FACB Industries Incorporated Berhad
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Annual Report
2017

FACB Industries Incorporated Berhad
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Contents

Corporate Information

BOARD OF DIRECTORS

Datuk Wan Kassim bin Ahmed
Chairman

Puan Sri Lee Chou Sarn

Dato' Dr. Abdul Razak bin Abdul

Mr Chen Yiy Fon

Mr Lim Mun Kee

EXECUTIVE PRESIDENT

Tan Sri Dr. Chen Lip Keong

ACTING CHIEF EXECUTIVE OFFICER

Mr Teo Hock Kee

GROUP COMPANY SECRETARY

Mr Lee Boo Tian
LS 0007987

AUDIT COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

NOMINATING COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

REMUNERATION COMMITTEE

Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Independent Non-Executive Director

Mr Lim Mun Kee
Independent Non-Executive Director

REGISTERED OFFICE

Etiqa Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur

Tel : 603 2162 0060
Fax : 603 2162 0062
Website : www.facbi.com

SHARE REGISTRAR

Semangat Corporate Resources Sdn. Bhd.
Ground Floor,118 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan

Tel : 603 7968 1001
Fax : 603 7958 8013

AUDITORS

UHY
Suite 11.05, Level 11, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

PRINCIPAL BANKER

Malayan Banking Berhad

STOCK EXCHANGE LISTING

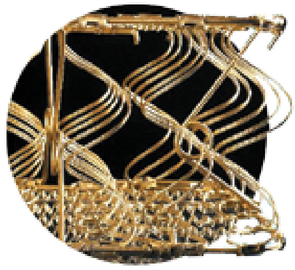
Main Market, Bursa Malaysia Securities Berhad

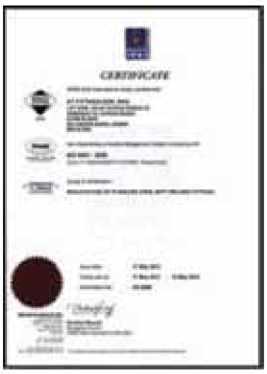
Recognition of Quality

For more than 15 years, Reader's Digest has approached ordinary consumers to ask their opinions on what brands of products and services are important to them. To be a Trusted Brand it must have individual relevance for all its consumers, just about anywhere and in any culture. Cost, quality and desirability are all important factors for consumers.

Since the introduction of mattress category in the survey in 2009, DREAMLAND has won the Reader's Digest Gold award year on year.

Miracoil™
The world's most advanced spring system





KT Fittings Sdn Bhd has been certified by Sirim QAS International Sdn Bhd for the implementation of a Quality Management System in compliance with the requirements of MS ISO 9001 : 2008 Quality Management System.

KT Fittings Sdn Bhd has been certified by TUV SUD Industrie Service GmbH for the implementation of Quality Assurance System in accordance with Pressure Equipment Directive 97/23/EC (PED) Annex I, Paragraph 4.3 and AD 2000 Merkblatt WO, expecially for the pressure parts related industries/market and for the EU market.

Profiles of the Directors and Key Senior Management

DATUK WAN KASSIM BIN AHMED
Chairman, Independent Non-Executive Director

- Aged 68, Male, Malaysian
- Appointed to the Board on 29 March 2002
- Appointed as Chairman on 4 December 2013
- Chairman of Audit, Nominating and Remuneration Committees
- Graduated with Bachelor of Economics from University of Malaya in 1973
- Began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. Joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn. Bhd. Served as a Councilor for the Petaling Jaya Town Council between 1987 and 1991. Served as a Board member of the Malaysian Tourist Development Board from 1992 to 1996
- Currently, he is a Director of Karambunai Corp Bhd. and Petaling Tin Berhad

PUAN SRI LEE CHOU SARN
Non-Independent Executive Director

- Aged 70, Female, Malaysian
- Appointed to the Board on 17 March 1997 and as Acting Chief Executive Officer on 1 August 2007. On 15 December 2008, stepped down as Acting Chief Executive Officer
- Graduated with Bachelor of Economics in 1971 from University of Malaya
- Worked for 13 years in the Statistics Department of the Government of Malaysia. She has been a shareholder and a Director of Lipkland Holdings Sdn. Bhd., an investment holding company since December 1982. She was also a Director of Karambunai Corp Bhd. from 1994 to 2001

DATO' DR. ABDUL RAZAK BIN ABDUL
Independent Non-Executive Director

- Aged 67, Male, Malaysian
- Appointed to the Board on 12 April 1994. On 3 January 2005, re-designated from Executive Director to Non-Executive Director
- A member of Audit and Remuneration Committees
- Graduated with Master of Business Administration (Finance) in 1973 and obtained Ph.D (International Business) in 1979
- Commenced his career as a lecturer in Institut Teknologi MARA ("ITM") in 1973 and became the Head of ITM's School of Business in 1981. Has been actively involved in the insurance industry since 1983 and has vast experience in managing insurance companies. Was a Director of Petaling Tin Berhad from 1991 to 1992 and 1997 to 2000

CHEN YIY FON
Non-Independent Executive Director

- Aged 36, Male, Malaysian
- Appointed to the Board on 1 August 2007
- Graduated with Bachelor of Arts in Economics from University of Southern California, Los Angeles
- Previously worked in Morgan Stanley, Los Angeles, California and Credit Suisse First Boston, Singapore
- Currently, he is a Director of Karambunai Corp Bhd. and Petaling Tin Berhad

LIM MUN KEE
Independent Non-Executive Director

- Aged 50, Male, Malaysian
- Appointed to the Board on 1 August 2007
- A member of Audit, Remuneration and Nominating Committees
- A qualified accountant registered with the Malaysian Institute of Accountants ("MIA") and the Malaysian Institute of Certified Public Accountants ("MICPA")
- Started his career in KPMG Peat Marwick in 1989
- Has over 15 years of experience in auditing, finance and accountancy where he worked in several listed companies as Accountant, Financial Controller and Head of Internal Audit
- Currently, he is a Director of Karambunai Corp Bhd. and Petaling Tin Berhad

TAN SRI DR. CHEN LIP KEONG
Executive President

- Aged 70, Male, Malaysian
- Appointed to the Board on 3 August 1994 and stepped down on 30 November 2016
- Bachelor of Medicine and Surgery from University of Malaya 1973 (M.B.B.S. Malaya) and extensive corporate, managerial and business experience since 1976
- Controlling shareholder of Karambunai Corp Bhd., Petaling Tin Berhad and FACB Industries Incorporated Berhad

TEO HOCK KEE
Acting Chief Executive Officer

- Aged 50, Male, Malaysian
- Appointed as Acting Chief Executive Officer on 16 November 2011
- Graduated with Bachelor of Engineering (Hons) in Mechanical Engineering, United Kingdom
- Has been with FACB Industries Incorporated Berhad's steel operation for more than 20 years. The steel operation was previously one of the largest ISO 9001:2008 certified integrated stainless steel pipe and butt-weld fittings manufacturers in South East Asia

BONG SHEE CHENG
Chief Financial Officer

- Aged 60, Male, Malaysian
- Appointed as Chief Financial Officer on 2 May 2007
- A Chartered Accountant Malaysia (C.A.(M))
- He had more than 30 years of experience in the commercial and industry sector prior to joining FACB Industries Incorporated Berhad. He held various senior positions in financial and corporate services of public listed corporations in Malaysia

Profiles of the Directors and Key Senior Management

GAN LEE BENG
Chief Executive Officer, Restonic (M) Sdn. Bhd.

- Aged 61, Male, Malaysian
- Joined Restonic (M) Sdn Bhd in 1998
- Graduated with Bachelor of Science (Honours) in Psychology and Post Graduate Diploma in Marketing
- Has over 30 years of work experience in consumer research, advertising and marketing. He last worked as Marketing Director with Kiwi Brands (M) Sdn Bhd before joining Restonic (M) Sdn Bhd

Other Information

a. Family Relationship
Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Fon is the son of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

Save as disclosed above, none of the Directors/ Chief Executive/Key Senior Management have any family relationship with any Director and/or major shareholder of the Company.

b. Conflict of Interest
None of the Directors/Chief Executive/Key Senior Management have any conflict of interest with the Company.

c. Conviction of offences
None of the Directors/Chief Executive/Key Senior Management have any conviction for offences within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Management Discussion and Analysis

The Board of Directors of FACB Industries Incorporated Bhd ("FACBII" or "Company") is pleased to present the Annual Report of the Company and its subsidiaries ("Group") for the financial year ended 30 June 2017 ("FY2017").

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

FACBII was listed on Bursa Malaysia under the name of Dreamland Holdings Berhad in 1987. Subsequently, it adopted the name of Kanzen Berhad in 1991 and assumed its present name in 1997.

FACBII is principally engaged in investment holding and provision of management services. Its subsidiaries are in manufacturing and sales of bedding products, manufacturing and sales of stainless steel butt-weld fittings, and through its associates, production and marketing of electric power and steam and spring mattresses.

FACBII has over the past two decades built up its reputation in supplying excellent products and services. FACBII has been and will continue to be a reputable market leader in the bedding industry.

Bedding Division

The bedding division is under Restonic (M) Sdn. Bhd. and its group of companies ("Restonic Group"). Restonic Group is a leading manufacturer of superior quality spring and foam mattresses as well as other bedding products in Malaysia. The flagship brand is "Dreamland".

The strength of the products lies in its patented Miracoil Spring system, a state-of-the-art spring technology from the United States that is used in all Dreamland Chiropractic mattresses. The Miracoil Spring system provides superior spinal support with its centre zoning of 50% more coil count and a vertical head-to toe helical wire which reduces "roll-together" for less partner disturbance. In a research conducted by an independent survey company, 84.9% of Malaysians prefer the Miracoil Spring system over ordinary spring systems.

Dreamland is not only sought after by consumers in retail furniture stores and hypermarkets, it is also the choice mattress brand for the hotel industry in Malaysia. The brand has been awarded the Reader's Digest Trusted Brand Gold Award for 9 consecutive years since 2009. Dreamland is also a proud mattress supplier to Amway (M) Sdn. Bhd., the leading direct selling company in Malaysia.

Other quality and well sought after mattresses by different market segments are branded under Sleepmaker, Aristocrat and Resta.

Management Discussion and Analysis

Steel Manufacturing Division

The stainless steel butt-weld fittings division is undertaken by KT Fittings Sdn. Bhd., a wholly-owned subsidiary of FACBII. Based in Klang, KT Fittings exports its "KTFittings" brand of stainless steel butt-weld fittings to international market serving wide spectrum of stockists in European Union, Asean, Australia, North and South America.

Other Operations

FACBII's China joint ventures are held by its subsidiaries Dreamland Spring Sdn. Bhd. ("DS") and Kanzen Energy Ventures Sdn. Bhd. ("KEV"). The joint venture companies, via DS, are involved in manufacturing and marketing of spring mattress and other complimentary bedding products under the brand names of Dreamland and Aristocrat. The associates, via KEV, are involved in the production and marketing of electric power and steam for industrial customers' usage.

FINANCIAL RESULTS AND FINANCIAL CONDITION REVIEW

The Group's financial performance for FY2017 as compared to FY2016 is as follows:

	FY2017 RM'000	FY2016 RM'000	Increase/ (Decrease) RM'000	%
Revenue	55,790	51,859	3,931	7.6
Gross Profit	16,068	14,613	1,455	10.0
Profit before tax	13,404	8,537	4,867	57.0
Profit after tax	11,122	6,355	4,767	75.0
Profit attributable to owners of the parent	8,515	4,642	3,873	83.4
Total Assets	239,771	235,181	4,590	2.0
Equity attributable to owners of the parent	213,417	207,325	6,092	2.9
Net assets per share (RM)	2.54	2.47	0.07	2.8
Earnings per share (sen)	10.15	5.53	4.62	83.5

For FY2017, the Group registered an increase in revenue by 7.6% to RM55.79 million as compared to RM51.86 million in the preceding financial year. The revenue growth is attributable to both the bedding and steel manufacturing segments.

The Group recorded a higher profit before tax of RM13.40 million as compared to RM8.54 million in the preceding financial year. The increase was primarily due to incentives received by the power business associates in Jiangyin amounting to RM3.96 million and gain on deregistration of a subsidiary in Hong Kong amounting to RM1.81 million.

The Group registered a net profit attributable to owners of the Company of RM8.52 million which translated into earnings per share of RM10.15 sen.

Review of the financial results by segment

	Revenue			Profit before tax		
	FY2017 RM'000	FY2016 RM'000	Increase/ (Decrease) %	FY2017 RM'000	FY2016 RM'000	Increase/ (Decrease) %
Bedding Malaysia	40,526	38,230	6.0	1,312	3,028	(56.7)
Steel manufacturing	15,264	13,629	12.0	(761)	(3,077)	75.3
Other operations	-	-	-	12,853	8,586	49.7
	55,790	51,859	7.6	13,404	8,537	57.0

Bedding Division

The bedding division registered an increase in revenue by 6.0% to RM40.53 million as compared to RM38.23 million in the preceding financial year mainly attributable to projects, dealers and mass merchant segments. Lower profit before tax of RM1.31 million is recorded as compared to RM3.03 million in the preceding financial year. The lower profit is due to lower gross profit margin affected by the higher cost of imported raw materials. In addition, the high cost of living continues to depress consumer demand and skews their purchases towards cheaper alternatives.

Steel Manufacturing Division

The stainless steel fittings division registered a higher revenue of RM15.26 million as compared to RM13.63 million in the preceding financial year mainly attributable to the increase in average selling price. Lower loss before tax of RM0.76 million was recorded as compared to RM3.08 million in the preceding financial year due to improved selling price and gross profit margin.

Other Operations

Other operations comprise investment holding, provision of management and secretarial services and production and marketing of electric power and steam. Higher other income was recorded in Other Operations due to incentives received by the associates in power business amounting to RM3.96 million and gain on deregistration of a subsidiary in Hong Kong amounting to RM1.81 million.

Lower profit contribution from associates in China mainly due to impairment loss on plant and equipment in the power business.

BUSINESS AND OPERATIONAL REVIEW

Bedding Division

For FY2017, consumer sentiment remained weak due to overall rising cost of living which has taken a toll on the purchase of durable goods as well as spending on discretionary items with consumer becoming more cautious on their spending behaviours. Retail market for furniture related products has been affected with many postponing their purchases or switching to cheaper alternatives.

Management Discussion and Analysis

Bedding Division (Cont'd)

Weak Malaysian Ringgit has significantly exerted upward pressure on production costs. It not only reduced purchasing power; but has adversely affected cost of goods sold due to higher imported raw material cost, thus eroding profit margins.

As a leader in the back care mattress segment, Dreamland Chiropractic mattress continues to be the core driver of the company's revenue. In view of the market condition, an additional Chiro range was launched at a lower price to cater for the shift in consumer demands. Highway hoardings, aggressive participation in furniture fairs and promotional events nationwide continue to create brand presence throughout the country.

Increase in promotional activities coupled with wider product range has contributed to higher sales in the Mass merchants division whereas Amway continued to record impressive sales. However, a weak consumer sentiment has caused Amway sales to decline in FY2017.

Projects division's sales had been driven by opening of new hotels and refurbishing of existing hotels. Dealer export business registered a strong growth of 75% during the year, and with new products in the pipeline, the business is expected to grow further in the coming year.

Sale outlets of Dreamland Shanghai and Dreamland Dalian have been refurbished to enhance its appeal and sale performance. New products in latex pillow and mattress were introduced, other bedding products such as leather and wooden bed, sofa, bedroom set were also brought in to enhance sales.

Steel Manufacturing Division

Following the downtrend of crude oil price, the division encountered a very challenging business situation. It faced sluggish demand amidst rising competition from competitors in Malaysia, Taiwan and China. The anticipated positive spill-over effect from the outcome of antidumping cases in European Union did not materialize.

The Board shall assess the long term viability of continuing with this division.

Other Operations

Revenues contributed by steam at Jiangyin power business were relatively stable. As customer base at Jiangyin is relatively mature and long term in nature, focus is also on the companies' cost management.

LIQUIDITY AND CAPITAL MANAGEMENT

As at 30 June 2017, the non-current assets of the Group amounted to RM51.39 million, an increase of RM1.65 million from the preceding financial year mainly due to fair value adjustment of RM1.70 million on available-for-sale investment. Current assets increased by RM2.94 million to RM188.38 million mainly due to an increase in inventories and higher cash holding. As at 30 June 2017, the Group's cash and cash equivalents amounted to RM158.97 million, approximately 66.30% of total assets. The Group's total liabilities amounted to RM7.77 million, a decrease of RM3.70 million from the preceding financial year due to settlement of payables.

