# 2017 ANNUAL REPORT

MALPAC

**Malpac Holdings Berhad**
(197424-V)

# CONTENT



MALPAC

**MALPAC HOLDINGS BERHAD**
(197424-V)
(Incorporated in Malaysia)

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Seventh Annual General Meeting of the Company will be held at Dewan Tuanku Ja'afar, Royal Sungei Ujong Club, 2A, Jalan Dato' Kelana Ma'amor, 70000 Seremban, Negeri Sembilan Darul Khusus on Wednesday, 22 November 2017 at 10.00 a.m. for the following purposes:-

## AGENDA

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

2. To approve the payment of Directors' Fees of RM60,000.00 for the financial year ended 30 June 2017. **Resolution 1**

3. To approve the payment of Directors' Benefits of up to RM690,000.00 for the period from 31 January 2017 till the next Annual General Meeting of the Company. **Please see Note 3** **Resolution 2**

4. To re-elect the following Directors who retire pursuant to Articles 80 and 82 of the Company's Articles of Association:- **Please see Note 4**
   (i) Mr Lim Hong Liang; and **Resolution 3**
   (ii) Encik Muhayuddin Bin Musa **Resolution 4**

5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. **Please see Note 5** **Resolution 5**

6. To re-appoint the following Directors:- **Please see Note 6**
   (i) Mr Chew Loy Chee; and **Resolution 6**
   (ii) Mr Tan Chon Sing @ Tan Kim Tieng **Resolution 7**

## AS SPECIAL BUSINESS

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

7. **ORDINARY RESOLUTION**
   **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Please see Note 7**

   "THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company and the approval of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting." **Resolution 8**

## NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING (Continued)

8 **ORDINARY RESOLUTION**
**PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES**

**Please see Note 8**

**Resolution 9**

"THAT, subject always to the Companies Act 2016 ("Act"), the provisions of the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) an amount not exceeding the Company's audited retained profits at the time of purchase(s) will be allocated by the Company for the purchase of its own shares; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or to deal with the treasury shares in the manners as allowed by the Act.

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase(s) with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be required or imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter in accordance with the Act, the provisions of the Constitution of the Company and the requirements and/ or guidelines of Bursa Securities for the Main Market and all other relevant governmental and/ or regulatory authorities."

## NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING (Continued)

9. **ORDINARY RESOLUTIONS**
   **CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS** **Please see Note 9**

   (i) "THAT approval be and is hereby given to Encik Johari Low Bin Abdullah who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company to hold office until the conclusion of next annual general meeting." **Resolution 10**

   (ii) "THAT subject to the passing of Resolution 4 above, approval be and is hereby given to Encik Muhayuddin Bin Musa who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company to hold office until the conclusion of next annual general meeting." **Resolution 11**

10. To consider any other business of which due notice shall have been given.

By Order of the Board,

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

Company Secretaries
(Kuala Lumpur 24 October 2017)

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING (Continued)

## NOTES:-

### 1. APPOINTMENT OF PROXY

(a) A proxy need not be a member of the Company.

(b) To be valid, the form of proxy, duly completed must be deposited at the Registered Office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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

(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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

(f) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(g) Only members whose names appear in the Record of Depositors as at 14 November 2017 will be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend, vote and speak on their behalf.

### 2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Audited Financial Statements for the financial year ended 30 June 2017 are laid in accordance with Section 340(1)(a) of the Companies Act 2016 ("Act"). The Audited Financial Statements do not require members' approval and hence will not be put forward for voting.

### 3. PAYMENT OF DIRECTORS' BENEFITS

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The proposed Resolution 3, if approved, will authorise the payment of Directors' Benefits comprises allowance and other emoluments/benefits payable to Chairman and the Non-Executive Directors. The current board remuneration policy is set out below:

## NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING (Continued)

| DESCRIPTION | (RM) |
|---|---|
| Monthly allowance (per month) | 1,000 |
| Meeting allowance (per Board of Directors meeting) | 1,500 |
| Other Benefits | Medical and health care coverage;<br>Business Travel and Accommodation and other benefits |

*Note: The Group's Executive Directors do not receive the above said Directors' Benefits other than those specified in the service contract of the respective Executive Director of the Group.*

The estimated amount from 31 January 2017 until the next annual general meeting in 2018 is RM690,000. In the event that the proposed Directors' Benefits are insufficient, approval will be sought at the next annual general meeting for the shortfall.

### 4. RE-ELECTION OF DIRECTORS

Mr Lim Hong Liang and Encik Muhayuddin Bin Musa are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Annual General Meeting.

