation on capital work-in-progress commences when the assets are ready for intended use.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

Freehold buildings	2%
Plant and machinery	10%
Furniture, fittings, factory and office equipment	10% - 50%
Motor vehicles	20%

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

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss in the year the property, plant and equipment is derecognised, and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

3. Significant accounting policies (continued)

(c) Intangible asset

Trademarks

The cost of trademarks acquired represents its fair value as at the date of acquisition. Following initial recognition, trademarks are carried at cost less any accumulated impairment losses. Trademarks, which are considered to have indefinite useful lives, are not amortised but tested for impairment, annually or more frequently when indicators of impairment are identified. The useful lives of trademarks are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(d) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(e) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress include cost of raw material, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(f) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the financial year end.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Payables

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

3. Significant accounting policies (continued)

(i) Provision for liabilities

Provision for liabilities is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that on outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(k) Leases

i Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

ii Finance lease

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payment, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

3. Significant accounting policies (continued)

(k) Leases (continued)

ii Finance lease (continued)

Lease payments are apportioned between the finance cost and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with the depreciation for property, plant and equipment as described in Note 3(b).

iii Operating leases

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

In the case of lease of land and buildings, the minimum lease payments or up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings elements of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

(l) Equity instruments

Ordinary shares are classified as equity instruments. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(m) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided for, using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that 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 difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

3. Significant accounting policies (continued)

(m) Income tax (continued)

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow

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 financial year end.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

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

(n) Employee benefits

i Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or construction obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceeding financial years.

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss in the period as incurred.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

i Sale of goods

Revenue relating to sale of goods is recognised when the goods are delivered and accepted by customers.

3. Significant accounting policies (continued)

(o) Revenue recognition (continued)

ii Management fees

Management fee is recognised as and when the services are performed.

iii Interest income

Interest income is recognised on an accrual basis (taking into account the effective yield on the asset) unless its collectability is in doubt.

iv Dividend income

Dividend income represents dividend received from unquoted investments.

(p) Foreign currencies

i Functional and presentation currency

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

ii Foreign currency transactions

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each financial year end, monetary items denominated in foreign currencies are translated at the rates prevailing on the financial year end. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statement of comprehensive income for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

3. Significant accounting policies (continued)

(p) Foreign currencies (continued)

ii Foreign currency transactions (continued)

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

The principal closing rates used in translation of foreign currency amounts are as follows:

	2015 RM	2014 RM
1 United States Dollar (USD)	**4.30**	3.50
1 Australian Dollar (AUD)	**3.14**	2.86
1 Euro (EUR)	**4.68**	4.24
1 Singapore Dollar (SGD)	**3.04**	2.64
1 Chinese Yuan (CNY)	**0.66**	0.56

(q) Impairment of assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

3. Significant accounting policies (continued)

(q) Impairment of assets (continued)

An impairment loss is recognised in profit or loss in the period in which it arises, except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(r) Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instruments classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are recognised in the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'. Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

i Financial assets at 'fair value through profit or loss'

Financial assets are classified as financial assets at 'fair value through profit or loss' when the financial assets are either 'held for trading', or upon initial recognition, financial assets are designated as financial assets at 'fair value through profit or loss'.

3. Significant accounting policies (continued)

(r) Financial instruments (continued)

Financial assets (continued)

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

A financial asset is classified as 'held for trading' if:

- it is acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as an effective hedging instrument.

Financial assets (other than 'held for trading') are designated as financial assets at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as financial assets at 'fair value through profit or loss'.

After initial recognition, financial assets at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

ii 'Held-to-maturity' investments

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity and that the Group has the positive intention and ability to hold the investments to maturity.

After initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

iii Loans and receivables

Loans and receivables are non-derivative financial assets (such as trade receivables, loans assets, unquoted debt instruments and deposits held in banks) with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when loans and receivables are derecognised or impaired.

3. Significant accounting policies (continued)

(r) Financial instruments (continued)

Financial assets (continued)

iv ‘Available-for-sale’ financial assets

Financial assets are classified as ‘available-for-sale’ financial assets when the financial assets are either designated as such upon initial recognition or are not classified in any of the three preceeding categories.

Investment in quoted equity and debt instruments that are traded in active market and certain unquoted equity instruments (when the fair value can be determined using a valuation technique) are classified as ‘available-for-sale’ financial assets. ‘Available-for-sale’ financial assets are measured at fair value.

Gains or losses on ‘available-for-sale’ financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses, until the ‘available-for-sale’ financial assets are derecognised.

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 calculated using the effective interest method is recognised in profit or loss. Dividends on ‘available-for-sale’ equity instruments are recognised in profit or loss when the Group’s right to receive payment is established.

v Investment in unquoted equity instruments carried at cost

Investment in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such an unquoted equity instruments, are measured at cost less any accumulated impairment losses.

vi Reclassifications of financial assets

The Group does not reclassify derivative out of the ‘fair value through profit or loss’ category while they are held or in issue. Equally, the Group does not reclassify other financial assets out of the ‘fair value through profit or loss’ category if upon initial recognition, those financial assets were designated as at ‘fair value through profit or loss’. Other financial assets are not reclassified into the ‘fair value through profit or loss’ category after initial recognition under another category.

When it is no longer appropriate to classify an investment as ‘held-to-maturity’ as a result of a change in intention and ability, the investment is reclassified as held for sale and re-measured at fair value. Any difference between the carrying amount and fair value of the investment is recognised in other comprehensive income.

vii Impairment of financial assets

At the end of each financial year, the Group assesses whether there is any objective evidence that financial assets held, other than financial assets at ‘fair value through profit or loss’, are impaired.

Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets which have an impact on the estimated future cash flows of the financial assets that can be reliably measured.

3. Significant accounting policies (continued)

(r) Financial instruments (continued)

Financial assets (continued)

vii Impairment of financial assets (continued)

For investment in equity instruments classified as 'available-for-sale' financial assets, objective evidence that the financial assets are impaired include the disappearance of an active trading market, significant financial difficulties, and a significant and/or prolonged decline of the market price below the cost.

For other financial assets, objective evidence could include:

- significant financial difficulties of the issuer; or
- default or significant delay in payments and delinquency in interest or principal payments; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

Impairment losses, in respect of 'held-to-maturity' investments carried at amortised cost are measured as the differences between the assets' carrying amounts and the present values of their estimated future cash flows discounted at the 'held-to-maturity' investments' original effective interest rate.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade and other receivables, and staff loan receivables which are reduced through the use of an allowance account, and when these becomes uncollectible. Any impairment loss is recognised in profit or loss immediately.