BUSINESS OUTLOOK FOR FY2018

Consumer sentiment is expected to stay subdued going into FY2018 in view of the continuing concern on the state of economy, unstable political condition as well as rising cost of living. Prudent cost management and an emphasis on sales and marketing programs with new product launches will be the key priorities for growing the business and profitability. Other key priorities include investing in brand building and research and development of new and innovative products.

The Board shall assess the viability of continuing the steel manufacturing division.

The bedding joint venture companies in China, with physical sale outlets and online cyber outlets, will provide a wider coverage and capture younger consumer segment.

Steam business in Jiangyin is expected to remain consistent in comparison to the previous financial year. Demand for steam is still strong. The main challenge would be increases in costs which require an effective cost management program.

The Group continues to look for suitable business opportunities. We will continue to work with professionals to identify and evaluate business proposals.

DIVIDEND

The Board of Directors is pleased to recommend a final dividend of 4 sen per ordinary share for FY2017, subject to the shareholders' approval at the forthcoming Annual General Meeting.

Sustainability Statement

The Group strives to uphold its corporate mission to cultivate a caring, responsible and accountable organisation. We are committed to carry out our business in a socially responsible and sustainable manner so as to enhance the quality of life for every level of our society while pursuing business sustainability to create value for our shareholders and various other stakeholders.

Economic

The Group strives to contribute to the economic stability of the country by ensuring profitability. Our economic impact spans over customers, suppliers, governments and society at large. In order to create long-term sustainable value for our shareholders, stakeholders and a sustainable economy for the country, we focus on the following areas:

- Streamline processes to find the most efficient ways to run the business
- Innovate product offerings and marketing to increase revenue
- Sound risk management and sustainable business practices
- Employ workers from the local community which help stimulates economic growth in the local economy
- Comply with tax legislation, reporting requirements, other regulatory rules and pay legally imposed taxes. The Group is committed to operate in a responsible way and comply with ethically acceptable principles in all business activities and transactions

Environmental

The Group is committed to sustainable and environmentally friendly approach in all its business operations. Exposure to hazardous chemicals would be prevented and eliminated by adopting, among others, the following measures:

- Implement hazard control program which includes safety inspection checklist in guiding staff on best practices when handling potentially dangerous chemicals
- Provide workers with personal protective equipment e.g. goggles, respirator, dust and safety face protector
- Implement Annual Medical Surveillance Guidelines emphasizing on nervous system, liver and kidney
- Monitor Isokinetic Stack Emission for chemical products
- Provide Self Contained Breathing Apparatus (SCBA) training for workers
- Use CFC Free products in production process
- Recycle foam scrap to produce rebond foam mattress

Social

As part of our corporate values and social responsibility, the Group strives to improve the lives of all those it comes to contact with in the course of carrying out its business by taking the following steps:

- Implement general safety procedures and training to ensure a conducive and safe work environment
- Provide training and development, and embrace gender equality by providing equal opportunities to both genders to rise to leadership positions
- Practice ethical marketing and deliver quality products and services to customers

Audit Committee Report

Pursuant to paragraph 15.15 of the Bursa Securities Main Market Listing Requirements, the Board is required to prepare an Audit Committee Report for inclusion in its Annual Report.

COMPOSITION

For the financial year, the members of the Audit Committee, their respective designations and directorships are as follows:

Chairman

Datuk Wan Kassim bin Ahmed	*Independent Non-Executive Director*

Members

Dato' Dr. Abdul Razak bin Abdul	*Independent Non-Executive Director*
Mr Lim Mun Kee	*Independent Non-Executive Director*

TERMS OF REFERENCE

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control. The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

The Terms of Reference comprising Purpose, Reporting responsibilities, Frequency of meetings, Quorum, authority and Duties are detailed on the Company's website at www.facbi.com.

DETAILS OF MEETINGS

The Audit Committee met four (4) times during the financial year ended 30 June 2017 and details of attendance are as follows:

Datuk Wan Kassim bin Ahmed	4/4
Dato' Dr. Abdul Razak bin Abdul	4/4
Mr Lim Mun Kee	4/4

During the financial year, the relevant training attended by the above Directors are detailed in the Corporate Governance Statement of this Annual Report.

Audit Committee Report

SUMMARY OF AUDIT COMMITTEE WORK

In discharging its responsibilities for the financial year, the Audit Committee, in particular:

- Reviewed the quarterly and year end financial statements and made recommendation to the Board.
- Reviewed and approved the annual internal audit work plan.
- Deliberated over the internal audit and compliance reports, ensuring recommendations are carried out.
- Reviewed and assisted in the development and implementation of sound and effective internal controls and business systems within the Group.
- Reviewed the Risk Advisory Committee report, ensuring adequacy and effectiveness of the Group's Risk Management Framework.
- Discussed and reviewed with the external auditors the results of their examination, their auditor's reports and management letters in relation to the audit and accounting issues arising from the audit.
- Conducted an annual assessment of the suitability and independence of the external auditors and thereafter made recommendations to the Board for their reappointment and subsequently sought shareholders' approval at the forthcoming Annual General Meeting.
- Reviewed the Group's compliance with regards to the Bursa Securities Main Market Listing Requirements and compliance with accounting standards issued by the Malaysian Accounting Standards Board.

SUMMARY OF INTERNAL AUDIT WORK

The Audit Committee is supported by an Internal Audit Department which reports directly to the Committee and is independent of the activities they audit. In meeting its responsibilities, the internal audit function is necessarily guided by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. In particular, risk based plans are established to determine the priorities of internal audit activities, consistent with the Group's goals. The cost incurred on this function which includes risk management and corporate governance was RM189,933/- for the financial year. During the financial year, the Internal Audit Department conducted, inter alia, the following activities:

- Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Reviewed compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system.
- Analysed and assessed key business processes, report findings, and made recommendations to improve effectiveness and efficiency.
- Followed up on internal audit recommendations to ensure adequate implementation.
- Advised on the implementation of the Malaysian Code on Corporate Governance, Bursa Securities Main Market Listing Requirements and other regulatory requirements.
- Performed investigations and special review as requested by the Board and Management.
- Facilitated and reviewed the Group's risk management framework for adequacy and effectiveness in tandem with the business environment.

This report is made in accordance with a resolution of the Board of Directors dated 17 October 2017.

Statement on Corporate Governance

The Board of Directors of FACB Industries Incorporated Berhad is committed to its fiduciary responsibilities for sound corporate governance in its business management practices. Accordingly, the Board supports the Principles and Recommendations laid out in the Malaysian Code on Corporate Governance 2012 ("the Code") wherein disclosures pursuant to the Code is mandated under paragraph 15.25 of the Bursa Securities Main Market Listing Requirements.

In particular, the Company has complied with the Recommendations of the Code save for the recommendation that the tenure of Independent Directors should not exceed a cumulative term of nine years and the recommendation for individual disclosure of directors' remuneration packages (as detailed in Other Compliance Statements of this Annual Report), whereas the ensuing paragraphs narrate how the Company has applied the Principles of the Code.

BOARD OF DIRECTORS

The Board is responsible for, among others, supervising the affairs of the Group to ensure its success is within the acceptable risks. It reviews management performance and ensures that necessary resources are available to meet the Group's objectives. The Board has delegated day-to-day operational decisions to the executive directors and the management who are also responsible for monitoring daily operational matters.

The Board is assisted by Audit Committee, Nominating Committee and Remuneration Committee that operate within the defined terms of reference of each committee.

Board Charter

The Company has in place a Board Charter which sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Board Charter is a source reference and primary induction literature, providing insights to prospective Board members and senior management.

The Board Charter also outlines the roles and responsibilities of various Board Committees, the Chairman and the Chief Executive Officer/Management of the Company as well as policies and practices in respect of matters such as convening of Board and Board Committees' meetings. In short, the Board Charter covers among others the following:

- Constitution, Duties and Responsibilities of the Board
- Chairman and Chief Executive Officer's Respective Responsibilities
- Board and Board Committees' meeting procedures
- Relationship of the Board to Management
- Access to Timely and Quality information
- Access to Advice and Procedure
- Board committees including Audit Committee, Nominating Committee and Remuneration Committee's Responsibilities
- Shareholders – Investor Relations
- Appendices – Evaluation Mechanism/Framework

Statement on Corporate Governance

The Board Charter provides a basis for good governance, effective functioning and accountability of the Company. It also ensures that the Company and its subsidiaries are effectively led and controlled with the Board of Directors having the ultimate responsibility for maintaining the highest standards of integrity, accountability and corporate governance and acting in the interest of the Company as a whole. In particular, it includes the division of responsibilities and powers between the Board and management, the different committees established by the Board, and between the Chairman and the CEO.

The Board Charter is updated from time to time to reflect changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations. The Charter was last reviewed in 2016.

The Board Charter has wide coverage on the Group's operation and management and is viewable on the Company's website www.facbi.com.

Board Responsibilities

The Board is led by the Chairman Datuk Wan Kassim bin Ahmed, a non-executive independent director. The principal duties and responsibilities of the Board is to effectively lead and control the Company. The Board is to oversee the performance of management in a collegial relationship that is supportive yet vigilant. It is also responsible for the Company's strategies, objectives, succession plan and accountability to shareholders.

The Board has clear roles and responsibilities in discharging its fiduciary and leadership functions and has established clear functions reserved for the Board and those that were delegated to the management which are embodied in the Board Charter.

All directors must act in the best interest of the Company and shall disclose to the Board of any potential conflict of interest as soon as he or she becomes aware of such interest.

The Board reviews the Group's budgets and business operations, identifies risks and ensures the existence of adequate internal control systems to manage risks. It reviews quarterly performance, the subsequent three months and long term plans during Board meetings. It provides inputs and views in developing the Group's business strategies and ensures the management has devoted sufficient time and resources and thorough thought in formulating the strategies.

The Group is committed to carry out its business operations in a socially responsible and sustainable manner. On its operations, industrial hygiene and safety measure have been put in place via preventative maintenance programs to ensure plant and machinery and ventilation systems are in good and safe conditions, and in compliance with the requirements under the Occupational, Health and Safety Act. Other environmental initiatives include putting in place a recycling policy and using CFC free products to reduce carbon emission in our production process.

Management

The Executive Directors and the management are responsible for developing corporate strategies and implementing policies of the Board while managing business operations. The management would table quarterly performance, strategic plans, risks and challenges as well as status of their execution to the Board for deliberation during Board meetings.

The Non-Executive Directors are independent of management, free of any business relationship and ensure that business plans, strategies and new inputs proposed are objectively evaluated. They provide constructive inputs from different perspectives in addition to acting as a form of check and balance for the Executive Directors and the management.

Code of Conduct

The Company has an established Code of Business Conduct in regulating employment and business administration, made available in an employee handbook. The Code of Business Conduct reflects the commitment of the Company to run a business that is ethical, fair, efficient and effective, aligned to its business standards. The Code of Business conduct however does not extend to a written policy on whistleblowing. The existing receptive organizational culture, anchored by a sound risk and internal control environment is deemed sufficient and proven to be effective in practice.

Board Meetings

The Company is led and controlled by an experienced Board with a wide range of expertise. Board members' judgements have a bearing on strategies, performances, resources and standards. Four (4) Board meetings were held during the financial year ended 30 June 2017 (with details attendance presented under Other Compliance Statements of this Annual Report). In between scheduled meetings and where appropriate, Board decisions were effected via circular resolutions.

All Directors are committed and have devoted sufficient time to discharge their duties during the financial year. They are also accessible by the management on telephone calls for discussion on all matters affecting the Group. It is a practice that any director before accepting any new directorship would assure the Chairman that his or her time commitment and contribution to the Company would not be compromised.

The Board is provided with agenda of Board meeting and detailed information to enable them to deliberate in the meeting and make decisions. Minutes of proceedings and decisions taken during the Board meetings are recorded by the Company Secretary and circulated to the Board members.

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the Bursa Securities Main Market Listing Requirements (minimum 50% attendance).

Statement on Corporate Governance

Board Composition

There were no new Board appointments during the financial year 2017. The Board currently consists of five (5) members comprising two (2) Executive Directors and three (3) Non-Executive Directors. Among the Non-Executive Directors, all three (3) are Independent, hence more than a third of the Board is independent. Meanwhile, the Board's composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent objective judgement to bear on Board deliberations.

With the inputs of the Nominating Committee, the Board annually examines its size and composition with a view to determine the impact of the number and make up on its effectiveness. The Board believes that the current size and composition is ideal to provide the necessary check and balance to the Board's decision-making process. The profiles of the Directors are set out under Profiles of the Directors and Key Senior Management of this Annual Report.

To ensure balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Chairman is primarily responsible for ensuring the Board's effectiveness while the CEO is responsible for the efficient management of the business and operations. The Board has identified Datuk Wan Kassim bin Ahmed as the Senior Independent Non-Executive Director, to whom concerns may be raised.

Board Independence

The Board conducts an annual assessment of the independence of its Independent Non-Executive Directors and is satisfied that they continue to bring independent and objective judgement to Board deliberations.

The Company's Independent Non-Executive Directors, namely, Datuk Wan Kassim bin Ahmed, Dato' Dr. Abdul Razak bin Abdul and Mr Lim Mun Kee, having served more than 9 years, constitute a departure from the Code recommendations. The Board is of the opinion that these Directors, as a result of their long tenures, possess valuable knowledge of the structure, controls and dynamics of the Company. The Board with the recommendation from Nominating Committee, therefore, recommends that Datuk Wan Kassim bin Ahmed, Dato' Dr. Abdul Razak bin Abdul and Mr Lim Mun Kee should continue to serve as Independent Non-Executive Directors of the Company for another year.

Consequently, pursuant to Recommendation 3.3 of the Code, the Board seeks shareholders' approval to retain their designations as Independent Directors. The length of their services on the Board do not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company, as they continue to be scrupulously independent in the discharge of their duties as constructive challengers of executive management.

Board Diversity/Gender

The Board acknowledges the importance of Board diversity, including gender diversity, to the effective functioning of the Board. The Board endeavours to achieve diversification in terms of gender, ethnicity and age, underpinned by the overriding primary aim of selecting the best candidates to support the achievement of the Company's strategic objectives.

Currently Puan Sri Lee Chou Sarn is the only female director on the Board. Taking into consideration the nature and size of the current business operations and investments, the Board is of the view that the composition and structure of the Board should be maintained for the time being. Female representations will be considered when vacancies arise and suitable candidates are identified.

Continuing Education of Directors

Directors are required to attend the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. All the Directors have fulfilled the Mandatory Accreditation Programme requirement.

Directors' training is an on-going process as the Directors recognise the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business landscape.

Board members were regularly updated on global developments and trends in Corporate Governance principles and best practices besides local regulatory and capital market developments. During the financial year, the Directors attended an in-house training on:

1. Key Amendments to the Listing Requirements 2016; and
2. Key Disclosure Obligations of a Listed Company.

Apart from inputs from Directors, the training needs of the Directors will also be considered by the Nominating Committee. The Company Secretary will also re-direct email invitations on seminars, breakfast talks and briefings from Bursa Malaysia Securities Berhad and various professional bodies from time to time to the Directors and management for consideration and participation.

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

Board meetings are held quarterly to deliberate inter-alia on the Company's corporate developments, financial results, business operations, risk management and internal audit reports with proceedings duly minuted and signed by the meeting Chairman.

During Board Meetings, management are required to furnish further details on any issues raised and to provide supplementary information at the Board's behest. The Board of Directors also have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. Directors may also seek briefings from the management or auditors on specific matters in addition to the regular presentations to the Board. At least one week prior to the Board meetings, the Directors are provided with the agenda together with Board papers containing reports and information relevant to the business of the meeting to enable sufficient timeframe to consider any matters arising.

The Directors whether as a full Board or in their individual capacity may obtain independent professional advice at the Company's expense in furtherance of their duties. In such a situation, a copy of the report or independent advice would be made available to the Chairman and all Directors for deliberation. No such Board matters were individually referred to external legal counsels for advice during financial year 2017.

Statement on Corporate Governance

Company Secretary

The Company Secretary is licensed under Companies Act, 2016 and plays a supporting role to the Board to ensure adherence to the Board policies, procedures, Bursa Securities Main Market Listing Requirements and other compliance.

The Company Secretary maintains the statutory records in accordance with legal requirements, organizes and facilitates the convening of Board meetings, Board committee meetings, general meetings, in consultation with the Board members and the Chairman in particular.

The Company Secretary records, prepares and circulates minutes of meeting of the Board and Board Committees and ensures that the minutes are properly kept at the registered office of the Company and produced for inspection, if required. In addition, the Company Secretary also updates and circulates to the Board members amendments to the Listing Requirements, practices and guidance notes from Bursa Malaysia Securities Berhad which affect the Company and its business operations.