The Board of Directors ("the Board") has through the Nomination Committee, considered the assessment of the Directors and agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirements ("the MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

The Board has also through the Nomination Committee conducted an assessment on Encik Muhayuddin Bin Musa's independence and satisfied that he has complied with the criteria prescribed by the MMLR of Bursa Securities.

### 5. RE-APPOINTMENT OF AUDITORS

The Audit Committee ("AC") have assessed the suitability and independence of the External Auditors and recommended the re-appointment of Messrs Baker Tilly Monteiro Heng as External Auditors of the Company for the financial year ending 30 June 2018. The Board has in turn reviewed the recommendation of the AC and recommended the same be tabled for approval at the forthcoming 27th Annual General Meeting of the Company under Resolution 5.

### 6. RE-APPOINTMENT OF DIRECTORS

The proposed Resolution 6 and Resolution 7 are in relation to the re-appointment of Mr Chew Loy Chee and Mr Tan Chon Sing @ Tan Kim Tieng, who had been re-appointed in the previous Annual General Meeting held on 16 November 2016 as Directors under Section 129(6) of the former Companies Act 1965 which was then in force and whose term would expire at the conclusion of this meeting, as Directors of the Company. The proposed Resolution 6 and Resolution 7, if passed, will authorise the continuation of the Directors in office from the date of the 27th Annual General Meeting and they shall be subject to retirement by rotation from office once at least in each three (3) years thereafter.

# NOTICE OF TWENTY-SEVENTH ANNUAL GENERAL MEETING (Continued)

## EXPLANATORY NOTES TO SPECIAL BUSINESS

### 7. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). As at the date of this Notice, the Company did not allot and issue any shares pursuant to the mandate granted to the Directors at the Twenty-Sixth Annual General Meeting held on 16 November 2016 as there were no requirement for such fund raising activities.

The proposed Resolution 8, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

### 8. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

The proposed Resolution 9, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 24 October 2017 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

### 9. CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Board of Directors had via the Nomination Committee assessed the independence of Encik Johari Low Bin Abdullah and Encik Muhayuddin Bin Musa and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

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

(ii) their long tenure with the Company had neither impaired nor compromised their independent judgement. They were free from any business or other relationships which could interfere with their exercise of independent judgement;

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

(iv) they continued to remain objective and are able to exercise independent judgement in expressing their views and in participating in deliberations and decision making of the Board and Board Committees in the best interest of the Company;

(v) they exhibited high commitment and devoted sufficient time and attention to their responsibilities as independent Directors of the Company; and

(vi) they had met with the attendance requirements for Board Meetings pursuant to the MMLR. During the financial year under review, Encik Muhayuddin Bin Musa attended four (4) out of five (5) Board Meetings held while Encik Johari Low Bin Abdullah attended all five (5) Board Meetings held. This testified their dedication in discharging the responsibilities expected of an Independent Director.

The proposed Resolutions 10 and 11, if passed, will enable Encik Johari Low Bin Abdullah and Encik Muhayuddin Bin Musa to continue to act as Independent Non-Executive Directors of the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

| | |
|---|---|
| Encik Muhayuddin Bin Musa *(Chairman)* | Independent Non-Executive Director |
| Mr Chew Loy Chee *(Deputy Chairman)* | Non-Independent Non-Executive Director |
| Mr Lim Hong Liang | Non-Independent Executive Director |
| Mr Kan Ah Chun | Non-Independent Executive Director |
| Mr Tan Chon Sing @ Tan Kim Tieng | Non-Independent Non-Executive Director |
| Mr Gan Teck Chong @ Gan Kwan Chong | Non-Independent Non-Executive Director |
| Encik Johari Low Bin Abdullah | Senior Independent Non-Executive Director |

**Chief Executive Officer**
Mr Ang Poo Guan

**Audit Committee**
Chairman : Encik Johari Low Bin Abdullah
Members : Mr Tan Chon Sing @ Tan Kim Tieng
Encik Muhayuddin Bin Musa

**Remuneration Committee**
Chairman : Encik Muhayuddin Bin Musa
Members : Mr Lim Hong Liang
Encik Johari Low Bin Abdullah

**Nomination Committee**
Chairman : Encik Johari Low Bin Abdullah
Members : Mr Tan Chon Sing @ Tan Kim Tieng
Encik Muhayuddin Bin Musa

**Investment Committee**
Chairman : Mr Lim Hong Liang
Members : Mr Tan Chon Sing @ Tan Kim Tieng
Mr Kan Ah Chun
Mr Ang Poo Guan

**Risk Management Committee**
Chairman : Mr Lim Hong Liang
Members : Encik Muhayuddin Bin Musa
Encik Johari Low Bin Abdullah