If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

If there is objective evidence that impairment losses have been incurred on financial assets carried at cost, the amount of any impairment loss is measured as the differences between the carrying amounts of the financial assets and the present value of their estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment losses are not reversed.

For 'available-for-sale' financial assets, if a decline in fair value has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative losses that have been recognised are reclassified to profit or loss.

3. Significant accounting policies (continued)

(r) Financial instruments (continued)

Financial assets (continued)

vii Impairment of financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as 'available-for-sale' financial assets are not reversed through profit or loss. If the fair value of a debt instrument classified as an 'available-for-sale' financial asset subsequently increases, and the increase can be objectively related to an event occurring after the impairment losses were recognised in profit or loss, the impairment losses are reversed and recognised in profit or loss.

viii Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group transfers the financial assets and the transfer qualifies for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not financial liabilities at 'fair value through profit or loss'. After initial recognition, financial liabilities are either classified as financial liabilities at 'fair value through profit or loss' or amortised cost using the effective interest method.

i Financial liabilities at 'fair value through profit or loss'

Financial liabilities are classified as financial liabilities at 'fair value through profit or loss' when the financial liabilities are either 'held for trading' or upon initial recognition, the financial liabilities are designated as financial liabilities at 'fair value through profit or loss'.

A financial liability is classified as 'held for trading' if:

- it is incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as an effective hedging instrument.

Financial liabilities (other than 'held for trading') are designated as financial liabilities at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3. Significant accounting policies (continued)

(r) Financial instruments (continued)

Financial liabilities (continued)

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

- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as financial liabilities at 'fair value through profit or loss'.

After initial recognition, financial liabilities at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial liabilities at 'fair value through profit or loss are recognised in profit or loss.

ii Financial liabilities at amortised cost using the effective interest method

Effective interest method is a method of calculating the amortised cost of financial liabilities and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities or a shorter period to the net carrying amount of the financial liabilities.

After initial recognition, financial liabilities other than financial liabilities at 'fair value through profit or loss' are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

iii Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

(s) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segments results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and measurement basis of segment information.

(t) Related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations

During the financial year, the Group has adopted the following new and revised Malaysian Financial Reporting Standards and amendments to certain standards (collectively referred to as 'MFRSs'), issued by the Malaysian Accounting Standards Board ('MASB') which are effective for the financial year of the Group beginning on 1 January 2015:

MFRSs that have been issued and effective which do not have any significant impact on these financial statements

The following revised MFRSs issued by the MASB, effective for financial periods beginning on or after 1 July 2014, have been adopted, but the adoptions do not have any or significant impact to the financial statements:

Amendment to MFRS 2:	Share-based Payment
Amendment to MFRS 3:	Business Combinations
Amendment to MFRS 8:	Operating Segments
Amendment to MFRS 13:	Fair Value Measurement
Amendment to MFRS 116:	Property, Plant and Equipment
Amendment to MFRS 119:	Employee Benefits
Amendment to MFRS 124:	Related Party Disclosures
Amendment to MFRS 138:	Intangible Assets
Amendment to MFRS 140:	Investment Property

The following new and revised MFRSs issued by MASB, effective for financial periods beginning on or after 1 January 2016, have not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

MFRS 14:	Regulatory Deferral Accounts
Amendments to MFRS 5:	Non-current Assets Held for Sale and Discontinued Operations
Amendments to MFRS 7:	Financial Instruments: Disclosures
Amendments to MFRS 10:	Consolidated Financial Statements
Amendments to MFRS 11:	Joint Arrangements
Amendments to MFRS 12:	Disclosure of Interests in Other Entities
Amendments to MFRS 101:	Presentation of Financial Statements
Amendments to MFRS 116:	Property, Plant and Equipment
Amendments to MFRS 119:	Employee Benefits
Amendments to MFRS 127:	Separate Financial Statements
Amendments to MFRS 128:	Investment in Associates and Joint Ventures
Amendments to MFRS 134:	Interim Financial Reporting
Amendments to MFRS 138:	Intangible Assets
Amendments to MFRS 141:	Agriculture

4. Adoption of new and revised Malaysian Financial Reporting Standards and interpretations (continued)

MFRSs that have been issued and effective which do not have any significant impact on these financial statements (continued)

The following new and revised MFRSs issued by MASB, effective for financial periods beginning on or after 1 January 2018, have not been adopted, and the adoptions are not expected to have any or significant impact to the financial statements:

MFRS 15:	Revenue from Contracts with Customers
Amendments to MFRS 9:	Financial Instruments

MFRS 9 requires all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of MFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at 'fair value through profit or loss') attributable to changes in the credit risk of that liability. Specifically, under MFRS 9, for financial liabilities that are designated as at 'fair value through profit or loss', the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

5. Significant accounting estimates

Key Sources of Estimation Uncertainty

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

(a) Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight line method. The estimated useful lives applied by the Group as disclosed in Note 3(b) reflect the Directors' estimates of the periods that the Group expects to derive future economic benefits from the use of the Group's property, plant and equipment.

(b) Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Significant accounting estimates (continued)

Key Sources of Estimation Uncertainty (continued)

(c) Deferred tax assets

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

(d) Impairment of investments

The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy. The recoverable amounts of these investments have been determined based on their fair value less costs to sell. The fair value less costs to sell was arrived at by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition existing at each statement of financial position date.

There could be further adjustments to the carrying value of the investments should the going concern basis be inappropriate.