In particular, the Company Secretary carries out, among others, the followings:

- attending Board and Board Committee meetings and ensuring that these meetings are properly convened and proceedings are properly recorded;
- ensuring that all appointments to the Board and Committees are properly made;
- maintaining records for the purposes of meeting statutory obligations;
- facilitating the ongoing provisions of information as may be requested by the Directors and supporting the Board in ensuring ongoing adherence to Board policies and procedures.

Board Committees

The Board has delegated specific responsibilities to Board Committees which comprise the Audit Committee, Nominating Committee and Remuneration Committee. These Committees operate within defined terms of reference and are limited to making recommendations to the Board for final decision on matters discussed and deliberated.

Minutes of proceedings and decisions taken during the meetings are recorded by the Company Secretary and circulated to the members of Board Committees.

Appointments to the Board

The Board had established a Nominating Committee with appropriate terms of reference on 25 February 2002. The members of the Committee, currently comprising wholly Independent Non-Executive Directors, are as follows:

1. Datuk Wan Kassim bin Ahmed (Chairman)
2. Mr Lim Mun Kee

Nominating Committee is chaired by a Senior Independent Director identified by the Board, thereby enhancing the Committee's overall effectiveness.

The Nominating Committee established by the Board, is responsible for screening, evaluating and recommending suitable candidates to the Board for appointment as Directors, as well as filling the vacant seats of the Board Committees. In respect of the appointment of Directors, the Company practises a clear and transparent nomination process which involves the identification of candidates, evaluation of suitability of candidates, meeting up with candidates, final deliberation by the Nominating Committee and recommendation to the Board. The potential candidates may be proposed by an existing director, senior management staff, shareholders or third parties. Upon completion of the assessment and evaluation of the proposed candidates, the Nominating Committee would make its recommendation to the Board. Based on the recommendation, the Board would evaluate and decide on the appointment of the proposed candidates.

The Nominating Committee has a formal assessment mechanism in place to assess on an annual basis, the effectiveness of the Board as a whole and the contribution of each individual director, including the Independent Non-Executive Directors. The Committee shall meet at least once a year. Additional meetings are held as and when required. During the financial year, the Committee met once on 24 May 2017.

At each meeting, the Nominating Committee considered the compositions of the Board and its committees as well as their performance. As a result of discussion, succession planning has become an area frequently visited by the Company's Risk Management Committee to ensure it would not become a material risk to the Group.

The Board Charter which contains the assessment mechanism can be located on the Company's website www.facbi.com.

Re-election

In accordance with the Company's Articles of Association (also known as Constitution), all Directors are subject to retirement from office at least once in every three (3) years, but shall be eligible for re-election. This provision is not only consistent with the underlying principles of the Code, but also, fully in line with paragraph 7.26 (2) of the Bursa Securities Main Market Listing Requirements. The Articles also provide that any director appointed during the year is required to retire and seek re-election at the following Annual General Meeting ("AGM") immediately after such appointment.

The Directors who are subject to re-election at the AGM will be assessed by the Nominating Committee on their performance whereupon recommendations will be submitted to the Board for decision on the proposed re-election of the Directors concerned for shareholders' approval at the forthcoming AGM.

DIRECTORS' REMUNERATION

Procedure

The Board had established a Remuneration Committee with appropriate terms of reference on 25 February 2002. The primary objective of the Remuneration Committee is to assist the Board in developing and establishing competitive remuneration policies and packages in all its forms, while drawing advice from experts if deemed necessary. The Committee currently comprising wholly Non-Executive Directors, are as follows:

1. Datuk Wan Kassim bin Ahmed (Chairman)
2. Dato' Dr. Abdul Razak bin Abdul
3. Mr Lim Mun Kee

The Committee shall meet at least once a year. Additional meetings shall be scheduled if considered necessary by the Committee or Chairman. During the financial year, the Committee met once on 24 August 2016.

The Level and Make-up of Remuneration

The Committee's duty is to, inter-alia, review the remuneration framework and packages of newly appointed and existing Executive Directors and make recommendations to the Board for approval, with the underlying objective of attracting, motivating and retaining Directors needed to run the Company successfully. In particular, the remuneration package is structured to commensurate with corporate and individual performance, business strategy and long term objective of the Company.

In respect of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken and is a matter for consideration by the Board as a whole. The Non-Executive Directors abstain from discussion pertaining to their own remuneration.

Disclosure

The details of Directors' Remuneration for the financial year are summarised under Other Compliance Statements of this Annual Report.

SHAREHOLDERS

Dialogue between Company and Shareholders

The Company recognises the importance of keeping shareholders well informed of the Group's major corporate developments and events. The Board had directed the Company to disclose all relevant information to shareholders to enable them to exercise their rights. Such information is duly and promptly announced via Bursa Malaysia and other appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

To further enhance transparency to all shareholders and stakeholders of the Company, the Group has established a website at www.facbi.com where shareholders can access information encompassing corporate information, financial highlights, annual reports and announcements via Bursa Malaysia Securities Berhad.

Annual General Meeting ("AGM")

AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Company. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Company's business.

The Company has taken active steps to encourage shareholder participation at general meetings such as serving notices for meetings earlier than the minimum notice period. The Chairman and members of the Board are available to respond to shareholders' queries during the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly announcements and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is also included in this Annual Report.

Internal Control

The Statement on Risk Management and Internal Control set out in this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

Relationship with the Auditors

The Board via the establishment of an Audit Committee maintains a formal and transparent relationship with the Company's auditors and place great emphasis on the objectivity and independence of the Company's external auditors.

The roles of the Audit Committee in relation to the auditors in particular, and corporate governance in general, are detailed in the Audit Committee Report of this Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 17 October 2017.

Statement on Risk Management and Internal Control

PREAMBLE

Pursuant to paragraph 15.26(b) of the Bursa Securities Main Market Listing Requirements, the Board of Directors is required to include in its Annual Report, a statement on the state of internal control of the Company. In making this Statement on Internal Control, it is essential to specifically address the Principles and Recommendations in the Malaysian Code on Corporate Governance ('the code") which relate to internal control.

RESPONSIBILITY

The Board of Directors has overall stewardship responsibility for the Company's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Company's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The associated companies have not been dealt with as part of the Company for the purpose of this statement.

INTERNAL CONTROL FRAMEWORK

The embedded control system is designed to facilitate achievement of the Company's business objectives. It comprises the underlying control environment, control procedures, communication and monitoring processes which manifest as follows:

- Organizational structure defining lines of responsibility, delegation of authority, segregation of duties and information flow. Besides the predominantly non-executive standing committees such as the Audit, Nominating and Remuneration Committees, the Board is supported by executive management operationally to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.

- Policies, procedures and standards have been established, periodically reviewed and updated in accordance with changes in the operating environment.

- Comprehensive budgeting process for major operating units with periodical monitoring of performance so that major variances are followed up and management action taken.

- Functional limits of authority in respect of revenue and capital expenditure for all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.

- Detailed justification and approval process for major projects and acquisitions imposed, to ensure congruence with the Company's strategic objectives.

- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.

RISK MANAGEMENT FRAMEWORK

Besides primary ownership over effectiveness of the Company's internal control systems, the Board regards risk management as an integral part of the business operations. The Board recognizes its responsibility over the principal risks of various aspects of the Company's business. For long term viability of the Company, the Board acknowledges that, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Company confirms that there is an on-going process of identifying, evaluating, managing, monitoring and reporting significant risks affecting the achievement of the Company's business objectives via the establishment of an in-house structured risk management framework.

A Risk Advisory Committee ("RAC") comprising senior management personnel conduct the process of identifying, evaluating, managing, monitoring and reporting significant risks is also responsible for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 1 March 2002.

In particular, the Company's risk management process is focused on the following objectives:

- risks arising from business strategies and activities are identified and prioritized by functional heads;

- management and the Board have determined the Company's risk appetite vis-à-vis the accomplishment of the Company's strategic plans;

- risk mitigation activities are designed and implemented to manage risks at an acceptable level sanctioned by management and the Board.

A key risk register would be prepared by RAC, tabled at the Audit Committee meeting for review and circulated to the Board for notation. The risk management process involves:

1. Establishment of objectives
2. Identification of risks
3. Analysis and evaluation of risks
4. Treatment of risks
5. Monitoring and review of risks

The key risks identified by RAC include:

1. Export and profit margins in view of trade liberalization and protectionism
2. Key competitors and sales enhancement
3. Brand protection, to remain as top consumer choice
4. Risk of fire and accidents
5. Succession planning
6. Operational efficiency, effectiveness and sustainability

Statement on Risk Management and Internal Control

During the financial year, the RAC monitored the Company's significant risks and recommended appropriate treatments. The Audit Committee facilitated by the internal audit function, establishes the adequacy and effectiveness of the Company's Risk Management Framework by regularly reviewing the resultant RAC risk registers.

INTERNAL AUDIT

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Company's system of internal control.

In particular, Internal Audit appraise and contribute towards improving the Company's risk management and internal control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Company's major business sectors is routinely reviewed and approved by the Audit Committee.

Quarterly, the Board of Directors, through its Audit Committee, has reviewed the adequacy and effectiveness of the Company's risk management process and internal control systems and relevant actions have been or are being taken as the case may be, to remedy the internal control weaknesses identified from the reviews, which was largely based on the outcome of observations raised by internal auditors directly to the Audit Committee.

INTERNAL CONTROL ISSUES

Management maintains an ongoing commitment to strengthen the Company's control environment and processes. The Chief Executive Officer and the Chief Financial Officer have provided assurance to the Board that the Company's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control frameworks of the Company. The management will continue and take measures to ensure the ongoing effectiveness and adequacy of the system of risk management and internal controls, so as to safeguard shareholders' investment and the Company's assets. During the year, there were no material losses caused by breakdown in internal control.

This statement is made in accordance with a resolution of the Board of Directors dated 17 October 2017 and has been duly reviewed by the external auditors, pursuant to paragraph 15.23 of the Bursa Securities Main Market Listing Requirements.

Other Compliance Statements

1. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Paragraph 15.26(a) of Bursa Securities Main Market Listing Requirements

The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the results of their operations and cashflows for that period.

In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 2016.

They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

During the financial year, the Board held four (4) formal meetings. The attendance of Directors at the Board Meetings is as follows:

	Board Meetings			
Directors	**24.8.2016**	**23.11.2016**	**15.2.2017**	**24.5.2017**
Datuk Wan Kassim bin Ahmed	√	√	√	√
Tan Sri Dr. Chen Lip Keong (retired on 30.11.2016)	√	√	N/A	N/A
Puan Sri Lee Chou Sarn	√	√	√	√
Dato' Dr. Abdul Razak bin Abdul	√	√	√	√
Chen Yiy Fon	√	√	√	√
Lim Mun Kee	√	√	√	√

N/A	Not Applicable	√	Attended	X	Not attended

3. DIRECTORS' REMUNERATION

The remuneration of Directors for the financial year is categorized as follows:

In RM	Executive		Non-Executive	
	Company	Group	Company	Group
Fees	–	–	225,240	225,240
Salaries & Other Emoluments	–	654,304	–	–
Benefits In Kind	–	24,350	–	–
Total	**678,654**		**225,240**	

The number of Directors whose remuneration fall within the following bands are as follows:

	No. of Directors	
Range of remuneration (In RM)	Executive	Non-Executive
Below 50,000	–	–
50,001 to 100,000	–	3
100,001 to 150,000	1	–
150,001 to 200,000	–	–
200,001 to 250,000	1	–
250,001 to 300,000	–	–
300,001 to 350,000	1	–
Total	**3**	**3**

The above disclosure is in compliance with the Bursa Securities Main Market Listing Requirements. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy and would not significantly enhance shareholders' understanding.

4. UTILISATION OF PROCEEDS

During the financial year, the Company did not raise funds from any corporate exercise.

5. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees for the financial year are listed below:

	Company (RM)	Group (RM)
Audit services rendered	40,000	174,700
Non-audit services rendered	5,000	5,000
Total	45,000	179,700

6. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving Directors, Chief Executive who is not a director or major shareholders during the financial year or subsisting at the end of the financial year.

7. REVALUATION POLICY

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

8. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

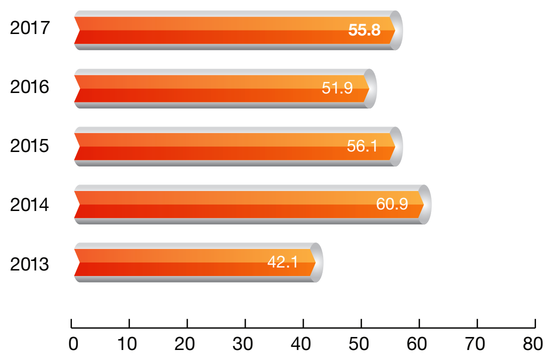
There were no material recurrent related party transactions of a revenue nature during the year.

These statements are made in accordance with resolution(s) of the Board of Directors dated 17 October 2017.

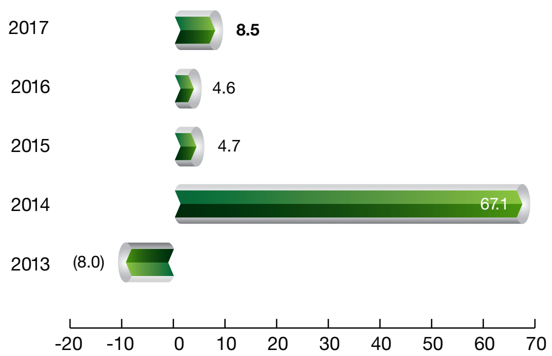
5 Years Group Financial Highlights

In RM'000	2013	2014	2015	2016	2017
Revenue from continuing operations	42,066	60,873	56,087	51,859	**55,790**
Profit from continuing operations before tax	13,775	69,453	8,436	8,537	**13,404**
(Loss)/Profit from discontinued operations before tax	(14,912)	73	(162)	–	**–**
Profit/(Loss) attributable to owners of the parent	(7,970)	67,148	4,749	4,642	**8,515**
Total assets	196,165	241,426	235,448	235,181	**239,771**
Equity attributable to owners of the parent	154,278	211,697	205,800	207,325	**213,417**
In RM					
Net assets per share	1.84	2.52	2.45	2.47	**2.54**
In Sen					
Earnings/(Loss) per share	(9.50)	80.05	5.66	5.53	**10.15**

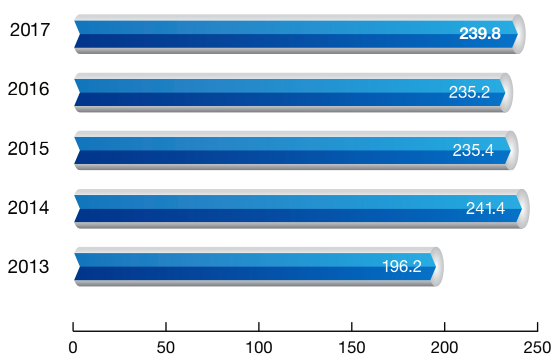
REVENUE FROM CONTINUING OPERATIONS
(RM'Million)



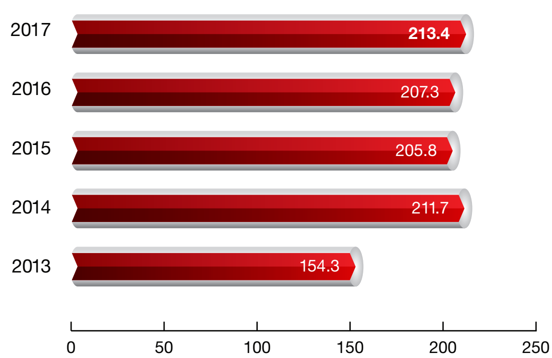
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT
(RM'Million)



TOTAL ASSETS
(RM'Million)



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT
(RM'Million)



FACB Industries Incorporated Berhad
Annual Report 2017

Reports and Financial Statements

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

Principal Activities

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

Financial Results

	Group RM	Company RM
Net profit/(loss) for the financial year	**11,122,064**	**(6,783,598)**
Attributable to:		
Owners of the parent	**8,514,717**	**(6,783,598)**
Non-controlling interests	**2,607,347**	**–**
	11,122,064	**(6,783,598)**

Reserves and Provisions

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

Dividends

During the financial year, the Company paid a final single-tier dividend of 2.5 sen per ordinary share of RM1 each on 19 January 2017 amounting to RM2,097,070 in respect of financial year ended 30 June 2016.

The Directors recommend a final single-tier dividend of 4 sen per ordinary share in respect of the financial year ended 30 June 2017, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Issue of Shares and Debentures

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

Treasury Shares

During the financial year, the Company did not repurchase any of its issued and fully paid ordinary shares.

As at 30 June 2017, the Company held as treasury shares a total of 1,279,700 of its 85,162,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,225,544 and are disclosed in Note 18 to the financial statements.

Directors

The Directors in office during the financial year until the date of this report are:

Datuk Wan Kassim Bin Ahmed	
Tan Sri Dr. Chen Lip Keong	(Retired on 30 November 2016)
Puan Sri Lee Chou Sarn	
Dato' Dr. Abdul Razak Bin Abdul	
Chen Yiy Fon	
Lim Mun Kee	

Directors' Interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Interest in the Company				
Direct Interest				
Puan Sri Lee Chou Sarn	505,493	–	–	**505,493**

Notes:
(i) Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong; and
(ii) Chen Yiy Fon is the son of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

By virtue of their interests in shares of the Company, the Directors as disclosed above are also deemed interested in the shares of all the subsidiaries during the financial year to the extent of the Company has an interest under Section 8 of the Companies Act, 2016.

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

Directors' Report

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Notes 24, 29 and 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any 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.

Indemnity and Insurance Costs

During the financial year, the total amount of insurance effected for Directors and officers of the Company amounted to RM10,281.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debt to be written off and adequate allowance had been made for doubtful debts; and

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

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

   (i) which would render it necessary to write off any bad debt 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

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

   (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

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

Other Statutory Information (Cont'd)

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

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

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(d) In the opinion of the Directors:

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

   (ii) the results of the operations 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

   (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsequent Event

The subsequent event is disclosed in Note 37 to the financial statements.

Subsidiaries

The details of the subsidiaries are disclosed in Notes 5 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 24 to the financial statements.

Directors' Report

Auditors

Messrs UHY retires at the forthcoming annual general meeting and does not wish to seek re-appointment.

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

PUAN SRI LEE CHOU SARN **DATO' DR. ABDUL RAZAK BIN ABDUL**

KUALA LUMPUR

Statement By Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of FACB INDUSTRIES INCORPORATED BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 43 to 121 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance and the cash flows for the financial year then ended.

The supplementary information set out in Note 38 on page 122 have been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

PUAN SRI LEE CHOU SARN **DATO' DR. ABDUL RAZAK BIN ABDUL**

KUALA LUMPUR

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

I, BONG SHEE CHENG, being the officer primarily responsible for the financial management of FACB INDUSTRIES INCORPORATED BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 43 to 122 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at KUALA LUMPUR in the)
Federal Territory on 17 October 2017)

BONG SHEE CHENG

Before me,

MOHAN A.S. MANIAM (W710)
COMMISSIONER FOR OATHS

Independent Auditors' Report

To the members of FACB INDUSTRIES INCORPORATED BERHAD (Company No: 48850-K)
(Incorporated in Malaysia)

Report on the Financial Statements

Opinion

We have audited the financial statements of FACB INDUSTRIES INCORPORATED BERHAD, which comprise the statements of financial position of the Group and of the Company as at 30 June 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Requirements

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

Key Audit Matters

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

Key Audit Matters (Cont'd)

Key Audit Matters	How We Addressed The Key Audit Matters
Investment in associates One of the indirect subsidiary of the Company (55% shareholding), Kanzen Energy Ventures Sdn. Bhd. ("KEV") invested in two (2) associates, Jiangyin Binjang Power Supply Co. Ltd ("JBP") (effective interest 16.5%) and Jiangyin Chengdong Power Supply Co. Ltd. ("JCP") (effective interest 16.5%). The associates are accounted for under equity method. In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the profits and net assets of JBP and JCP are summarised below:	- We have met with the component auditors and discussed their identified audit risks and audit approach. We have reviewed their working papers and discussed with them the results of their work together with their reporting to us in accordance with our instructions we have determined that the audit work performed and evidence obtained were sufficient for our purpose; - We have met and discussed with the component auditors and the associates' management in evaluating the financial impact on the Group financial statements;
Impairment of property, plant and equipment The Group review the property, plant and equipment to determine whether there is any indication of impairment. The property, plant and equipment's recoverable amount is estimated when such indication exists.	- We evaluated the assumptions made by the management regarding identification of assets and cash generating units for impairment assessment; - We assessed and evaluated the reasonableness and appropriateness of impairment made by the management; - We have conducted physical sighting on selected items of the property, plant and equipment; and - We have considered the work performed by the component auditors.

Information Other Than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 122 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

NG LEONG TECK
Approved Number: 3168/12/17 (J)
Chartered Accountant

KUALA LUMPUR
17 October 2017

Statements of Financial Position

As at 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**5,282,851**	5,631,664	**1,719**	1,291
Interests in subsidiaries	5	**–**	–	**15,464,976**	25,639,914
Investment in associates	6	**24,652,950**	24,560,483	**–**	–
Available-for-sale investment	7	**20,350,875**	18,654,969	**20,350,875**	18,654,969
Deferred tax assets	8	**1,100,000**	885,000	**–**	–
		51,386,676	49,732,116	**35,817,570**	44,296,174
Current Assets					
Inventories	9	**13,664,302**	12,175,114	**–**	–
Trade receivables	10	**11,277,235**	13,163,296	**–**	–
Other receivables	11	**2,458,711**	3,409,653	**1,335,032**	731,027
Tax recoverables	12	**321,296**	198,529	**–**	–
Amount owing by subsidiaries	13	**–**	–	**13,646,350**	15,031,767
Amount owing by associates	14	**117,814**	117,524	**–**	–
Deposits with licensed banks	15	**155,298,991**	150,859,694	**139,508,824**	139,169,385
Cash and bank balances		**5,245,665**	5,524,608	**263,111**	82,379
		188,384,014	185,448,418	**154,753,317**	155,014,558
TOTAL ASSETS		**239,770,690**	235,180,534	**190,570,887**	199,310,732

Statements of Financial Position

As at 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	16	**85,162,500**	85,162,500	**85,162,500**	85,162,500
Share premium	17	**28,989,335**	28,989,335	**28,989,335**	28,989,335
Treasury shares	18	**(1,225,544)**	(1,225,544)	**(1,225,544)**	(1,225,544)
Other reserves	19	**(12,164,672)**	(11,839,349)	**(17,332,161)**	(19,028,067)
Retained earnings		**112,655,740**	106,238,093	**92,042,743**	100,923,411
Equity attributable to owners of the parent		**213,417,359**	207,325,035	**187,636,873**	194,821,635
Non-controlling interests		**18,582,198**	16,381,189	**–**	–
Total Equity		**231,999,557**	223,706,224	**187,636,873**	194,821,635
Liabilities					
Non-Current Liability					
Deferred tax liabilities	8	**150,000**	119,000	**–**	–
Current Liabilities					
Trade payables	20	**3,597,458**	4,703,734	**–**	–
Other payables	21	**3,812,262**	6,482,989	**159,978**	548,006
Amount owing to subsidiaries	13	**–**	–	**2,603,902**	3,814,973
Tax liabilities		**211,413**	168,587	**170,134**	126,118
		7,621,133	11,355,310	**2,934,014**	4,489,097
Total Liabilities		**7,771,133**	11,474,310	**2,934,014**	4,489,097
TOTAL EQUITY AND LIABILITIES		**239,770,690**	235,180,534	**190,570,887**	199,310,732

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

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	22	**55,789,886**	51,859,358	**1,490,000**	2,000,000
Direct operating costs	23	**(39,721,742)**	(37,246,595)	**–**	–
Gross profit		**16,068,144**	14,612,763	**1,490,000**	2,000,000
Other income		**13,498,815**	7,925,956	**5,919,691**	6,591,403
Selling and distribution costs		**(8,934,725)**	(8,528,445)	**–**	–
Administrative expenses		**(8,322,457)**	(8,360,377)	**(816,837)**	(827,295)
Other operating expenses		**(697,865)**	(859,998)	**(12,105,269)**	(5,458,881)
		(17,955,047)	(17,748,820)	**(12,922,106)**	(6,286,176)
Profit/(Loss) from operations		**11,611,912**	4,789,899	**(5,512,415)**	2,305,227
Share of results of associates		**1,791,947**	3,746,866	**–**	–
Profit/(Loss) before tax	24	**13,403,859**	8,536,765	**(5,512,415)**	2,305,227
Taxation	25	**(2,281,795)**	(2,182,096)	**(1,271,183)**	(914,518)
Net profit/(loss) for the financial year		**11,122,064**	6,354,669	**(6,783,598)**	1,390,709
Other comprehensive income:					
Foreign currency translation differences		**(476,290)**	1,404,654	**–**	–
Fair value adjustment of available-for-sale investment		**1,695,906**	(1,695,906)	**1,695,906**	(1,695,906)
Other comprehensive income, net of tax		**1,219,616**	(291,252)	**1,695,906**	(1,695,906)
Total comprehensive income for the financial year		**12,341,680**	6,063,417	**(5,087,692)**	(305,197)

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit/(Loss) attributable to:					
Owners of the parent		**8,514,717**	4,641,875	**(6,783,598)**	1,390,709
Non-controlling interests		**2,607,347**	1,712,794	**–**	–
		11,122,064	6,354,669	**(6,783,598)**	1,390,709
Total comprehensive income attributable to:					
Owners of the parent		**10,000,671**	4,053,958	**(5,087,692)**	(305,197)
Non-controlling interests		**2,341,009**	2,009,459	**–**	–
		12,341,680	6,063,417	**(5,087,692)**	(305,197)
Earnings per share	26				
Basic earnings per share (sen):		**10.15**	5.53		
Diluted earnings per share (sen):		**N/A**	N/A		

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

Statements Of Changes in Equity

For the financial year ended 30 June 2017

Group	Share Capital RM	Share Premium RM	Reserves of Subsidiary RM	Foreign Currency Translation Reserve RM	Fair Value Reserve RM	Other Reserve RM	Retained Earnings RM	Treasury Shares RM	Total RM	Non-controlling Interests RM	Total Equity RM
	← Attributable to Owners of the Parent →										
	← Non-distributable →						Distributable				
At 1 July 2015	85,162,500	28,989,335	234,160	6,232,513	(17,332,161)	280,100	103,459,128	(1,225,544)	205,800,031	18,643,064	224,443,095
Comprehensive income											
Net profit for the financial year	–	–	–	–	–	–	4,641,875	–	4,641,875	1,712,794	6,354,669
Other comprehensive income											
Foreign currency translation differences	–	–	–	1,107,989	–	–	–	–	1,107,989	296,665	1,404,654
Fair value adjustment of available-for-sale investment	–	–	–	–	(1,695,906)	–	–	–	(1,695,906)	–	(1,695,906)
Total other comprehensive income for the financial year	–	–	–	1,107,989	(1,695,906)	–	–	–	(587,917)	296,665	(291,252)
Total comprehensive income for the financial year	–	–	–	1,107,989	(1,695,906)	–	4,641,875	–	4,053,958	2,009,459	6,063,417
Transactions with owners:											
Dividends to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(3,465,000)	(3,465,000)
Dividends paid (Note 27)	–	–	–	–	–	–	(2,097,070)	–	(2,097,070)	–	(2,097,070)
Deregistration of a subsidiary	–	–	(234,160)	(431,884)	–	–	234,160	–	(431,884)	(806,334)	(1,238,218)
Total transactions with owners	–	–	(234,160)	(431,884)	–	–	(1,862,910)	–	(2,528,954)	(4,271,334)	(6,800,288)
At 30 June 2016	85,162,500	28,989,335	–	6,908,618	(19,028,067)	280,100	106,238,093	(1,225,544)	207,325,035	16,381,189	223,706,224

Statements Of Changes In Equity

For the financial year ended 30 June 2017

	Attributable to Owners of the Parent									
	Non-distributable					Distributable				
Group	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Fair Value Reserve RM	Other Reserve RM	Retained Earnings RM	Treasury Shares RM	Total RM	Non-controlling Interests RM	Total Equity RM
At 1 July 2016	85,162,500	28,989,335	6,908,618	(19,028,067)	280,100	106,238,093	(1,225,544)	207,325,035	16,381,189	223,706,224
Comprehensive income										
Net profit for the financial year	-	-	-	-	-	8,514,717	-	8,514,717	2,607,347	11,122,064
Other comprehensive income										
Foreign currency translation differences	-	-	(209,952)	-	-	-	-	(209,952)	(266,338)	(476,290)
Fair value adjustment of available-for-sale investment	-	-	-	1,695,906	-	-	-	1,695,906	-	1,695,906
Total other comprehensive income for the financial year	-	-	(209,952)	1,695,906	-	-	-	1,485,954	(266,338)	1,219,616
Total comprehensive income for the financial year	-	-	(209,952)	1,695,906	-	8,514,717	-	10,000,671	2,341,009	12,341,680
Transactions with owners:										
Dividend to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(140,000)	(140,000)
Dividends paid (Note 27)	-	-	-	-	-	(2,097,070)	-	(2,097,070)	-	(2,097,070)
Deregistration of a subsidiary	-	-	(1,811,277)	-	-	-	-	(1,811,277)	-	(1,811,277)
Total transactions with owners	-	-	(1,811,277)	-	-	(2,097,070)	-	(3,908,347)	(140,000)	(4,048,347)
At 30 June 2017	85,162,500	28,989,335	4,887,389	(17,332,161)	280,100	112,655,740	(1,225,544)	213,417,359	18,582,198	231,999,557

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

	Non-distributable			Distributable		
	Share Capital RM	Share Premium RM	Fair Value Reserve RM	Retained Earnings RM	Treasury Shares RM	Total Equity RM
Company						
At 1 July 2015	85,162,500	28,989,335	(17,332,161)	101,629,772	(1,225,544)	197,223,902
Comprehensive income						
Net profit for the financial year	–	–	–	1,390,709	–	1,390,709
Other comprehensive income						
Fair value adjustment of available-for-sale investment	–	–	(1,695,906)	–	–	(1,695,906)
Total comprehensive income for the financial year	–	–	(1,695,906)	1,390,709	–	(305,197)
Transaction with owners:						
Dividends paid (Note 27)	–	–	–	(2,097,070)	–	(2,097,070)
Total transactions with owners	–	–	–	(2,097,070)	–	(2,097,070)
At 30 June 2016	85,162,500	28,989,335	(19,028,067)	100,923,411	(1,225,544)	194,821,635
At 1 July 2016	**85,162,500**	**28,989,335**	**(19,028,067)**	**100,923,411**	**(1,225,544)**	**194,821,635**
Comprehensive income						
Net loss for the financial year	**–**	**–**	**–**	**(6,783,598)**	**–**	**(6,783,598)**
Other comprehensive income						
Fair value adjustment of available-for-sale investment	**–**	**–**	**1,695,906**	**–**	**–**	**1,695,906**
Total comprehensive income for the financial year	**–**	**–**	**1,695,906**	**(6,783,598)**	**–**	**(5,087,692)**
Transaction with owners:						
Dividends paid (Note 27)	**–**	**–**	**–**	**(2,097,070)**	**–**	**(2,097,070)**
Total transactions with owners	**–**	**–**	**–**	**(2,097,070)**	**–**	**(2,097,070)**
At 30 June 2017	**85,162,500**	**28,989,335**	**(17,332,161)**	**92,042,743**	**(1,225,544)**	**187,636,873**

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

Statements of Cash Flows

For the financial year ended 30 June 2017

		Group	
		2017	2016
	Note	RM	RM
Cash Flows From Operating Activities			
Profit before tax		**13,403,859**	8,536,765
Adjustments for:			
Depreciation of property, plant and equipment		**712,474**	700,058
Impairment loss on trade receivables		**695,705**	774,018
Inventories written down		**191,394**	76,883
Property, plant and equipment written off		**1**	12
Interest income		**(5,885,958)**	(5,793,516)
Gain on deregistration of subsidiaries	5(a)	**(1,811,277)**	(517,052)
Gain on disposal of property, plant and equipment		**(33)**	(3,998)
Gain on disposal of unquoted investment		**–**	(11)
Share of results of associates		**(1,791,947)**	(3,746,866)
Reversal of impairment loss on trade receivables		**(269,652)**	(742,494)
Reversal of write down of inventories		**(102,230)**	(170,390)
Unrealised loss on foreign exchange		**4,745**	26,286
Operating profit/(loss) before working capital changes		**5,147,081**	(860,305)
(Increase)/Decrease in inventories		**(1,578,352)**	2,839,183
Decrease/(Increase) in receivables		**1,735,095**	(637,089)
(Decrease)/Increase in payables		**(3,129,156)**	814,240
Cash generated from operations		**2,174,668**	2,156,029
Interest received		**5,904,260**	5,507,982
Income tax paid		**(2,606,874)**	(2,650,486)
Income tax refunded		**61,138**	402,780
Net cash generated from operating activities		**5,533,192**	5,416,305