(e) Impairment of intangible assets

Trademarks and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which trademarks are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(f) Impairment of property, plant and equipment

The Company carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit (CGU) to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6. Property, plant and equipment

Group	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, factory and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount							
At 1 January 2015	6,526	17,404	5,117	1,613	838	800	32,298
Additions	-	-	-	578	300	1,506	2,384
Reclassification	-	-	-	300	-	(300)	-
Disposals	-	-	(30)	(45)	-	-	(75)
Depreciation charge	-	(377)	(1,142)	(1,003)	(326)	-	(2,848)
At 31 December 2015	6,526	17,027	3,945	1,443	812	2,006	31,759
At 31 December 2015							
Cost	6,526	19,246	15,685	5,198	2,583	2,006	51,244
Accumulated depreciation	-	(2,219)	(11,740)	(3,755)	(1,771)	-	(19,485)
Carrying amount	6,526	17,027	3,945	1,443	812	2,006	31,759
At 31 December 2014							
Cost	6,526	19,246	16,081	4,490	2,283	800	49,426
Accumulated depreciation	-	(1,842)	(10,964)	(2,877)	(1,445)	-	(17,128)
Carrying amount	6,526	17,404	5,117	1,613	838	800	32,298
Depreciation - 2014	-	385	1,241	1,036	277	-	2,939

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2015

6. Property, plant and equipment (continued)

(a) Capital work-in-progress consist of the following:

	Group	
	2015	2014
	RM'000	RM'000
Plant and machinery	**2,006**	500
Furniture, fittings, factory and office equipment	**-**	300
	2,006	800

(b) The freehold land and buildings of the Group are pledged to licensed banks for banking facilities granted to a subsidiary as disclosed in Note 16.

(c) Carrying amount of motor vehicles held under finance lease arrangements is RM779,863 (2014: RM821,400).

7. Intangible assets

On 3 March 2015, the Group entered into an asset sale and purchase agreement with Englander Sleep Products, L.L.C ("ESP") for the acquisition of ESP's rights to certain intellectual property, including the trademarks, trade names, service marks, domain names, registrations and pending applications together with the goodwill symbolised for a cash consideration of USD1,250,000 (equivalent to RM4,570,000).

As per terms of the said agreement, all the rights attaching to the brand have been assigned to the Group and the registration of the legal titles are in progress. The balance consideration of USD400,000 (RM1,462,400) are payable in 5 equal instalments of USD80,000 (RM292,480) per annual instalment.

8. Investment in subsidiaries

	Company	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost	**69,000**	69,000
Less: Impairment losses	**(32,374)**	(43,330)
	36,626	25,670

8. Investment in subsidiaries (continued)

Name of company	Equity interest held 2015	2014	Principal activities
Lee Swee Kiat Holdings Sdn. Bhd.	**100%**	100%	Investment holding and management.
Subsidiaries of Lee Swee Kiat Holdings Sdn. Bhd.			
LSK Napure Latex Sdn. Bhd.	**100%**	100%	Manufacturing of natural latex foam and bedding accessories.
LSK Mattressworld Sdn. Bhd.	**100%**	100%	Manufacturing, branding, marketing and distribution of mattresses and bedding accessories.
LSK Lamifoam Sdn. Bhd.	**100%**	100%	Manufacturing, marketing and distribution of laminated foam and polyurethane foam.
Mattressworld Marketing (M) Sdn. Bhd.	**100%**	100%	Marketing and distribution of mattresses and related products. Temporarily ceased operation since October 2014.

All of the above subsidiaries were incorporated in Malaysia and audited by Nexia SSY, a member of Nexia International.

9. Deferred tax (assets)/liabilities

	Group 2015 RM'000	2014 RM'000
At beginning of the year	**1,316**	815
Recognised in the statement of comprehensive income (Note 25)	**(245)**	501
At end of the year	**1,071**	1,316
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(379)**	(397)
Deferred tax liabilities	**1,450**	1,713
	1,071	1,316

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

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

	Group	
	Unabsorbed tax losses	
	2015	2014
	RM'000	RM'000
Deferred tax assets		
At beginning of the year	**(397)**	(578)
Recognised in the statement of comprehensive income	**18**	181
At end of the year	**(379)**	(397)

	Capital allowances	
	2015	2014
	RM'000	RM'000
Deferred tax liabilities		
At beginning of the year	**1,713**	1,393
Recognised in the statement of comprehensive income	**(263)**	320
At end of the year	**1,450**	1,713

10. Inventories

	Group	
	2015	2014
	RM'000	RM'000
Raw materials	**3,424**	3,285
Work-in-progress	**106**	85
Finished goods	**6,386**	4,718
	9,916	8,088

11. Trade receivables

	Group 2015 RM'000	2014 RM'000
Trade receivables	**4,737**	6,158
Less: Allowance for doubtful debts	**(53)**	-
	4,684	6,158
Advance billings	**507**	-
Trade deposits	**428**	644
	5,619	6,802

The normal trade credit terms granted to customers ranged from 30 to 90 days (2014: 30 to 90 days).

The aging analysis of the trade receivables is as follows:

	Group 2015 RM'000	2014 RM'000
Neither past due nor impaired	**4,584**	5,825
1 to 30 days past due, not impaired	**70**	226
31 to 60 days past due, not impaired	**4**	30
61 to 90 days past due, not impaired	**9**	54
91 to 120 days past due, not impaired	**4**	-
More than 120 days past due, not impaired	**13**	23
	100	333
Past due and impaired	**53**	-
	4,737	6,158

The balance of receivables that is past due but not impaired is unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

The currency exposure profile of trade receivables of the Group is as follows:

	Group 2015 RM'000	2014 RM'000
RM	**2,734**	3,256
USD	**1,140**	2,371
EUR	**454**	315
AUD	**256**	139
SGD	**153**	77
	4,737	6,158

Trade deposits denominated in USD and EUR amount to RM383,116 and RMNil (2014: RM642,175 and RM1,873) respectively.

The above foreign financial assets are exposed to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2015

12. Other receivables and deposits

	Group		Company	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Deposits	**1,024**	987	**-**	-
Deposits for acquisition of property, plant and machinery	**356**	684	**-**	-
Other receivables and prepayments	**364**	79	**-**	2
Amount due from related party	**-**	210	**-**	-
	1,744	1,960	**-**	2

13. Amount due from/(to) subsidiaries

Amount due from/(to) subsidiaries represents non-trade advances and is unsecured, interest free and repayable on demand.