	Note	Group 2017 RM	Group 2016 RM
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		**(364,529)**	(475,188)
Dividends received from associates		**1,225,343**	7,131,192
Proceeds from disposal of property, plant and equipment		**900**	4,003
Proceeds from disposal of unquoted investment		**–**	11
Net cash outflow on deregistration of a subsidiary	5(a)	**–**	(721,166)
Net cash generated from investing activities		**861,714**	5,938,852
Cash Flows From Financing Activities			
Dividends paid		**(2,097,070)**	(2,097,070)
Dividends paid to non-controlling interests by subsidiaries		**(140,000)**	(3,465,000)
Net cash used in financing activities		**(2,237,070)**	(5,562,070)
Net increase in cash and cash equivalents		**4,157,836**	5,793,087
Effect of exchange rate changes		**2,518**	(9,895)
Cash and cash equivalents at the beginning of the financial year		**154,814,302**	149,031,110
Cash and cash equivalents at the end of the financial year		**158,974,656**	154,814,302
Cash and cash equivalents at the end of the financial year comprise:			
Deposits with licensed banks		**155,298,991**	150,859,694
Cash and bank balances		**5,245,665**	5,524,608
		160,544,656	156,384,302
Less: Deposits pledged to licensed bank		**(1,570,000)**	(1,570,000)
	28	**158,974,656**	154,814,302

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

Statements of Cash Flows

For the financial year ended 30 June 2017

	Note	Company 2017 RM	Company 2016 RM
Cash Flows From Operating Activities			
(Loss)/Profit before tax		**(5,512,415)**	2,305,227
Adjustments for:			
Depreciation of property, plant and equipment		**823**	573
Impairment loss on amount owing by subsidiaries		**1,911,068**	–
Impairment loss on investment in subsidiaries		**10,174,937**	5,352,275
Loss on deregistration of a subsidiary		**1**	–
Waiver of amount owing by subsidiaries		**19,263**	102,540
Gain on disposal of unquoted investment		**–**	(11)
Interest income		**(5,509,773)**	(5,391,170)
Reversal of impairment loss on amount owing by subsidiaries		**–**	(56,108)
Unrealised gain on foreign exchange		**(610)**	(1,806)
Windfall from waiver of amount owing to subsidiaries		**–**	(1,136,563)
Operating profit before working capital changes		**1,083,294**	1,174,957
(Increase)/Decrease in receivables		**(650,000)**	26,549
Decrease in payables		**(388,028)**	(9,401)
Cash generated from operations		**45,266**	1,192,105
Interest received		**5,555,768**	5,081,198
Income tax paid		**(1,227,167)**	(1,058,824)
Net cash generated from operating activities		**4,373,867**	5,214,479
Cash Flows From Investing Activities			
Proceeds from disposal of unquoted investment		**–**	11
Purchase of property, plant and equipment		**(1,251)**	–
(Advances to)/Repayments from subsidiaries		**(544,914)**	1,135,488
Net cash (used in)/generated from investing activities		**(546,165)**	1,135,499

	Note	Company 2017 RM	2016 RM
Cash Flows From Financing Activities			
(Repayments to)/Advances from subsidiaries		**(1,211,071)**	2,573,060
Dividends paid		**(2,097,070)**	(2,097,070)
Net cash (used in)/generated from financing activities		**(3,308,141)**	475,990
Net increase in cash and cash equivalents		**519,561**	6,825,968
Effect of exchange rate changes		**610**	1,806
Cash and cash equivalents at the beginning of the financial year		**139,251,764**	132,423,990
Cash and cash equivalents at the end of the financial year		**139,771,935**	139,251,764
Cash and cash equivalents at the end of the financial year comprise:			
Deposits with licensed banks		**139,508,824**	139,169,385
Cash and bank balances		**263,111**	82,379
	28	**139,771,935**	139,251,764

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

Notes to the Financial Statements

For the financial year ended 30 June 2017

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company's principal place of business and registered office is located at Etiqa Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 5.

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

The financial statements of the Group and the Company for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 17 October 2017.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

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

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets For Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company, except as mentioned below:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

(ii) <u>MFRS 15 *Revenue from Contracts with Customers*</u>

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group and the Company are in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(iii) <u>MFRS 16 *Leases*</u>

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. The right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

2. Basis of Preparation (Cont'd)

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

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

Key sources of estimation uncertainty

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

(i) <u>Useful lives of property, plant and equipment</u> (Note 4)

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(ii) <u>Impairment of investment in subsidiaries</u>

The Company reviews its investment in subsidiaries when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investment in subsidiaries is disclosed in Note 5.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

(iii) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences 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. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 8.

(iv) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9.

(v) Impairment of loan and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for receivables are disclosed in Notes 10, 11, 13 and 14 respectively.

(vi) Income taxes

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.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

(vi) Income taxes (cont'd)

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. 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. As at 30 June 2017, the Group has tax recoverable and payable of RM321,296 (2016: RM198,529) and RM211,413 (2016: RM168,587) respectively.

(vii) Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group, for matters in the ordinary course of business. Details on contingent liabilities are disclosed in Note 36.

3. Significant Accounting Policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group of companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiaries is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (cont'd)

(iii) Disposal of subsidiaries

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3. Significant Accounting Policies (Cont'd)

(b) Investment in associates (cont'd)

The financial statements of the associates are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investment in associates is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k) on impairment of non-financial assets.

(c) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These 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 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 (Cont'd)

(c) Foreign currency translation (cont'd)

(i) Foreign currency transactions and balances (cont'd)

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

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (cont'd)

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

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

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (cont'd)

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

(e) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition measured at amortised cost.

The Group's and the Company's financial liabilities comprise trade and other payables.

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

Gains or losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(f) Offsetting of financial instruments

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

3. Significant Accounting Policies (Cont'd)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment loss is in accordance with Note 3(k).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on straight line basis to write off the cost or valuation of each property, plant and equipment to its residual value over its estimated useful life. Property, plant and equipment under construction/installation are not depreciated until the assets are ready for its intended use.

3. Significant Accounting Policies (Cont'd)

(g) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Property, plant and equipment are depreciated based on the estimated useful lives as follows:

Leasehold land	2%
Buildings	2%
Plant and machinery	10 – 20%
Office equipment, furniture, fittings, renovations and motor vehicles	10 – 20%

The residual values, useful lives and depreciation method are reviewed at each reporting period end 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 property, plant and equipment.

(h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>As lessee</u>

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

3. Significant Accounting Policies (Cont'd)

(h) Leases (cont'd)

<u>As lessee</u> (cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(i) Inventories

Raw materials, work-in-progress, finished goods and consumables are stated at the lower of cost and net realisable value.

Cost of raw materials, spare parts and consumables are determined on the weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads.

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

3. Significant Accounting Policies (Cont'd)

(k) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investment in subsidiaries and associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

<u>Financial assets carried at amortised cost</u>

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's 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 defaults on receivables.

3. Significant Accounting Policies (Cont'd)

(k) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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

Available-for-sale financial assets

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

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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

3. Significant Accounting Policies (Cont'd)

(k) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the Group's share of net assets or the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(l) Share capital

(i) Ordinary shares

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

Dividend distribution to the Company's shareholders is recognised as a liability in the period it is approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares in the statement of changes in equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied as a reduction of the share premium account or the distributable retained earnings or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3. Significant Accounting Policies (Cont'd)

(m) Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iii) Dividend revenue

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

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period 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. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). The Group's foreign subsidiaries in The People's Republic of China also make contributions to their country's statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

3. Significant Accounting Policies (Cont'd)

(o) Income tax

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(p) Segments reporting

An operating segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker and Group's board of directors who are responsible for allocating and assessing performance of the operating segments.

3. Significant Accounting Policies (Cont'd)

(q) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(r) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

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

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

4. Property, Plant and Equipment

Group	Short Term Leasehold Land RM	Buildings RM	Plant & Machinery RM	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles RM	Total RM
2017					
Cost					
At 1 July 2016	**1,300,000**	**3,693,675**	**7,273,593**	**5,656,828**	**17,924,096**
Additions	**–**	**–**	**352,678**	**11,851**	**364,529**
Disposals	**–**	**–**	**–**	**(3,250)**	**(3,250)**
Written off	**–**	**–**	**(1)**	**–**	**(1)**
At 30 June 2017	**1,300,000**	**3,693,675**	**7,626,270**	**5,665,429**	**18,285,374**
Accumulated Depreciation					
At 1 July 2016	**632,839**	**1,833,394**	**5,321,962**	**4,504,237**	**12,292,432**
Charge for the financial year	**25,771**	**73,873**	**298,134**	**314,696**	**712,474**
Disposals	**–**	**–**	**–**	**(2,383)**	**(2,383)**
At 30 June 2017	**658,610**	**1,907,267**	**5,620,096**	**4,816,550**	**13,002,523**
Net Carrying Amount					
At 30 June 2017	**641,390**	**1,786,408**	**2,006,174**	**848,879**	**5,282,851**
2016					
Cost					
At 1 July 2015	1,300,000	3,693,675	7,286,798	5,367,708	17,648,181
Additions	–	–	186,056	289,132	475,188
Disposals	–	–	(199,261)	–	(199,261)
Written off	–	–	–	(12)	(12)
At 30 June 2016	1,300,000	3,693,675	7,273,593	5,656,828	17,924,096
Accumulated Depreciation					
At 1 July 2015	607,074	1,759,520	5,219,393	4,205,643	11,791,630
Charge for the financial year	25,765	73,874	301,825	298,594	700,058
Disposals	–	–	(199,256)	–	(199,256)
At 30 June 2016	632,839	1,833,394	5,321,962	4,504,237	12,292,432
Net Carrying Amount					
At 30 June 2016	667,161	1,860,281	1,951,631	1,152,591	5,631,664

4. Property, Plant and Equipment (Cont'd)

	Office Equipment RM	Renovation RM	Furniture & Fittings RM	Motor Vehicle RM	Total RM
Company					
2017					
Cost					
At 1 July 2016	**25,934**	**190,182**	**141,681**	**588,000**	**945,797**
Additions	**1,251**	**–**	**–**	**–**	**1,251**
At 30 June 2017	**27,185**	**190,182**	**141,681**	**588,000**	**947,048**
Accumulated Depreciation					
At 1 July 2016	**24,811**	**190,142**	**141,554**	**587,999**	**944,506**
Charge for the financial year	**809**	**–**	**14**	**–**	**823**
At 30 June 2017	**25,620**	**190,142**	**141,568**	**587,999**	**945,329**
Net Carrying Amount					
At 30 June 2017	**1,565**	**40**	**113**	**1**	**1,719**
2016					
Cost					
At 1 July 2015/ 30 June 2016	25,934	190,182	141,681	588,000	945,797
Accumulated Depreciation					
At 1 July 2015	24,252	190,142	141,540	587,999	943,933
Charge for the financial year	559	–	14	–	573
At 30 June 2016	24,811	190,142	141,554	587,999	944,506
Net Carrying Amount					
At 30 June 2016	1,123	40	127	1	1,291

5. Interests in Subsidiaries

	Company 2017 RM	Company 2016 RM
Investment in subsidiaries		
Unquoted shares, at cost	**31,092,189**	31,092,189
Less: Accumulated impairment losses	**(15,627,212)**	(5,452,275)
Less: Amount written off	**(1)**	–
	15,464,976	25,639,914
Amount owing by a subsidiary		
Amount owing by a subsidiary	**5,730,481**	5,728,837
Less: Allowance for impairment losses	**(5,730,481)**	(5,728,837)
	–	–

During the financial year, impairment losses on investment in subsidiaries amounting to RM10,174,937 (2016: RM5,352,275) were recognised.

Amount owing by a subsidiary is non-trade in nature, unsecured and interest free. The settlements of the amount are neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment losses.

The movement in allowance for impairment is individually impaired as follows:

	Company 2017 RM	Company 2016 RM
At 1 July	**5,728,837**	5,731,862
Reversal	**–**	(3,025)
Addition	**1,644**	–
At 30 June	**5,730,481**	5,728,837

5. **Interests in Subsidiaries (Cont'd)**

Details of the subsidiaries are as follows:

Name of Company		Country of Incorporation	Effective Direct Interest (%) 2017	2016	Principal Activities
Held by the Company					
Creation Holdings Berhad		Malaysia	**100**	100	Dormant
Dreamland Spring Sdn. Bhd.		Malaysia	**100**	100	Investment holding
Dream Tours Sdn. Bhd.		Malaysia	**100**	100	Dormant
Estasi Stainlessware Sdn. Bhd.		Malaysia	**100**	100	Dormant
Global Glister Limited	*	Hong Kong	**–**	100	Deregistered
Kanzen Chuzoo Sdn. Bhd.		Malaysia	**100**	100	Dormant
Kanzen Hartanah Sdn. Bhd.		Malaysia	**100**	100	Dormant
Kanzen Land Sdn. Bhd.		Malaysia	**100**	100	Dormant
Kanzen Management Sdn. Bhd.		Malaysia	**100**	100	Providing management and secretarial services
Kanzen Properties Sdn. Bhd.		Malaysia	**100**	100	Dormant
Kanzen Shindo Sdn. Bhd.		Malaysia	**70**	70	Dormant
KT Fittings Sdn. Bhd.		Malaysia	**100**	100	Manufacture and sale of stainless steel butt-weld fittings and other related products
Kanzen Kagu Sdn. Bhd.		Malaysia	**100**	100	Dormant
Kanzen Ventures Sdn. Bhd.		Malaysia	**100**	100	Investment holding
Restonic (M) Sdn. Bhd.		Malaysia	**85.72**	85.72	Investment holding

Name of Company		Country of Incorporation	Effective Indirect Interest (%) 2017	2016	Principal Activities
Held through Dreamland Spring Sdn. Bhd.					
Dreamland Marketing (Shanghai) Co. Ltd.	*	The People's Republic of China	**65**	65	Retail marketing of bedding products
Held through KT Fittings Sdn. Bhd.					
Kanzen Marketing Sdn. Bhd.		Malaysia	**100**	100	Dormant

5. Interests in Subsidiaries (Cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of Company	Country of Incorporation	Effective Indirect Interest (%) 2017	2016	Principal Activities
Held through Kanzen Ventures Sdn. Bhd.				
Kanzen Energy Ventures Sdn. Bhd.	Malaysia	**55**	55	Investment holding
Held through Restonic (M) Sdn. Bhd.				
Dreamland Corporation (Malaysia) Sdn. Bhd.	Malaysia	**85.72**	85.72	Wholesales dealership and retailing of mattresses, furniture and related accessories
Dreamland Spring Manufacturing Sdn. Bhd.	Malaysia	**85.72**	85.72	Manufacture and wholesale dealership of mattresses
Eurocoir Products Sdn. Bhd.	Malaysia	**85.72**	85.72	Manufacture and sale of polyester pillows and bolsters
Dream Products Sdn. Bhd.	Malaysia	**85.72**	85.72	Manufacture and sale of synthetic foam, bedding co-ordinates, sponge pillows and bolsters
Dream Crafts Sdn. Bhd.	Malaysia	**85.72**	85.72	Marketing and sales promotion of furniture, mattresses and related accessories
Sleepmaker Sdn. Bhd.	Malaysia	**85.72**	85.72	Dormant

** Audited by firms of auditors other than UHY.*

5. Interests in Subsidiaries (Cont'd)

(a) Deregistration of subsidiaries

On 27 January 2017, Global Glister Limited ("GGL"), a wholly-owned subsidiary of the Company, was deregistered and ceased to be a subsidiary of the Company. The subsidiary was previously reported as other operations segment.

In the previous financial year, Nantong Dreamland Steel Products Co. Ltd. ("NDSP"), a 55%-owned subsidiary of Dreamland Spring Sdn. Bhd. ("DSSB"), was deregistered and ceased to be a subsidiary of DSSB. The subsidiary was previously reported as discontinued operation - other operations segment.

The effect of the deregistration of GGL and NDSP on the financial position of the Group were as follows:

	2017 RM	2016 RM
Cash and bank balances	–	1,602,375
Less : Non-controlling interest	–	(806,334)
	–	796,041
Less : Realisation of foreign currency translation reserves	**(1,811,277)**	(431,884)
Share of net (liabilities)/assets deregistered	**(1,811,277)**	364,157
Add : Gain on deregistration of subsidiaries	**1,811,277**	517,052
Distribution from deregistration	–	881,209
Less : Cash and bank balances deregistered	–	(1,602,375)
Net cash outflow on deregistration of subsidiaries	–	(721,166)

(b) Strike-off of subsidiaries

On 25 July 2017, Creation Holdings Berhad, Estasi Stainlessware Sdn. Bhd., Kanzen Chuzoo Sdn. Bhd., Kanzen Hartanah Sdn. Bhd., Kanzen Land Sdn. Bhd. and Kanzen Properties Sdn. Bhd. had received notices from Companies Commission of Malaysia ("CCM") in relation to the striking-off pursuant to Section 308(4) of the Companies Act, 1965.

On 22 August 2017, Dream Tours Sdn. Bhd. has noted a notice pursuant to Section 308(4) of the Companies Act, 1965 on the striking-off in the official portal of CCM.

5. Interests in Subsidiaries (Cont'd)

(c) Material partly-owned subsidiaries

Set out below are the Group's subsidiaries that have material non-controlling interests:

Name of Company	Proportion of Ownership Interests and Voting Rights Held by Non-Controlling Interests 2017 %	2016 %	Profit Allocated to Non-Controlling Interests 2017 RM	2016 RM	Accumulated Non-Controlling Interests 2017 RM	2016 RM
Restonic (M) Sdn. Bhd. Group	**14.28**	14.28	**128,338**	243,243	**2,676,045**	2,687,707
Kanzen Energy Ventures Sdn. Bhd. Economic Entity	**45**	45	**2,468,725**	1,386,634	**15,588,286**	13,385,146
Individually immaterial subsidiaries with non-controlling interests					**317,867**	308,336
Total non-controlling interests					**18,582,198**	16,381,189

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

(i) Summarised statements of financial position

	Restonic (M) Sdn. Bhd. Group 2017 RM	2016 RM	Kanzen Energy Ventures Sdn. Bhd. Economic Entity 2017 RM	2016 RM
Non-current assets	**11,245,129**	11,057,635	**21,972,574**	21,760,352
Current assets	**20,533,820**	21,714,251	**12,680,019**	7,995,025
Non-current liabilities	**(149,935)**	(119,485)	**–**	–
Current liabilities	**(6,466,068)**	(7,408,181)	**(11,958)**	(10,610)
Net assets	**25,162,946**	25,244,220	**34,640,635**	29,744,767

5. Interests in Subsidiaries (Cont'd)

(c) Material partly-owned subsidiaries (cont'd)

(ii) Summarised statements of profit or loss and other comprehensive income

	Restonic (M) Sdn. Bhd. Group		Kanzen Energy Ventures Sdn. Bhd. Economic Entity	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Revenue	**37,283,438**	35,611,668	**–**	–
Profit for the financial year	**898,726**	1,703,381	**5,486,055**	3,081,409
Other comprehensive income for the financial year	**–**	–	**(590,187)**	645,973
Total comprehensive income for the financial year	**898,726**	1,703,381	**4,895,868**	3,727,382

(iii) Summarised statements of cash flows

	Restonic (M) Sdn. Bhd. Group		Kanzen Energy Ventures Sdn. Bhd. Economic Entity	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Net cash generated from/(used in) operating activities	**1,277,810**	1,286,885	**3,607,037**	(401,226)
Net cash (used in)/ generated from investing activities	**(308,307)**	(469,485)	**1,049,630**	6,409,514
Net cash used in financing activities	**(980,000)**	–	**–**	(7,700,000)
Net (decrease)/ increase in cash and cash equivalents	**(10,497)**	817,400	**4,656,667**	(1,691,712)
Dividend paid to non-controlling interests	**140,000**	–	**–**	3,465,000

6. Investment in Associates

	Group 2017 RM	Group 2016 RM
Outside Malaysia		
Unquoted shares at cost	**12,196,037**	12,196,037
Share of post acquisition reserve	**4,295,815**	3,729,211
	16,491,852	15,925,248
Add: Exchange differences	**8,161,098**	8,635,235
	24,652,950	24,560,483

Details of the associates are as follows:

Name of Company	Country of Incorporation	Effective Indirect Interest (%) 2017	Effective Indirect Interest (%) 2016	Principal Activities
Held through Dreamland Spring Sdn. Bhd.				
Dreamland Dalian Pte. Ltd.	* The People's Republic of China	**40**	40	Manufacture and marketing of spring mattresses
Dreamland Shanghai Pte. Ltd.	* The People's Republic of China	**40**	40	Manufacture and marketing of spring mattresses
Held through Kanzen Energy Ventures Sdn. Bhd.				
Jiangyin Binjiang Power Supply Co. Ltd.	* The People's Republic of China	**16.5**	16.5	Production and marketing of electric power and steam
Jiangyin Chengdong Power Supply Co. Ltd.	* The People's Republic of China	**16.5**	16.5	Production and marketing of electric power and steam

** Audited by firms of auditors other than UHY.*

(a) The Group equity accounts for its share of post-acquisition reserves of the associates based on the audited financial statements for the financial year ended 30 June 2017.

6. Investment in Associates (Cont'd)

(b) The Group has excluded to equity account for its share of loss of the associate, Dreamland Dalian Pte. Ltd. from the financial statements as the carrying amount of this investment has reached nil. The results not recognised are as follows:

	Group	
	2017	**2016**
	RM	**RM**
Loss for the financial year	**–**	–
Accumulated losses	**10,221**	59,085

(c) The summarised financial information of the Group's material associates i.e. Dreamland Shanghai Pte. Ltd. ("DSPL") Group, Jiangyin Binjiang Power Supply Co. Ltd. ("JBP") and Jiangyin Chengdong Power Supply Co. Ltd. ("JCP") is set out below.

The summarised financial information represents the amounts in the financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial position

	DSPL Group		JBP		JCP	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Current assets	**11,164,226**	13,383,155	**38,200,659**	61,887,581	**36,512,789**	42,407,417
Non-current assets	**981,817**	934,802	**60,067,069**	63,488,423	**12,406,317**	12,971,515
Current liabilities	**(5,394,834)**	(7,563,732)	**(54,942,509)**	(84,266,685)	**(11,029,038)**	(22,539,292)
Net assets	**6,751,209**	6,754,225	**43,325,219**	41,109,319	**37,890,068**	32,839,640

6. Investment in Associates (Cont'd)

(c) The summarised financial information of the Group's material associates i.e. Dreamland Shanghai Pte. Ltd. ("DSPL") Group, Jiangyin Binjiang Power Supply Co. Ltd. ("JBP") and Jiangyin Chengdong Power Supply Co. Ltd. ("JCP") is set out below. (cont'd)

(ii) Summarised statements of profit or loss and other comprehensive income

	DSPL Group		JBP		JCP	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Included in total comprehensive income is:						
Revenue	**21,001,144**	24,173,441	**85,991,109**	123,643,424	**46,953,903**	72,792,882
Profit for the financial year	**409,527**	917,161	**6,145,952**	4,792,280	**6,141,971**	7,564,458
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**409,527**	917,161	**6,145,952**	4,792,280	**6,141,971**	7,564,458
Other information:						
Dividends received	**175,713**	721,678	**1,049,630**	2,116,421	**–**	4,293,093

(d) Aggregate information of associates that are not individually material are nil as the carrying amount of this investment has reached nil.

7. Available-for-sale investment

	Group/Company	
	2017 RM	**2016 RM**
Non-current		
Equity securities listed in Malaysia measured at fair value on recurring basis and classified as Level 1 fair value hierarchy	**20,350,875**	18,654,969

7. Available-for-sale investment (Cont'd)

Movement in available-for-sale investment is as follows:

	Group/Company	
	2017	**2016**
	RM	**RM**
At 1 July	**18,654,969**	20,350,875
Fair value adjustment	**1,695,906**	(1,695,906)
At 30 June	**20,350,875**	18,654,969

8. Deferred Tax Assets/(Liabilities)

	Group	
	2017	**2016**
	RM	**RM**
Deferred tax assets		
At 1 July	**885,000**	1,000,000
Recognised in profit or loss (Note 25)	**215,000**	(115,000)
At 30 June	**1,100,000**	885,000
Deferred tax liabilities		
At 1 July	**(119,000)**	(110,000)
Recognised in profit or loss (Note 25)	**(31,000)**	(9,000)
At 30 June	**(150,000)**	(119,000)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

8. Deferred Tax Assets/(Liabilities) (Cont'd)

This is in respect of estimated deferred tax assets/(liabilities) arising from the following temporary differences:

	Group	
	2017	**2016**
	RM	**RM**
Deferred tax assets		
Deductible temporary differences arising from expenses	**1,100,000**	885,000
	1,100,000	885,000
Deferred tax liabilities		
Differences between the carrying amounts of property, plant and equipment and their income tax base	**(230,800)**	(205,300)
Unabsorbed capital allowances	**80,800**	86,300
	(150,000)	(119,000)

The deferred tax assets recognised in the financial statements are in respect of unutilised income tax losses and unabsorbed capital allowances which can be utilised to set-off against probable future taxable income based on profit forecast and projection for the next five financial years.

The estimated amount of temporary differences for which no deferred tax assets is recognised in the financial statements are as follows:

	Group	
	2017	**2016**
	RM	**RM**
Difference between the carrying amounts of property, plant and equipment and their income tax base	**–**	200
Unutilised income tax losses	**23,336,000**	23,125,200
Unabsorbed capital allowances	**1,843,100**	1,924,300
Unutilised reinvestment allowances	**1,129,300**	1,129,300
	26,308,400	26,179,000

8. Deferred Tax Assets/(Liabilities) (Cont'd)

The estimated amount of temporary differences for which no deferred tax assets is recognised in the financial statements are as follows: (cont'd)

	Company	
	2017	**2016**
	RM	**RM**
Difference between the carrying amounts of property, plant and equipment and their income tax base	**–**	200
Unabsorbed capital allowances	**205,600**	205,600
	205,600	205,800

9. Inventories

	Group	
	2017	**2016**
	RM	**RM**
At cost,		
Finished goods	**5,660,781**	5,889,743
Raw materials	**5,934,237**	4,833,743
Work-in-progress	**2,039,335**	1,440,180
Spare parts and consumables	**29,949**	11,448
	13,664,302	12,175,114
Recognised in profit or loss:		
Inventories recognised as direct operating costs	**30,889,356**	29,943,628
Inventories written down	**191,394**	76,883
Reversal of write down of inventories	**(102,230)**	(170,390)

10. Trade Receivables

	Group	
	2017	**2016**
	RM	**RM**
Trade receivables	**12,288,742**	13,828,338
Less: Allowance for impairment losses	**(1,011,507)**	(665,042)
	11,277,235	13,163,296

10. Trade Receivables (Cont'd)

The movements in allowance for impairment are individually impaired as follows:

	Group	
	2017 RM	2016 RM
At 1 July	**665,042**	681,558
Impairment losses recognised	**695,705**	774,018
Written off	**(79,588)**	(48,040)
Reversal of impairment	**(269,652)**	(742,494)
At 30 June	**1,011,507**	665,042

Credit terms of trade receivables of the Group ranged from 30 to 120 days (2016: 30 to 90 days).

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	**8,395,983**	8,583,105
1 to 30 days past due not impaired	**2,235,297**	3,216,953
31 to 60 days past due not impaired	**16,467**	145,808
61 to 90 days past due not impaired	**193,209**	271,508
91 to 120 days past due not impaired	**148,652**	415,607
More than 120 days past due not impaired	**287,627**	530,315
Total past due not impaired	**2,881,252**	4,580,191
Impaired	**1,011,507**	665,042
	12,288,742	13,828,338

As at 30 June 2017, trade receivables of RM2,881,252 (2016: RM4,580,191) were past due but not impaired because there have been no significant changes in credit quality of the receivables and the amounts are still considered recoverable.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM1,011,507 (2016: RM665,042) related to customers that are in significant financial difficulties and have defaulted on payments.

10. Trade Receivables (Cont'd)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The foreign currency exposure profile is as follows:

	Group	
	2017	**2016**
	RM	**RM**
Singapore Dollar	**97,842**	254,768
United States Dollar	**1,248,868**	856,388
	1,346,710	1,111,156

11. Other Receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Other receivables	**1,849,497**	1,561,370	**1,179,599**	575,594
Sundry deposits	**501,565**	1,659,430	**123,512**	123,512
Prepayments	**107,649**	188,853	**31,921**	31,921
	2,458,711	3,409,653	**1,335,032**	731,027

Included in other receivables of the Group is foreign currency exposure to United States Dollar amounting to RM747,654 (2016: RM828,912). Included in other receivables of the Company is dividend receivable amounting to RM650,000 (2016: NIL).

12. Tax Recoverables

This is in respect of tax instalments paid in advance to and tax recoverable from the Inland Revenue Board.

13. Amount Owing by/(to) Subsidiaries

	Company	
	2017	**2016**
	RM	**RM**
Amount owing by subsidiaries	**15,555,774**	15,031,767
Less: Allowance for impairment losses	**(1,909,424)**	–
	13,646,350	15,031,767

Amount owing by/(to) subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

The movements in allowance for impairment are individually impaired as follows:

	Company	
	2017	**2016**
	RM	**RM**
At 1 July	**–**	53,083
Impairment	**1,909,424**	–
Reversal of impairment	**–**	(53,083)
At 30 June	**1,909,424**	–

14. Amount Owing by Associates

	Group	
	2017	**2016**
	RM	**RM**
Amount owing by associates	**740,575**	740,285
Less: Allowance for impairment losses	**(622,761)**	(622,761)
	117,814	117,524

Amount owing by associates are non-trade in nature, unsecured, interest free and repayable on demand.

There is no movement in allowance for impairment which is individually impaired.

14. Amount Owing by Associates (Cont'd)

The foreign currency exposure profile is as follows:

	Group	
	2017	2016
	RM	RM
United States Dollar	**4,081**	3,791
Chinese Renminbi	**113,733**	113,733
	117,814	117,524

15. Deposits with Licensed Banks

Fixed deposits with licensed institutions of the Group amounting to RM1,570,000 (2016: RM1,570,000) are pledged as securities for bank borrowings granted to subsidiaries.

The deposits of the Group and of the Company bear effective interest at rates ranging from 1.85% to 3.93% (2016: 2.10% to 4.15%) per annum and at rates ranging from 3.05% to 3.93% (2016: 3.30% to 4.15%) per annum respectively and mature ranging from 4 to 124 days (2016: 5 to 94 days).

16. Share Capital

	Group/Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
Authorised:				
Ordinary shares (2016: Par value RM1.00 each)	–	200,000,000	–	200,000,000
Issued and fully paid shares:				
Ordinary shares (2016: Par value RM1.00 each)				
At the beginning/At the end of financial year			**85,162,500**	85,162,500

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

16. Share Capital (Cont'd)

	Group/Company 2017	2016
	Number of Shares	
Issued and fully paid ordinary shares of RM1 each		
Total number of issued and fully paid ordinary shares	**85,162,500**	85,162,500
Less: Ordinary shares held as treasury shares	**(1,279,700)**	(1,279,700)
	83,882,800	83,882,800

17. Share Premium

Share premium arose from the issue of ordinary shares and can be utilised for distribution to the members of the Company by way of bonus share issue.

The amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

18. Treasury Shares

	Group/Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
Share repurchased				
At 1 July/30 June	**1,279,700**	1,279,700	**1,225,544**	1,225,544

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

There was no share repurchased during the financial year.

No resale, cancellation or distribution of treasury shares were made during the financial year.

19. Other Reserves

	Group		Company	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Non-distributable				
Foreign currency translation reserve	**4,887,389**	6,908,618	**–**	–
Fair value reserve	**(17,332,161)**	(19,028,067)	**(17,332,161)**	(19,028,067)
Other reserve	**280,100**	280,100	**–**	–
	(12,164,672)	(11,839,349)	**(17,332,161)**	(19,028,067)

The nature of reserves of the Group is as follows:

Foreign currency translation reserve

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

Fair value reserve

Fair value reserve represents the cumulative net change in the fair value, net of tax, of available-for-sale investment until they are derecognised or impaired.

Other reserve

This relates to discount on acquisition of non-controlling interest.

20. Trade Payables

Credit terms of trade payables of the Group ranged from 30 to 120 days (2016: 30 to 90 days).

21. Other Payables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other payables	**658,539**	884,419	**33,310**	52,274
Accruals	**3,153,723**	5,598,570	**126,668**	495,732
	3,812,262	6,482,989	**159,978**	548,006

These amounts are unsecured, interest free and repayable on demand.

Included in other payables of the Group is foreign currency exposure to Chinese Renminbi amounting to RM79,919 (2016: RM79,919).