	Company	
	2015	2014
	RM'000	RM'000
Lee Swee Kiat Holdings Sdn. Bhd.	**295**	(565)

14. Cash and bank balances

	Group		Company	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Cash in hand	**16**	91	**-**	-
Cash in hand (CNY)	**-**	*	**-**	-
Cash at bank (USD)	**4,535**	7,963	-	-
Cash at bank	**5,497**	5,262	**62**	32
Cash and bank balances	**10,048**	13,316	**62**	32

** Denotes amount below RM1,000*

15. Share capital

	Group and Company			
	2015 Unit'000	2014 Unit'000	**2015 RM'000**	2014 RM'000
Authorised ordinary shares of RM0.10 each				
At beginning/end of the year	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid ordinary shares of RM0.10 each				
At beginning/end of the year	**167,816**	167,816	**16,782**	16,782

16. Borrowings

	Group	
	2015 RM'000	2014 RM'000
Current		
Banker's acceptances (secured)	**-**	2,342
Finance lease liabilities	**187**	202
Foreign currency trade loan (secured) - USD	**304**	3,363
Term loans (secured)	**1,817**	1,417
	2,308	7,324
Non-current		
Finance lease liabilities	**640**	584
Term loans (secured)	**9,212**	8,258
	9,852	8,842
Total borrowings		
Banker's acceptances (secured)	**-**	2,342
Finance lease liabilities	**827**	786
Foreign currency trade loan (secured) - USD	**304**	3,363
Term loans (secured)	**11,029**	9,675
	12,160	16,166

16. Borrowings (continued)

Interest rates during the financial year are as follows:

	Group 2015 Per annum	2014 Per annum
Bank overdrafts, banker's acceptances and foreign currency trade loan	**1.75% - 8.35%**	1.75% - 8.35%
Finance lease liabilities	**2.33% - 3.34%**	2.33% - 3.20%
Term loans	**4.85% - 6.85%**	4.85% - 8.35%

The bank overdrafts, banker's acceptances and term loans are secured by the following:
(a) freehold land and buildings of a subsidiary as disclosed in Note 6; and
(b) corporate guarantee by the Company.

	Group 2015 RM'000	2014 RM'000
Repayment terms		
Term loans		
- not later than 1 year	**1,817**	1,417
- later than 1 year and not later than 2 years	**1,882**	1,438
- later than 2 years and not later than 5 years	**5,288**	4,658
- later than 5 years	**2,042**	2,162
	11,029	9,675
Repayment terms		
Finance lease liabilities		
- not later than 1 year	**218**	232
- later than 1 year and not later than 2 years	**192**	167
- later than 2 years and not later than 5 years	**471**	409
- later than 5 years	**86**	106
	967	914
Future finance charges on finance lease	**(140)**	(128)
Present value of finance lease liabilities	**827**	786
Present value of finance lease liabilities		
- not later than 1 year	**187**	202
- later than 1 year and not later than 2 years	**164**	144
- later than 2 years and not later than 5 years	**402**	350
- later than 5 years	**74**	90
	827	786

17. Trade payables

	Group 2015 RM'000	2014 RM'000
Trade payables	**5,133**	5,942
Trade deposits received	**1,726**	2,264
Unearned revenue	**507**	-
	7,366	8,206

The normal trade credit terms granted to the Group ranged from 30 to 90 days (2014: 30 to 90 days).

Unearned revenue represent invoices issued to customers of which goods sold have not been delivered and have been included under trade receivables as advance billings.

The currency exposure profile of trade payables of the Group is as follows:

	Group 2015 RM'000	2014 RM'000
RM	**4,536**	5,148
USD	**2,763**	3,058
EUR	**64**	-
SGD	**3**	-
	7,366	8,206

The above foreign financial liabilities are exposed to foreign currency risk.

18. Other payables, accruals and deposits received

	Group		Company	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Amount due to Directors	**7**	6	**7**	6
Sundry payables	**5,503**	4,003	**14**	18
Accruals	**81**	178	**19**	19
Other payables for construction of factory	**401**	431	**-**	-
	5,992	4,618	**40**	43

Amount due to Directors is unsecured, interest free and repayable on demand.

Included in the Sundry Payables are the balance consideration for the purchase of trademarks totalling USD400,000 (RM1,462,400) as disclosed in Note 7.

19. Derivatives

	Group			
	2015 RM'000			2014 RM'000
	Contract/ notional amount	Fair value	Loss	Contract/ notional amount
Non-hedging derivatives:				
Current				
Forward currency contracts	-	-	-	1,676

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

20. Revenue

Revenue consists of the followings:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Dividend income	-	-	1,000	-
Management fee	-	-	120	-
Sale of goods	72,347	73,150	-	-
	72,347	73,150	1,120	-

21. Profit/(loss) from operations

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(loss) from operations is arrived at after charging:				
Staff costs (Note 22)	8,296	7,705	74	74
Auditors' remuneration				
- statutory audit				
- current year	60	61	15	15
- underprovision in prior year	-	3	-	3
- other services	3	3	3	3
Allowance for doubtful debts	53	-	-	-
Bad debts written off	3	8	-	-
Depreciation of property, plant and equipment	2,848	2,939	-	-

21. Profit/(loss) from operations (continued)

	Group		Company	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Profit/(loss) from operations is arrived at after charging:				
Fair value loss arising from derivatives (Note 19)	**-**	74	**-**	-
Net foreign exchange loss				
- realised **-**	27	**-**	-	
- unrealised	**387**	-	**-**	-
Impairment on property, plant and equipment	**-**	299	**-**	-
Rental of premises	**2,827**	2,665	**-**	-
and crediting:				
Gain on disposal of investment in subsidiary	**-**	10	**-**	-
Gain on disposal of property, plant and equipment	**41**	61	**-**	-
Interest income	**11**	41	*****	*
Net foreign exchange gain				
- realised	**1,628**	110	**-**	-
- unrealised	**-**	368	**-**	-
Reversal of allowance for diminution in value of investment in subsidiaries	**-**	-	**10,956**	-

* Denotes amount below RM1,000

22. Staff costs

	Group		Company	
	2015	2014	**2015**	2014
	RM'000	RM'000	**RM'000**	RM'000
Salaries, wages and remuneration	**7,452**	6,887	**74**	74
Social security costs	**38**	36	**-**	-
Employees Provident Fund	**453**	389	-	-
Others staff related expenses	**353**	393	-	-
	8,296	7,705	**74**	74

NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

FOR THE YEAR ENDED 31 DECEMBER 2015

22. Staff costs (continued)

The remuneration of Executive Directors and other members of key management during the year are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Short-term employee benefits	**1,167**	1,084	**-**	-
Post-employment benefits:				
Defined contribution plan	**214**	148	**-**	-
	1,381	1,232	**-**	-
Included in the total key management personnel is:				
Executive Directors' remuneration	**1,381**	1,232	**-**	-

Details of Directors' remuneration of the Group and the Company are further analysed in Note 23.