22. Revenue

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sale of goods	**55,789,886**	51,859,358	**–**	–
Dividend revenue from subsidiaries	**–**	–	**1,490,000**	2,000,000
	55,789,886	51,859,358	**1,490,000**	2,000,000

23. Direct Operating Costs

	Group 2017 RM	Group 2016 RM
Costs of goods sold	**39,626,503**	37,153,129
Others	**95,239**	93,466
	39,721,742	37,246,595

24. Profit/(Loss) Before Tax

Profit/(Loss) before tax is determined after charging/(crediting) amongst others, the following items:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration				
- statutory audits				
- current year	**174,700**	145,708	**40,000**	24,800
- underprovision in prior year	**392**	2,648	**–**	–
- non-audit services	**5,000**	5,000	**5,000**	5,000
Depreciation of property, plant and equipment	**712,474**	700,058	**823**	573
Impairment loss on amount owing by subsidiaries	**–**	–	**1,911,068**	–
Impairment loss on investment in subsidiaries	**–**	–	**10,174,937**	5,352,275
Impairment loss on trade receivables	**695,705**	774,018	**–**	–
Inventories written down	**191,394**	76,883	**–**	–
Net (gain)/loss on foreign exchange				
- realised	**(176,597)**	(137,133)	**–**	4,066
- unrealised	**4,745**	26,286	**(610)**	(1,806)
Property, plant and equipment written off	**1**	12	**–**	–
Rental expenses - premises	**1,476,740**	1,422,135	**290,333**	285,033
Directors' fees				
- Non-executive Directors	**225,240**	214,200	**225,240**	214,200
Waiver of amount owing by subsidiaries	**–**	–	**19,263**	102,540
Bad debts recovered	**(200)**	(17,000)	**–**	–
Gain on disposal of property, plant and equipment	**(33)**	(3,998)	**–**	–
Gain on disposal of unquoted investment	**–**	(11)	**–**	(11)
(Gain)/Loss on deregistration of subsidiaries	**(1,811,277)**	(517,052)	**1**	–
Incentives received	**(3,955,369)**	–	**–**	–
Interest income	**(5,885,958)**	(5,793,516)	**(5,509,773)**	(5,391,170)
Reversal of impairment loss on amount owing by subsidiaries	**–**	–	**–**	(56,108)
Reversal of impairment loss on trade receivables	**(269,652)**	(742,494)	**–**	–

24. Profit/(Loss) Before Tax (Cont'd)

Profit/(Loss) before tax is determined after charging/(crediting) amongst others, the following items: (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Reversal of write down of inventories	**(102,230)**	(170,390)	**–**	–
Windfall from waiver of amount owing to subsidiaries	**–**	–	**–**	(1,136,563)

25. Taxation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Income tax expense	**2,281,795**	2,182,096	**1,271,183**	914,518
Current tax				
Current year				
- Malaysia	**1,836,400**	1,562,700	**1,169,000**	922,000
- Foreign	**568,782**	539,048	**–**	–
Under/(Over)provision in prior year				
- Malaysia	**60,613**	(43,652)	**102,183**	(7,482)
	2,465,795	2,058,096	**1,271,183**	914,518
Deferred tax (Note 8)				
Origination and reversal of temporary differences	**(188,750)**	153,284	**–**	–
Under/(Over)provision in prior year	**4,750**	(66,520)	**–**	–
Effect on opening deferred tax of reduction in Malaysia income tax rate	**–**	37,236	**–**	–
	(184,000)	124,000	**–**	–
	2,281,795	2,182,096	**1,271,183**	914,518

25. Taxation (Cont'd)

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profits for the financial year.

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Profit/(Loss) before tax	**13,403,859**	8,536,765	**(5,512,415)**	2,305,227
At Malaysian statutory income tax rate of 24%	**3,216,900**	2,048,800	**(1,323,000)**	553,300
Effect of different income tax rates in foreign jurisdiction	**18,400**	48,300	**–**	–
Effect on opening deferred tax of reduction in Malaysia income tax rate	**–**	37,236	**–**	–
Effect of income not subject to tax	**(1,486,346)**	(173,412)	**(455,000)**	(766,700)
Effect of expenses not deductible for tax	**360,874**	283,184	**2,978,200**	1,399,400
Share of tax of associates	**(448,000)**	(936,700)	**–**	–
Deferred tax assets not recognised	**103,800**	470,300	**–**	–
Utilisation of current year's income tax losses	**3,400**	3,600	**–**	–
Utilisation of current year's income tax losses under group relief	**–**	–	**(31,200)**	(264,000)
Utilisation of deferred tax assets previously not recognised	**(73,300)**	(3,500)	**–**	–
Withholding tax in foreign jurisdiction	**520,704**	514,460	**–**	–
Under/(Over)provision of deferred tax in prior year	**4,750**	(66,520)	**–**	–
Under/(Over)provision of income tax expense in prior year	**60,613**	(43,652)	**102,183**	(7,482)
Tax expense for the financial year	**2,281,795**	2,182,096	**1,271,183**	914,518

25. Taxation (Cont'd)

The Company had income tax savings arising from the utilisation of current year tax losses under group relief of RM31,200 (2016: RM264,000).

The Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM10,254,000 (2016: RM10,254,000).

The Company has estimated unabsorbed capital allowances of approximately RM205,600 (2016: RM205,600) available to be carried forward to set-off against future taxable profits.

26. Earnings per Share

(a) Basic earnings per share

The basic earnings per share are calculated based on the Group's profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017	**2016**
	RM	**RM**
Profit attributable to owners of the parent for the computation of basic earnings per share	**8,514,717**	4,641,875

	Group	
	2017	**2016**
	Number of shares	
Weighted average number of ordinary shares in issue for basic earnings per share computation	**83,882,800**	83,882,800

	Group	
	2017	**2016**
	Sen	**Sen**
Basic earnings per share	**10.15**	5.53

(b) Diluted earnings per share

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

27. Dividends

	Company 2017 RM	Company 2016 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Final dividends paid in respect of financial year ended:		
- 30 June 2016 (single-tier dividend of 2.5 sen per ordinary share)	**2,097,070**	–
- 30 June 2015 (single-tier dividend of 2.5 sen per ordinary share)	**–**	2,097,070

The Directors recommend a final single-tier dividend of 4 sen per ordinary share in respect of the financial year ended 30 June 2017, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements do not reflect this dividend which will be recognised as an appropriation of retained earnings in the financial year ending 30 June 2018 when approved by shareholders.

28. Cash and Cash Equivalents

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed banks	**155,298,991**	150,859,694	**139,508,824**	139,169,385
Cash and bank balances	**5,245,665**	5,524,608	**263,111**	82,379
	160,544,656	156,384,302	**139,771,935**	139,251,764
Less: Deposit pledged to licensed bank	**(1,570,000)**	(1,570,000)	**–**	–
	158,974,656	154,814,302	**139,771,935**	139,251,764

Deposits pledged to a licensed bank which is not freely available for the Group's use is as disclosed in Note 15.

The cash and bank balances of the Group bear effective interest at a rate of 0.30% (2016: 0.50%) per annum.

28. Cash and Cash Equivalents (Cont'd)

The foreign currency exposure profile is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
United States Dollar	**36,686**	468,188	**9,864**	9,162
Chinese Renminbi	**16,919**	26,968	**16,919**	26,968
	53,605	495,156	**26,783**	36,130

29. Staff Costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Wages, salaries and others	**14,331,158**	13,489,505	**54,754**	46,622
Defined contribution plan	**1,331,938**	1,376,419	**5,825**	5,617
	15,663,096	14,865,924	**60,579**	52,239

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company during the financial year are as below:

	Group	
	2017 RM	2016 RM
Executive Directors		
Salaries and other emoluments	**606,100**	906,880
Defined contribution plan	**48,204**	46,932
Estimated money value of benefits-in-kind	**24,350**	34,500
	678,654	988,312

30. Key Management Personnel Compensation

The remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Directors' fees	**225,240**	214,200	**225,240**	214,200
Short-term employees benefits	**1,989,249**	1,947,048	**–**	–
Post-employment benefits	**174,720**	171,540	**–**	–
Estimated monetary value of benefits-in-kind	**48,600**	48,600	**–**	–
	2,437,809	2,381,388	**225,240**	214,200

31. Commitments

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Non-cancellable operating lease commitments - as lessee				
Within one year	**1,449,700**	1,419,200	**290,300**	290,300
Later than one year but not later than two years	**303,100**	1,345,100	**111,400**	290,300
Later than two years but not later than five years	**–**	248,600	**–**	111,400
	1,752,800	3,012,900	**401,700**	692,000

Operating lease payments represent rental payable by the Group and by the Company for the use of its business operations. The tenure of the lease is within three years and the monthly rental consideration for the lease of the premises has been pre-determined over the same period.

32. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, 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 or the Company and the party are subject to common control. Related parties may be individuals or other entities. The key management personnel include all the Directors of the Company.

Related party transactions have been entered into in the normal course of business under negotiated terms.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

In addition to the related party information disclosed elsewhere in the financial statements, the Company had the following related party transactions during the financial year.

	Company	
	2017	**2016**
	RM	**RM**
Non-Trade		
Secretarial fees paid to a subsidiary	**24,000**	24,000

(b) Compensation of key management personnel

Key management personnel of the Group and of the Company of which their compensation has been disclosed in Note 30.

33. Segment Information - Group

For management purposes, the Group's business is presented in respect of the Group's business and geographical segments.

Segment revenue, expenses, assets and liabilities are those amounts from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

33. Segment Information – Group (Cont'd)

Business Segments

The Group comprises the following three reportable operating segments:

(i)	Bedding	-	manufacturing and marketing of mattresses, bedding related products and furniture.
(ii)	Steel manufacturing	-	manufacturing and sale of stainless steel butt-weld fittings.
(iii)	Other operations	-	investment holding, provision of management and secretarial services and production and marketing of electric power and steam.

Geographical Segments

The Group operates in two principal geographical areas of the world:

(i)	Malaysia	-	manufacturing and marketing of mattresses, bedding related products, furniture, stainless steel butt-weld fittings, investment holding and provision of management and secretarial services.
(ii)	The People's Republic of China	-	manufacturing of mattresses, bedding related products, furniture and production and marketing of electric power and steam.

Except as indicate above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

33. Segment Information – Group (Cont'd)

Business Segments

	Bedding RM	Steel Manufacturing RM	Other Operations RM	Eliminations RM	Consolidated RM
2017					
Revenue					
External revenue	40,526,045	15,263,841	–	–	55,789,886
Inter-segment revenue	–	–	43,000	(43,000)	–
Total revenue	40,526,045	15,263,841	43,000	(43,000)	55,789,886
Result					
Interest income	42,760	14,331	5,828,867	–	5,885,958
Depreciation of property, plant and equipment	335,813	374,821	1,840	–	712,474
Share of results of associates	(60,092)	–	1,852,039	–	1,791,947
Other non-cash expenses/(income)	515,217	7,521	(1,814,085)	–	(1,291,347)
Segment profit/(loss) before tax	1,312,108	(761,225)	12,852,976	–	13,403,859
Income tax expense	413,440	–	1,868,355	–	2,281,795
Assets					
Investment in associates	2,680,376	–	21,972,574	–	24,652,950
Addition to non-current assets	308,307	54,971	1,251	–	364,529
Segment assets	29,131,013	14,148,247	196,491,430	–	239,770,690
Segment liabilities	6,825,224	498,685	447,224	–	7,771,133

33. Segment Information – Group (Cont'd)

Business Segments (cont'd)

	Bedding RM	Steel Manufacturing RM	Other Operations RM	Eliminations RM	Consolidated RM
2016					
Revenue					
External revenue	38,230,087	13,629,271	–	–	51,859,358
Inter-segment revenue	–	–	43,000	(43,000)	–
Total revenue	38,230,087	13,629,271	43,000	(43,000)	51,859,358
Result					
Interest income	49,223	15,060	5,729,233	–	5,793,516
Depreciation of property, plant and equipment	328,724	369,745	1,589	–	700,058
Share of results of associates	414,806	–	3,332,060	–	3,746,866
Other non-cash (income)/expenses	(65,981)	30,805	(521,570)	–	(556,746)
Segment profit/(loss) before tax	3,027,864	(3,077,138)	8,586,039	–	8,536,765
Income tax expense	672,407	–	1,509,689	–	2,182,096
Assets					
Investment in associates	2,800,131	–	21,760,352	–	24,560,483
Addition to non-current assets	473,488	1,700	–	–	475,188
Segment assets	31,081,797	14,419,102	189,679,635	–	235,180,534
Segment liabilities	8,605,960	509,934	2,358,416	–	11,474,310

33. Segment Information – Group (Cont'd)

Business Segments (cont'd)

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the financial statements:

	2017 RM	2016 RM
Gain on deregistration of subsidiaries	**(1,811,277)**	(517,052)
Gain on disposal of property, plant and equipment	**(33)**	(3,998)
Gain on disposal of unquoted investment	**–**	(11)
Impairment loss on trade receivables	**695,705**	774,018
Inventories written down	**191,394**	76,883
Property, plant and equipment written off	**1**	12
Reversal of impairment loss on trade receivables	**(269,652)**	(742,494)
Reversal of write down of inventories	**(102,230)**	(170,390)
Unrealised loss on foreign exchange	**4,745**	26,286
	(1,291,347)	(556,746)

(c) Additions to non-current assets consist of:

	2017 RM	2016 RM
Property, plant and equipment	**364,529**	475,188

Geographical Information

Revenue information based on geographical location of its customers:

	2017 RM	2016 RM
Malaysia	**37,386,716**	35,448,933
Africa	**–**	31,466
Asia (excluding Malaysia)	**7,682,061**	6,660,931
Australia	**384,883**	408,389
Europe	**6,149,466**	4,812,449
North America	**2,856,191**	3,798,323
South America	**1,330,569**	698,867
	55,789,886	51,859,358

33. Segment Information – Group (Cont'd)

Geographical Information (cont'd)

Non-current assets information based on geographical location:

	2017 RM	2016 RM
Malaysia	**5,282,851**	5,631,664
Asia (excluding Malaysia)	**24,652,950**	24,560,483
	29,935,801	30,192,147

Non-current assets for this purpose consist of property, plant and equipment and investment in associates.

Major customer

Revenue from one major customer amount to RM6,992,938 (2016: RM7,755,233), arising from sales in the bedding segment.

34. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

34. Financial Instruments (Cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and Receivables RM	Available-for-Sale RM	Financial Liabilities Measured at Amortised Cost RM	Total RM
Group				
2017				
Financial Assets				
Available-for-sale investment	–	20,350,875	–	20,350,875
Trade receivables	11,277,235	–	–	11,277,235
Other receivables	2,351,062	–	–	2,351,062
Amount owing by associates	117,814	–	–	117,814
Deposits with licensed banks	155,298,991	–	–	155,298,991
Cash and bank balances	5,245,665	–	–	5,245,665
	174,290,767	20,350,875	–	194,641,642
Financial Liabilities				
Trade payables	–	–	3,597,458	3,597,458
Other payables	–	–	3,812,262	3,812,262
	–	–	7,409,720	7,409,720

34. Financial Instruments (Cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and Receivables RM	Available-for-Sale RM	Financial Liabilities Measured at Amortised Cost RM	Total RM
Group				
2016				
Financial Assets				
Available-for-sale investment	–	18,654,969	–	18,654,969
Trade receivables	13,163,296	–	–	13,163,296
Other receivables	3,220,800	–	–	3,220,800
Amount owing by associates	117,524	–	–	117,524
Deposits with licensed banks	150,859,694	–	–	150,859,694
Cash and bank balances	5,524,608	–	–	5,524,608
	172,885,922	18,654,969	–	191,540,891
Financial Liabilities				
Trade payables	–	–	4,703,734	4,703,734
Other payables	–	–	6,482,989	6,482,989
	–	–	11,186,723	11,186,723

34. Financial Instruments (Cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and Receivables RM	Available-for-Sale RM	Financial Liabilities Measured at Amortised Cost RM	Total RM
Company				
2017				
Financial Assets				
Available-for-sale investment	–	20,350,875	–	20,350,875
Other receivables	1,303,111	–	–	1,303,111
Amount owing by subsidiaries	13,646,350	–	–	13,646,350
Deposits with licensed banks	139,508,824	–	–	139,508,824
Cash and bank balances	263,111	–	–	263,111
	154,721,396	20,350,875	–	175,072,271
Financial Liabilities				
Other payables	–	–	159,978	159,978
Amount owing to subsidiaries	–	–	2,603,902	2,603,902
	–	–	2,763,880	2,763,880

34. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (cont'd)

	Loans and Receivables RM	Available-for-Sale RM	Financial Liabilities Measured at Amortised Cost RM	Total RM
Company				
2016				
Financial Assets				
Available-for-sale investment	–	18,654,969	–	18,654,969
Other receivables	699,106	–	–	699,106
Amount owing by subsidiaries	15,031,767	–	–	15,031,767
Deposits with licensed banks	139,169,385	–	–	139,169,385
Cash and bank balances	82,379	–	–	82,379
	154,982,637	18,654,969	–	173,637,606
Financial Liabilities				
Other payables	–	–	548,006	548,006
Amount owing to subsidiaries	–	–	3,814,973	3,814,973
	–	–	4,362,979	4,362,979

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

34. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (cont'd)

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Group's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiaries. The Group's maximum exposure in this respect is RM1,570,000 (2016: RM1,570,000), representing the banking facilities granted to the subsidiaries as at the end of the reporting period. There was no indication that any subsidiaries would default on repayment as at the end of the reporting period.

The Group determines concentrations of credit risk by monitoring its trade receivables profile on an ongoing basis based on the geographic location and the business segment. The credit risk concentration profile of the Group's trade receivables at the end of the financial year are as follows:

34. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

	Group			
	2017		2016	
	RM	% of total	RM	% of total
By country:				
Malaysia	**9,706,362**	**86%**	10,936,161	83%
Asia (excluding Malaysia)	**322,005**	**3%**	1,370,654	10%
North America	**–**	**0%**	315,227	2%
South America	**340,670**	**3%**	–	0%
Europe	**762,744**	**7%**	459,826	4%
Australia	**145,454**	**1%**	81,428	1%
	11,277,235	**100%**	13,163,296	100%
By industry sectors:				
Bedding	**9,569,735**	**85%**	11,882,008	90%
Steel manufacturing	**1,707,500**	**15%**	1,281,288	10%
	11,277,235	**100%**	13,163,296	100%

Information regarding trade receivables that are neither past due nor impaired and trade receivables that are either past due or impaired are disclosed in Note 10.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The Group's and the Company's financial liabilities at the reporting date are either repayable on demand or mature within one year.

34. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are mainly United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's and of the Company's profit/(loss) before tax to a reasonably possible change in the USD, SGD and RMB exchange rates against RM, with all other variables held constant.

		Effect on profit/(loss) before tax	
		2017	**2016**
	Change in currency rate	**RM**	**RM**
Group			
USD	- strengthened 5%	**101,864**	107,864
	- weakened 5%	**(101,864)**	(107,864)
SGD	- strengthened 5%	**4,892**	12,738
	- weakened 5%	**(4,892)**	(12,738)
RMB	- strengthened 2%	**1,014**	1,216
	- weakened 2%	**(1,014)**	(1,216)
Company			
USD	- strengthened 5%	**493**	458
	- weakened 5%	**(493)**	(458)
RMB	- strengthened 2%	**338**	540
	- weakened 2%	**(338)**	(540)

34. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent short term deposits.

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

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Fixed rate instrument				
Financial Asset				
- Deposits with licensed banks	**155,298,991**	150,859,694	**139,508,824**	139,169,385

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

34. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

(c) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity security price risk arising from its investment in quoted instruments. These investments are listed on Bursa Malaysia and are classified as available-for-sale financial assets. To manage its price risk arising from investment in equity securities, the Group diversifies its portfolio.

<u>Market price risk sensitivity analysis</u>

At the reporting date, if the various stock indices had been 5% higher/lower, with all other variables held constant, the Group's net assets would have been RM1,017,544 (2016: RM932,748) higher/lower, arising as a result of higher/lower fair value gain/loss on held for trading investments in equity instruments.

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables and cash and cash equivalents approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

34. Financial Instruments (Cont'd)

(c) Fair value of financial instruments (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Financial Asset/Liability Carried At Fair Value			
	Level 1	**Level 3**	**Total**	**Carrying Amount**
	RM	**RM**	**RM**	**RM**
Group				
2017				
Financial asset				
Available-for-sale financial asset (Note 7)				
- Quoted shares	**20,350,875**	**–**	**20,350,875**	**20,350,875**
Financial liability				
Contingent liabilities	**–**	**@**	**–**	**1,646,000**
2016				
Financial asset				
Available-for-sale financial asset (Note 7)				
- Quoted shares	18,654,969	–	18,654,969	18,654,969
Financial liability				
Contingent liabilities	–	@	–	1,641,000

There were no transfer between fair value measurement hierarchy during the current and previous financial year.

@ It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.

34. Financial Instruments (Cont'd)

(c) Fair value of financial instruments (cont'd)

The fair value measurement hierarchy used to measure financial instruments at fair value in the statements of financial position is as follows:

- Level 1

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

- Level 2

  Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3

  Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

35. 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

36. Contingent Liabilities

	Group	
	2017	**2016**
	RM	**RM**
Secure:		
Corporate guarantee given to subsidiaries	**1,570,000**	1,570,000
Bank guarantee given to third parties	**76,000**	71,000

37. Subsequent Event

On 7 September 2017, the Company announced that its wholly-owned subsidiary, Kanzen Kagu Sdn. Bhd. has been placed under members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016.

38. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings of the Group and of the Company as at 30 June 2017 and 30 June 2016 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") and 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.

The retained earnings of the Group and of the Company is analysed as follows:

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total retained earnings of the Company and its subsidiaries				
- realised	**109,519,595**	103,497,313	**92,034,074**	100,915,352
- unrealised	**830,788**	647,240	**8,669**	8,059
	110,350,383	104,144,553	**92,042,743**	100,923,411
Total share of retained earnings from associates				
- realised	**2,382,674**	2,177,154	**–**	–
	112,733,057	106,321,707	**92,042,743**	100,923,411
Less: Consolidation adjustments	**(77,317)**	(83,614)	**–**	–
Total retained earnings	**112,655,740**	106,238,093	**92,042,743**	100,923,411

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

List Of Properties

As at 30 June 2017

Location / Address	Description	Area M^2 (acres)	Approximate age (year)	Existing use	Tenure	Net carrying amount RM'000	Year of last revaluation
K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047 (1)	39	Factory Premises	Leasehold for 60 years expiring in 2038	623	1991
Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070 (1.5)	37	Factory Premises	Leasehold for 60 years expiring in 2040	801	1991
Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047 (1)	37	Factory Premises	Leasehold for 60 years expiring in 2040	310	1991
PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070 (1.5)	31	Sales Office & Factory Premises	Leasehold for 60 years expiring in 2046	694	1991

Shareholders Information

As at 9 October 2017

ANALYSIS OF SHAREHOLDINGS

Paid-Up Share Capital	:	RM85,162,500/-
Total Number Issued Shares	:	85,162,500 Ordinary Shares
Voting Rights	:	1 vote per share

Size of Holdings	No. of Shareholders	No. of Shares #	% #
Less than 100	156	2,743	0.00
100 – 1,000	1,257	1,158,352	1.38
1,001 – 10,000	1,998	8,588,833	10.24
10,001 – 100,000	471	14,211,858	16.94
100,001 to less than 5%	58	34,621,625	41.27
5% and above	2	25,299,389	30.16
Total	**3,942**	**83,882,800**	**100.00**

After deducting 1,279,700 treasury shares retained by the Company as per Record of Depositors.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% #
1	Cartaban Nominees (Tempatan) Sdn. Bhd. *Exempt An For LGT Bank AG (Local)*	16,925,000	20.18
2	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An For LGT Bank AG (Foreign)*	8,374,389	9.98
3	Jin Fu	4,189,900	4.99
4	Quantum Symbol Sdn. Bhd.	4,187,900	4.99
5	Affin Hwang Nominees (Asing) Sdn. Bhd. *Selvione Limited*	4,152,000	4.95
6	Chea Putheany	2,758,100	3.29
7	Lim Pei Tiam @ Liam Ahat Kiat	1,963,000	2.34
8	Yeoh Phek Leng	1,355,900	1.62
9	Teo Kwee Hock	1,256,700	1.50
10	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Khoo Bee Lian*	1,046,800	1.25

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% #
11	JF Apex Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Teo Siew Lai*	1,012,200	1.21
12	Goh Leong Chuan	768,000	0.92
13	Maybank Nominees (Tempatan) Sdn. Bhd. *Lee Chee Kong*	607,700	0.72
14	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB Bank For Lee Yoon Sing*	553,300	0.66
15	Sanjeev Chadha	533,100	0.64
16	Yeoh Swee Leng	518,200	0.62
17	Puan Sri Lee Chou Sarn	505,493	0.60
18	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Oh Kim Sun*	478,300	0.57
19	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Chee Sai Mun*	457,700	0.55
20	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB For Leow Ming Fong @ Leow Min Fong*	400,000	0.48
21	Ooi Ai Eng	329,000	0.39
22	Sak Moy @ Sak Swee Len	324,000	0.39
23	Lee Yang Chan @ Lee Biang Chan	320,200	0.38
24	Wong Se-Yuen	320,000	0.38
25	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Tan Kian Aik*	305,000	0.36
26	Chu Yee San	300,000	0.36
27	Ding Nyok Choo	280,000	0.33
28	Lee Moon Kiat	280,000	0.33
29	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account For Agrobulk Holdings Sdn. Bhd.*	265,000	0.32
30	Maybank Nominees (Tempatan) Sdn. Bhd. *Lee Yu Yong @ Lee Yuen Ying*	237,000	0.28
	Total	55,003,882	65.57

Shareholders Information

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct No. of Ordinary Shares held	% #	Indirect No. of Ordinary Shares held	% #
Tan Sri Dr. Chen Lip Keong	16,925,000*a	20.18	8,374,389*b	9.98
Blue Velvet Property Corp	8,374,389	9.98	-	-

Notes:

*a 16,925,000 ordinary shares are held by Cartaban Nominees (Tempatan) Sdn. Bhd., Exempt An For LGT Bank AG (Local).

*b Deemed interested by virtue his interest in Blue Velvet Property Corp.

SHAREHOLDINGS OF DIRECTORS/CHIEF EXECUTIVE WHO IS NOT A DIRECTOR

	Direct No. of Ordinary Shares held	% #	Indirect No. of Ordinary Shares held	% #
Directors				
Datuk Wan Kassim bin Ahmed	–	–	–	–
Puan Sri Lee Chou Sarn*a	505,493	0.60	–	–
Dato' Dr. Abdul Razak bin Abdul	–	–	–	–
Chen Yiy Fon*a	–	–	–	–
Lim Mun Kee	–	–	–	–
Acting Chief Executive Officer (not a Director)				
Teo Hock Kee	–	–	–	–

Notes:

*a Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Mr Chen Yiy Fon is the son of Tan Sri Dr. Chen Lip Keong and Puan Sri Lee Chou Sarn.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Eighth Annual General Meeting of the Company will be held at Eagle & Birdie Room, Bukit Unggul Country Club, Lot PT 2180-2182, Mukim Dengkil, Daerah Sepang, 43807 Dengkil, Selangor Darul Ehsan on Friday, 24 November 2017 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 30 June 2017 together with the Reports of Directors and Auditors thereon. **(Please see Note 2)**

2. To approve a final 4 sen single-tier dividend per ordinary share for the year ended 30 June 2017. **Resolution 1**

3. To approve payment of Directors' fees and benefits of RM225,240/- for the year ended 30 June 2017. **Resolution 2**

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Constitution:

   (i) Datuk Wan Kassim bin Ahmed **Resolution 3**
   (ii) Mr Chen Yiy Fon **Resolution 4**

5. To appoint BDO as Auditors of the Company in place of the retiring Auditors, UHY, to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary Resolutions:

6. Authority to Allot and Issue Shares pursuant to Section 75 and 76 of the Companies Act, 2016 **Resolution 6**

   "THAT subject to Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Company's Constitution, the Directors of the Company be and are hereby authorised, pursuant to Section 75 and 76 of the Companies Act, 2016, 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 to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares/total number of voting shares of the Company for the time being."

7. Retention as Independent Directors

   (i) "THAT subject to the passing of Ordinary Resolution 3, Datuk Wan Kassim bin Ahmed be retained as an Independent Director in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting." **Resolution 7**

   (ii) "THAT Dato' Dr. Abdul Razak bin Abdul be retained as an Independent Director in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting." **Resolution 8**

   (iii) "THAT Mr Lim Mun Kee be retained as an Independent Director in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting." **Resolution 9**

8. To transact any other ordinary business of which due notice shall have been received.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final 4 sen single-tier dividend per ordinary share, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 25 January 2018 to shareholders whose names appear in the Records of Depositors on 11 January 2018. A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares transferred into the Depositor's Securities account before 4.00 p.m. on 11 January 2018 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Lee Boo Tian, LS 0007987
Group Company Secretary

Kuala Lumpur
30 October 2017

Notes:

1(a) Proxy

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.

(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 such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.

(iii) The Proxy Form must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

(iv) Only members whose names appear in the Record of Depositors on 16 November 2017 shall be eligible to attend the Meeting.

(v) Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.

(vi) The Annual Report is in CD-ROM format. Printed copies of the Annual Report shall be forwarded to the shareholders within 4 market days from the date of receipt of verbal or written request. Shareholders who wish to receive a printed copy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Mr Goh Chin Khoon at Tel No. 03-79681001, Fax No. 03-79588013, e-mail ckgoh@semangatcorp.com. The Annual Report may also be downloaded from the Company's website at www.facbi.com.

1(b) Voting for all resolutions set out in the Notice of Meeting shall be by poll.

2. Explanatory Note on Ordinary Business

Agenda 1 – The provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

3. Explanatory Notes on Special Business

1. Resolution on Section 75 and 76 of the Companies Act, 2016
The Ordinary Resolution 6 proposed under Agenda 6 above if passed will empower the Directors to issue shares up to 10% of the total number of issued shares/total number of voting shares of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting, shall expire at the next Annual General Meeting of the Company.

   No proceeds were raised from the previous mandate.

   The renewed mandate will provide flexibility to the Company for the purpose of funding further investment project(s), working capital and/or acquisitions.

2. Resolutions on Retention as Independent Directors
   (i) Datuk Wan Kassim bin Ahmed was appointed an Independent Director on 29 March 2002. Datuk Wan Kassim bin Ahmed has served the Company for more than nine (9) years as at the date of the notice of the Annual General Meeting and has met the independent guideline as set out in chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board, therefore, considers Datuk Wan Kassim bin Ahmed to be independent and recommends Datuk Wan Kassim bin Ahmed to remain as an Independent Director.
   (ii) Dato' Dr. Abdul Razak bin Abdul was appointed an Independent Director on 3 January 2005. Dato' Dr. Abdul Razak bin Abdul has served the Company for more than nine (9) years as at the date of the notice of the Annual General Meeting and has met the independent guideline as set out in chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board, therefore, considers Dato' Dr. Abdul Razak bin Abdul to be independent and recommends Dato' Dr. Abdul Razak bin Abdul to remain as an Independent Director.
   (iii) Mr Lim Mun Kee was appointed an Independent Director on 1 August 2007. Mr Lim Mun Kee has served the Company for more than nine (9) years as at the date of the notice of the Annual General Meeting and has met the independent guideline as set out in chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board, therefore, considers Mr Lim Mun Kee to be independent and recommends Mr Lim Mun Kee to remain as an Independent Director.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for re-election

The Directors who are standing for re-election at the Annual General Meeting of the Company are as follows:

Datuk Wan Kassim bin Ahmed	-	Resolution 3
Mr Chen Yiy Fon	-	Resolution 4

Information on the above Directors is set out under Profiles of the Directors and Key Senior Management of this Annual Report.

Details of attendance of Board Meetings held during the financial year ended 30 June 2017 for the above Directors are set out under Other Compliance Statements of this Annual Report.

FACB INDUSTRIES INCORPORATED BERHAD (48850-K)
(Incorporated in Malaysia)

PROXY FORM

Number of Shares	CDS Account No.

I/We, ____

of ____

being a member of **FACB INDUSTRIES INCORPORATED BERHAD** hereby appoint ____________

____

____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held at Eagle & Birdie Room, Bukit Unggul Country Club, Lot PT 2180-2182, Mukim Dengkil, Daerah Sepang, 43807 Dengkil, Selangor Darul Ehsan on Friday, 24 November 2017 at 10.30 a.m. and at any adjournment thereof.

No.	Resolutions	For	Against
1	Approval of final dividend		
2	Approval of Directors' fees and benefits		
3	Re-election of Datuk Wan Kassim bin Ahmed as Director		
4	Re-election of Mr Chen Yiy Fon as Director		
5	Appointment of BDO as Auditors and their remuneration		
6	Authority pursuant to Section 75 and 76 of the Companies Act, 2016		
7	Retention of Datuk Wan Kassim bin Ahmed as an Independent Director		
8	Retention of Dato' Dr. Abdul Razak bin Abdul as an Independent Director		
9	Retention of Mr Lim Mun Kee as an Independent Director		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

Signed this .... day of 2017

....
Signature/Seal of Shareholder

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies in his/ her stead. A proxy need not be a member of the Company. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/ she specifies the proportions of his/ her holding to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/ her attorney duly authorised in writing or, if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
3. The Proxy Form must be completed, signed and deposited at the Company's registered office not less than 48 hours before the time set for the meeting or adjourned meeting.
4. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allow a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.
5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 November 2017 shall be entitled to attend the meeting.
6. Voting for all resolutions set out in the Notice of Meeting shall be by poll.

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AFFIX
STAMP

The Company Secretary

FACB Industries Incorporated Berhad (48850-K)
Etiqa Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur

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