23. Directors' remuneration

	Group		Company	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**1,381**	1,232	-	-
Non-executive:				
Fees	**708**	672	**74**	74
Grand total	**2,089**	1,904	**74**	74

The number of Directors of the Company whose total remuneration during the year fall within the following band is analysed below:

	Number of Directors	
	2015	2014
Executive Directors:		
RM950,001 – RM1,000,000	**1**	-
RM800,001 – RM850,000	-	1
RM400,001 – RM450,000	**1**	-
RM350,001 – RM400,000	**-**	1
	2	2
Non-executive Directors:		
RM300,001 – RM350,000	**2**	1
RM250,001 – RM300,000	**-**	1
Below RM50,000	**3**	3
	7	7

24. Finance costs

	Group 2015 RM'000	Group 2014 RM'000
Interest expenses on borrowings:		
- bank overdrafts	**1**	7
- banker's acceptances	**-**	168
- finance leases	**34**	25
- foreign currency loan	**25**	6
- term loans	**377**	537
	437	743

25. Taxation

	Group		Company	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Malaysian income tax				
Current year	**385**	188	**-**	-
Under/(over)provision in prior years	**1**	*	*****	(3)
	386	188	*****	(3)
Deferred tax (Note 9)	**(245)**	501	**-**	-
	141	689	*****	(3)

The reconciliations of income tax expense applicable to the results of the Group and of the Company 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	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Profit/(loss) before taxation	**5,152**	4,790	**11,847**	(220)
Taxation at Malaysian statutory tax rate of 25%	**1,288**	1,197	**2,962**	(55)
Tax effects of:				
- expenses not deductible for tax purposes	**251**	165	**27**	55
- income not subject to tax	**(2)**	(8)	**(2,989)**	*
- utilisation of previously unrecognised tax losses	**(24)**	(4)	**-**	-
- Double tax deductions	**(365)**	(250)	**-**	-
- utilisation of previously unrecognised reinvestment allowances	**(946)**	(411)	**-**	-
Under/(over)provision of income tax in prior years	**1**	*	*****	(3)
Overprovision of deferred tax in prior years	**(62)**	-	**-**	-
	141	689	*****	(3)

** Denotes amount below RM1,000*

25. Taxation (continued)

Subject to agreement with the Inland Revenue Board, the Group has unabsorbed tax losses and unutilised reinvestment allowances amounting to approximately RM1,509,480 (2014: RM1,936,490) and RM15,192,470 (2014: RM13,549,570) respectively for set off against future chargeable income.

26. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2015 RM'000	2014 RM'000
Profit for the year	**5,011**	4,101
Weighted average number of ordinary shares in issue	**167,816**	167,816
Basic earnings per share (sen)	**2.99**	2.44

27. Financial risk management policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Sensitivity analysis

The Group's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate (BLR) were to increase/decrease by 0.5%, it would impact the Group's profit by approximately RM56,600 (2014: RM76,900).

27. Financial risk management policies (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

(c) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Australian Dollars (AUD), Euro (EUR), Singapore Dollars (SGD) and United States Dollars (USD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

As at the end of the financial year, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Maturity within 1 year RM'000	Total notional amount RM'000
At 31 December 2015 Forwards used to hedge anticipated sales	**USD**	**-**	**-**
At 31 December 2014 Forwards used to hedge anticipated sales	USD	1,676	1,676

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonable possible change in the exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group Net receivables		Group Impact on profit after tax	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
USD/RM - strengthened 3%	**779**	4,554	**23**	137
EUR/RM - strengthened 3%	**673**	317	**20**	10
AUD/RM - strengthened 3%	**256**	139	**8**	4
SGD/RM - strengthened 3%	**143**	77	**4**	2

An equivalent weakening of the foreign currency as shown above would have resulted in an equivalent, but opposite impact.

27. Financial risk management policies (continued)

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	Group	
	2015 RM'000	2014 RM'000
Total borrowings (Note 16)	**12,160**	16,166
Total equity	**36,998**	31,987
Gearing ratio	**32.9%**	50.5%

28. Segment reporting

Primary segment reporting – business

The Group is organised into three major business segments as follows:

Business segments	**Business activities**
Investment holding	Investment holding.
Foam and mattress related products	Manufacturing, trading and distribution of mattresses, bedding accessories, laminated foam, polyurethane foam, natural latex foam and other related products.
Media	Media advertising.

28. Segment reporting (continued)

Primary segment reporting – business (continued)

2015	Investment holding RM'000	Foam and mattress related products RM'000	Media RM'000	Elimination RM'000	Consolidation RM'000
Revenue					
External revenue	-	72,347	-	-	72,347
Intersegment revenue	4,300	6,206	-	(10,506)	-
Total revenue	4,300	78,553	-	(10,506)	72,347
Results					
Segment results	12,861	5,673	-	(12,956)	5,578
Interest income	1	10	-	-	11
Profit from operations	12,862	5,683	-	(12,956)	5,589
Interest expenses	-	(437)	-	-	(437)
Profit from ordinary activities before taxation	12,862	5,246	-	(12,956)	5,152
Taxation	*	(141)	-	-	(141)
Profit for the financial year	12,862	5,105	-	(12,956)	5,011
Other information					
Segment assets	50,783	69,577	-	(56,666)	63,694
Tax recoverable	32	8	-	(27)	13
Deferred taxation	-	379	-	-	379
Consolidated assets	50,815	69,964	-	(56,693)	64,086
Segment liabilities	3,584	33,375	-	(11,321)	25,638
Deferred taxation	-	1,450	-	-	1,450
Consolidated liabilities	3,584	34,825	-	(11,321)	27,088
Capital expenditure on					
- property, plant and equipment	-	2,384	-	-	2,384
- intangibles	-	4,608	-	-	4,608
Depreciation	-	2,848	-	-	2,848

** Denotes amount below RM1,000*

28. Segment reporting (continued)

Primary segment reporting – business (continued)

2014	Investment holding RM'000	Foam and mattress related products RM'000	Media RM'000	Elimination RM'000	Consolidation RM'000
Revenue					
External revenue	-	73,150	-	-	73,150
Intersegment revenue	1,865	17,432	546	(19,843)	-
Total revenue	1,865	90,582	546	(19,843)	73,150
Results					
Segment results	(450)	5,707	241	(6)	5,492
Interest income	1	38	2	-	41
(Loss)/profit from operations	(449)	5,745	243	(6)	5,533
Interest expenses	-	(743)	-	-	(743)
(Loss)/profit from ordinary activities before taxation	(449)	5,002	243	(6)	4,790
Taxation	3	(689)	-	(3)	(689)
(Loss)/profit for the financial year	(446)	4,313	243	(9)	4,101
Other information					
Segment assets	37,860	64,496	-	(39,892)	62,464
Tax recoverable	32	25	-	(27)	30
Deferred taxation	-	397	-	-	397
Consolidated assets	37,892	64,918	-	(39,919)	62,891
Segment liabilities	2,523	32,170	-	(5,502)	29,191
Deferred taxation	-	1,713	-	-	1,713
Consolidated liabilities	2,523	33,883	-	(5,502)	30,904
Capital expenditure on property, plant and equipment	-	1,383	-	-	1,383
Depreciation	-	2,937	2	-	2,939
Impairment on property, plant and equipment	-	299	-	-	299

28. Segment reporting (continued)

Information about major customer

There are no individual customers whose transactions arising from sales in the foam and mattress related product segment representing more than 10% of the Group's revenue (2014: one customer representing RM11,526,793).

29. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM2,384,310 (2014: RM1,382,335) which were satisfied as follows:

	Group	
	2015 RM'000	2014 RM'000
Cash payments	**2,119**	1,068
Finance lease	**265**	315
	2,384	1,383

30. Operating lease commitments

	Group	
	2015 RM'000	2014 RM'000
Rental of premises		
Not later than 1 year	**2,067**	2,454
Later than 1 year and not later than 5 years	**1,271**	1,110
	3,338	3,564

31. Contingent liabilities

	Group	
	2015 RM'000	2014 RM'000
Unsecured		
Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries	**11,333**	15,380

32. Categories of financial instruments

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

(i) Loans and receivables ["L&R"]
(ii) Other financial liabilities ["OFL"]

	Carrying amount RM'000	L&R RM'000	OFL RM'000
Group			
2015			
Financial assets			
Trade receivables	5,619	5,619	-
Other receivables and deposits	1,744	1,744	-
Cash and bank balances	10,048	10,048	-
At 31 December 2015	17,411	17,411	-
Financial liabilities			
Trade payables	7,366	-	7,366
Other payables, accruals and deposits received	5,992	-	5,992
Bank borrowings	12,160	-	12,160
At 31 December 2015	25,518	-	25,518
Company			
2015			
Financial assets			
Amount due from subsidiaries	295	295	-
Cash and bank balances	62	62	-
At 31 December 2015	357	357	-
Financial liabilities			
Other payables, accruals and deposits received	40	-	40
At 31 December 2015	40	-	40

32. Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	OFL RM'000
Group			
2014			
Financial assets			
Trade receivables	6,802	6,802	-
Other receivables and deposits	1,960	1,960	-
Cash and bank balances	13,316	13,316	-
At 31 December 2014	22,078	22,078	-
Financial liabilities			
Trade payables	8,206	-	8,206
Other payables, accruals and deposits received	4,618	-	4,618
Bank borrowings	16,166	-	16,166
At 31 December 2014	28,990	-	28,990
Company			
2014			
Financial assets			
Other receivables and deposits	2	2	-
Cash and bank balances	32	32	-
At 31 December 2014	34	34	-
Financial liabilities			
Other payables, accruals and deposits received	43	-	43
Amount due to subsidiaries	565	-	565
At 31 December 2014	608	-	608

33. Fair values of the financial instruments

The fair values of the financial instruments of the Group and of the Company as at 31 December 2015 are not materially different from their carrying values.

34. Supplementary information on the breakdown of realised and unrealised profits or losses

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

	Group		Company	
	2015 RM'000	2014 RM'000	**2015 RM'000**	2014 RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	**46,877**	30,465	**14,778**	2,931
- Unrealised	**(1,458)**	(1,022)	**-**	-
	45,419	29,443	**14,778**	2,931
Less: Consolidation adjustments	**(30,613)**	(19,648)	**-**	-
Retained earnings as per financial statements	**14,806**	9,795	**14,778**	2,931

35. Capital commitments

	Group	
	2015 RM'000	2014 RM'000
Approved and contracted for:		
Property, plant and equipment	**740**	517
Approved and not contracted for:		
Property, plant and equipment	**3,327**	-
Showroom renovation	**1,000**	-
	4,327	-

LIST OF PROPERTIES

	Location	Description	Existing use	Tenure	Age of buildings (years)	Land area/ built up area	Net book value @ 31/12/2015 (RM)
(1)	Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor D.E.	Office cum factory	Corporate head office and mattress factory	Freehold	4	Approximately 210,000 sq feet / 150,000 sq feet	13,547,247
(2)	Lot 6122, Jalan Haji Salleh, Off Jalan Meru, 41050 Klang, Selangor D.E.	Factory II	Factory for latex foam	Freehold	10	Approximately 210,000 sq feet / 120,000 sq feet	10,006,185

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016

Authorised Share Capital	: RM100,000,000.00
Issued and Fully Paid Up Capital	: RM16,781,570.00
Class of shares	: Ordinary shares of RM0.10 each
Voting rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS (As per record of depositors)

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1 - 99	2,518	36.456	124,785	0.074
100 – 1,000	2,642	38.251	619,188	0.369
1,001 – 10,000	825	11.944	4,985,166	2.971
10,001 – 100,000	807	11.684	27,996,394	16.683
100,001 – 8,390,784 (*)	114	1.651	63,011,471	37.548
8,390,785 and above (**)	1	0.014	71,078,700	42.355
Total	6,907	100.000	167,815,704	100.000

* less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS (As per register of substantial shareholders)

	Name of Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
1.	Lee Swee Kiat & Sons Sdn Bhd	81,478,700	48.552	0	0
2.	Lee Ah Bah @ Lee Swee Kiat	0	0	81,478,700 #	48.552
3.	Lee Kong Yam	0	0	81,478,700 #	48.552
4.	Dato' Lee Kong Sim	0	0	81,478,700 #	48.552
5.	Tan Kuin Luan	0	0	81,478,700 #	48.552

Deemed interested by virtue of their interests in Lee Swee Kiat & Sons Sdn Bhd.

DIRECTORS' SHAREHOLDINGS (As per register of Directors' shareholdings)

	Name of Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
1.	Lee Ah Bah @ Lee Swee Kiat	0	0	81,478,700 #	48.552
2.	Lee Kong Yam	0	0	81,478,700 #	48.552
3.	Dato' Lee Kong Sim	0	0	81,478,700 #	48.552
4.	Tan Kuin Luan	0	0	81,478,700 #	48.552
5.	Au Thin An @ Low Teen Ann	0	0	10,000 *	0.006
6.	Tan Cheng Learn	0	0	0	0
7.	Abd Malik Bin A Rahman	0	0	0	0

\# Deemed interested by virtue of their interests in Lee Swee Kiat & Sons Sdn Bhd.

* Deemed interested through shares held by daughter.

ANALYSIS OF SHAREHOLDINGS *(cont'd)*

AS AT 31 MARCH 2016

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2016

	NAME	HOLDINGS	%
1	LEE SWEE KIAT & SONS SDN. BHD.	71,078,700	42.355
2	HARTANAH WARNASARI SDN BHD	6,266,100	3.733
3	ULTIMATE ARROW SDN BHD	5,236,800	3.120
4	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (E-KLG)*	5,000,000	2.979
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW YING CHEK (8088301)*	3,750,000	2.234
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LEE SWEE KIAT & SONS SDN BHD (MY2077)*	3,350,000	1.996
7	GOH KOK THAI	2,836,900	1.690
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT SONS SDN BHD (8109706)*	2,050,000	1.221
9	TUANKU JA'AFAR IBNI TUANKU ABDUL RAHMAN	2,000,000	1.191
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG)*	1,374,700	0.819
11	NG CHEE CHENG	1,100,000	0.655
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OOI CHIN HOCK (8058312)*	1,030,400	0.614
13	RHB NOMINEES (TEMPATAN) SDN BHD *RHB ASSET MANAGEMENT SDN BHD FOR SHAMSULBAHRIN BIN SALLEH (EPF-SPA)*	875,000	0.521
14	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)*	863,000	0.514
15	TAN HWEE CHIH	800,000	0.476
16	KINTEX (K.L) SDN BHD	780,900	0.465
17	NG THIANG TUAN	650,000	0.387
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR BALAKRISNEN A/L SUBBAN (6000034)*	600,000	0.357
19	CHAI MOOI CHONG	600,000	0.357

ANALYSIS OF SHAREHOLDINGS *(cont'd)*

AS AT 31 MARCH 2016

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2016 (CONTINUED)

	NAME	HOLDINGS	%
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR* *AZIRUL SALIHIN BIN ANUAR (MARGIN)*	555,000	0.330
21	LING CHIN TIONG	539,500	0.321
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SCURITIES ACCOUNT FOR* *CHEW KONG HUAT (8102857)*	500,000	0.297
23	CHE ANUAR BIN AHMAD	500,000	0.297
24	KHOO TENG CHEOK	500,000	0.297
25	LIM EE CHIN	500,000	0.297
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SEOW CHOW KOO (REM 109)*	500,000	0.297
27	OOI EWE CHOON	500,000	0.297
28	TAN CHU CHIN	500,000	0.297
29	LIM KEAN KHOON	490,000	0.291
30	DAMANSARA REALTY BERHAD	448,174	0.267

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at Function Room 7, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 19 May 2016 at 10.00 a.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 2)**

2. To re-elect Tan Cheng Learn as Director of the Company who retires pursuant to Article 83 of the Company's Articles of Association. **(Resolution 1)**

3. To re-appoint Lee Ah Bah @ Lee Swee Kiat as Director of the Company pursuant to Section 129 of the Companies Act, 1965. **(Resolution 2)**

4. To re-appoint Au Thin An @ Low Teen Ann as Director of the Company pursuant to Section 129 of the Companies Act, 1965. **(Resolution 3)**

5. To re-appoint Tan Kuin Luan as Alternate Director to Lee Ah Bah @ Lee Swee Kiat of the Company pursuant to Section 129 of the Companies Act, 1965. **(Resolution 4)**

6. To approve the payment of Directors' fees of RM74,400.00 for the financial year ended 31 December 2015. **(Resolution 5)**

7. To re-appoint Messrs Nexia SSY as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

Special Business

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

8. **ORDINARY RESOLUTION I** **(Resolution 7)**
   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

   "THAT subject to the passing of Resolution 2 on the re-election of Tan Cheng Learn as Director of the Company pursuant to Article 83 of the Company's Articles of Association, authority be and is hereby given to Tan Cheng Learn who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company."

9. **ORDINARY RESOLUTION II** **(Resolution 8)**
   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

   "THAT subject to the passing of Resolution 4 on the re-appointment of Au Thin An @ Low Teen Ann as Director of the Company pursuant to Section 129 of the Companies Act, 1965, authority be and is hereby given to Au Thin An @ Low Teen Ann who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING *(cont'd)*

10. **ORDINARY RESOLUTION III** **(Resolution 9)**
AUTHORITY TO ISSUE SHARES

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued 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 unless revoked or varied by the Company at a general meeting."

11. **ORDINARY RESOLUTION IV** **(Resolution 10)**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE COMPANY AND/OR ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT MANDATE")

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Company and/or its subsidiaries ("LSK Group") be and are hereby authorised to enter into any of the recurrent related party transactions of revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 27 April 2016 with the related parties mentioned therein provided that such transactions are:-

(a) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public;
(b) necessary for the day-to-day operations; and
(c) not to the detriment of the minority shareholders of the Company,

("the Shareholders' Mandate");

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) is revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING *(cont'd)*

12. **ORDINARY RESOLUTION V** **(Resolution 11)**

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE AUTHORITY TO THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PER CENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")

"THAT subject to provisions of the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, regulations and guidelines, the Company be and is hereby authorised to allocate the maximum amount of funds not exceeding the retained profits and/or share premium of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) for the purpose of purchasing such amount of ordinary shares of RM0.10 each ("LSK Shares") in the Company on the stock market of Bursa Securities at any time as may be determined by the Directors of the Company provided that the aggregate number of LSK Shares which may be purchased and/or held by the Company shall not exceed ten per cent (10%) of the total issued and paid-up capital of the Company;

THAT upon completion of the purchase by the Company of its own shares, the Directors are authorised to deal with the LSK Shares in the following manner:-

(i) to cancel the LSK Shares so purchased; or
(ii) to retain the LSK Shares so purchased as treasury shares for distribution as dividends to shareholders and/or resell the treasury shares on the stock market of Bursa Securities in accordance with the relevant rules of Bursa Securities; or
(iii) combination of (i) and (ii) above;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements and any other relevant authority for the time being in force;

AND THAT the Directors be and are hereby empowered to carry out the above and such authority conferred by this resolution will be effective upon the passing of this resolution and will continue to be in force until:

(i) the conclusion of the next annual general meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they may deem fit, expedient and necessary in the best interest of the Company to give full effect to the Proposed Renewal of Share Buy-Back Mandate contemplated and/or authorised by this resolution."

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING *(cont'd)*

13. To consider any other business of which due notice shall be given in accordance with the Companies Act, 1965.

By Order of the Board
WONG WAI FOONG (MAICSA 7001358)
WONG PEIR CHYUN (MAICSA 7018710)
Company Secretaries
Kuala Lumpur

Date: 27 April 2016

NOTES:-

1. **Appointment of Proxy**

(a) A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or attorney duly authorised.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meetings. Where a member appoints two proxies, the member shall specify the proportions of his shareholdings to be represented by each proxy.

(d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(e) Where a member of the company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Where the authorised nominee or an exempt authorised nominee appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(g) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(h) Only the members whose names appear on the Record of Depositors as at 10 May 2016 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING *(cont'd)*

2. **Audited Financial Statements for the financial year ended 31 December 2015**

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

3. **Explanatory Notes on Special Business**

   (i) Resolution 7 – Continuing in Office as Independent Non-Executive Director

   Tan Cheng Learn has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years. The Board recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:-

   a. He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;

   b. He has vast experience in a diverse range of businesses and therefore would be able to provide constructive opinions; he exercises independent judgement and has the ability to act in the best interest of the Company;

   c. He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and

   d. He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

   (ii) Resolution 8 – Continuing in Office as Independent Non-Executive Director

   Au Thin An @ Low Teen Ann has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years. The Board recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:-

   a. He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;

   b. He has vast experience in a diverse range of businesses and therefore would be able to provide constructive opinions; he exercises independent judgement and has the ability to act in the best interest of the Company;

   c. He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and

   d. He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING *(cont'd)*

(iii) Resolution 9 – Authority to Issue Shares

The Proposed Resolution 9 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors to issue shares in the Company up to an amount not exceeding in total ten per cent (10%) of the Issued Share Capital of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

The renewed General Mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this renewed General Mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisition and/or for issuance of shares as settlement of purchase consideration.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Twelfth Annual General Meeting, because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

(iv) Resolution 10 – Proposed Renewal of RRPT Mandates

This resolution, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business. For further information on the recurrent related party transactions, please refer to the Circular to Shareholders dated 27 April 2016 enclosed together with the Company's Annual Report 2015.

(v) Resolution 11 – Proposed Renewal of Share Buy-Back Mandate

This resolution, if passed, will give the Company the authority to purchase its own ordinary shares of up to ten per cent (10%) of the issued and paid-up share capital of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority For Directors To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

Kindly refer to item (iii) of Explanatory Notes on Special Business on page 88.

LEE SWEE KIAT GROUP BERHAD (607583-T)
(Incorporated in Malaysia)

PROXY FORM

No of shares held

I/We ____ NRIC No.: ______________________
of ____
being a member/members of **LEE SWEE KIAT GROUP BERHAD** hereby appoint *the Chairman of the meeting or

____
of ____
or failing whom ____
of ____

as *my/our proxy/proxies to vote for *me/us and on *my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Function Room 7, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 19 May 2016 at 10.00 a.m. and at any adjournment thereof *for/against the resolution(s) to be proposed thereat.

Item	AGENDA	Resolution	For	Against
1	<u>ORDINARY BUSINESS</u> Receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.			
2	Re-election of Tan Cheng Learn as Director of the Company who retires pursuant to Article 83 of the Company's Articles of Association.	**1**		
3	Re-appointment of Lee Ah Bah @ Lee Swee Kiat as Director of the Company pursuant to Section 129 of the Companies Act, 1965.	**2**		
4	Re-appointment of Au Thin An @ Low Teen Ann as Director of the Company pursuant to Section 129 of the Companies Act, 1965.	**3**		
5	Re-appointment of Tan Kuin Luan as Alternate Director to Lee Ah Bah @ Lee Swee Kiat of the Company pursuant to Section 129 of the Companies Act, 1965.	**4**		
6	Approval on Directors' Fees for the financial year ended 31 December 2015.	**5**		
7	Re-appointment of Messrs Nexia SSY as Auditors of the Company.	**6**		
8	<u>SPECIAL BUSINESS</u> Approval on the continuation of office for Tan Cheng Learn as an Independent Non-Executive Director of the Company.	**7**		
9	Approval on the continuation of office for Au Thin An @ Low Teen Ann as an Independent Non-Executive Director of the Company.	**8**		
10	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	**9**		
11	Proposed Renewal of RRPT Mandate.	**10**		
12	Proposed Renewal of Share Buy-Back Mandate.	**11**		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

Dated this _____________ day of ______________ 2016.

____
Signature or Common Seal of Member(s)

*Delete whichever is not applicable

Notes :

i. A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company and the provision of Section 149(1)(b) of the Act shall not apply to the Company.

ii. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or attorney duly authorised.

iii. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meetings. Where a member appoints two proxies, the member shall specify the proportions of his shareholdings to be represented by each proxy.

iv. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

v. Where a member of the company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

vi Where the authorised nominee or an exempt authorised nominee appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

vii. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Wisma LSK, Lot 6122, Jalan Haji Abdul Manan, Off Jalan Meru, 41050 Klang, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

viii. Only the members whose names appear on the Record of Depositors as at 10 May 2016 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

Fold this flap for sealing

Fold here

Affix
Stamp
Here

LEE SWEE KIAT GROUP BERHAD (607583-T)
Wisma LSK
Lot 6122, Jalan Haji Abdul Manan,
Off Jalan Meru, 41050 Klang,
Selangor Darul Ehsan, Malaysia.

Fold here

Fold here

Since 1975

LEE SWEE KIAT GROUP BERHAD
(607583-T)

Wisma LSK,
Lot 6122, Jalan Haji Abdul Manan,
Off Jalan Meru, 41050 Klang,
Selangor Darul Ehsan,
Malaysia.

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Website : www.lsk.com.my