**Company Secretary**
Ms Ng Bee Lian (MAICSA 7041392)
Ms Wong Wai Foong (MAICSA 7001358)
Ms Yap Sit Lee (MAICSA 7028098)

**Registered Office**
Unit 30-01, Level 30, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : 03-27839191
Fax : 03-27839111

**Principal Place Of Business**
2nd Floor, No. 23, Jalan Kong Sang
70000 Seremban, Negeri Sembilan Darul Khusus
Tel : 06-7653816 & 7653836
Fax : 06-7653815

**Auditors**
Baker Tilly Monteiro Heng
Chartered Accountants (AF. 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

**Tax Consultant**
Baker Tilly Monteiro Heng Tax Services Sdn Bhd
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

**Solicitors**
Logan Sabapathy & Co
Weng & Co
Leong & Partners

**Share Registrar**
Sectrars Management Sdn Bhd
Lot 9-7 Menara Sentral Vista
No. 150 Jalan Sultan Abdul Samad Brickfields
50470 Kuala Lumpur
Tel : 03-22766138
Fax : 03-22766131

**Principal Bankers**
CIMB Bank Berhad
Hong Leong Islamic Bank Berhad
Alliance Bank Malaysia Berhad

**Stock Exchange Listing**
Bursa Malaysia Securities Berhad Main Market
Stock Name : Malpac
Stock Code : 4936

**Company Website**
http://www.malpac.com.my

# PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT

## ENCIK MUHAYUDDIN BIN MUSA
*Chairman*

Encik Muhayuddin Bin Musa, Malaysian, male, aged 54, was appointed to the Board of Malpac Holdings Berhad as an Independent and Non-Executive Director on 9 March 2005 and re-designated as Independent & Non-Executive Chairman on 14 August 2012. He is the Chairman of the Remuneration Committee and member of the Audit, Nomination and Risk Management Committees of the Company. He graduated with a Bachelor of Commerce (Hons) degree from the Carleton University, Ottawa, Canada. He started his career as a Financial Officer with Lembaga Letrik Negara ('LLN') (1985 – 1987). Thereafter, he joined the banking industry and has held various positions in both local and foreign banks. Subsequently, in 1993 he joined Federal Furniture Holdings (M) Berhad as Corporate Affairs Manager and Managing Director of a subsidiary of Federal Furniture Holdings (M) Berhad. Encik Muhayuddin is currently the Executive Director/Chief Executive Officer of Computer Forms (Malaysia) Berhad, a post he continues to hold till today since 1998.

Encik Muhayuddin attended four (4) out of five (5) Board Meetings held in the financial year ended 30 June 2017.

## MR CHEW LOY CHEE
*Deputy Chairman*

Mr Chew Loy Chee, Singaporean/Malaysian Permanent Resident, male, aged 80, is a Non-Independent and Non-Executive Director of Malpac Holdings Berhad. He was appointed to the Board as Deputy Chairman on 31 May 1990. He was engaged in the commercial banking sector for twenty years prior to being involved in the stockbroking industry and was a member of the KLSE (now known as Bursa Malaysia Berhad) from 1976 to 2001. He was a senior partner of Chew & Teo, a former member firm of the KLSE (now known as Bursa Malaysia Berhad) from 1976 to March 1987. The firm was converted into a private limited company known as Seremban Securities Sdn. Bhd. (SSSB) in April 1987. The name of SSSB was changed to Malpac Securities Sdn. Bhd. in July 1996 and to Malpac Management Sdn. Bhd. in November 2001. He has been a director of the Company from 1987 till now. He also sits on the Board of several other companies within the Malpac Group.

Mr Chew attended all the five (5) Board Meetings held in the financial year ended 30 June 2017.

## MR TAN CHON SING @ TAN KIM TIENG

Mr Tan Chon Sing @ Tan Kim Tieng, Malaysian, male, aged 78, is a Non-Independent and Non-Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 15 May 1990. He is a member of the Nomination, Investment and Audit Committees of the Company. He graduated from Nanyang University in 1963 with a Bachelor of Commerce degree and was a banker for eleven years before joining the stockbroking industry in 1976 as Manager in Chew & Teo, a former member firm of the KLSE (now known as Bursa Malaysia Berhad). He was admitted as a member of KLSE in 1987 (now known as Bursa Malaysia Berhad) and appointed as a Director of Seremban Securities Sdn. Bhd. (SSSB). The name of SSSB was changed to Malpac Securities Sdn. Bhd. in July 1996 and to Malpac Management Sdn. Bhd. in November 2001. He has been a director of the Company from 1987 till now. His directorship in other public listed company is in Three-A Resources Bhd. He also sits on the Board of several other companies within the Malpac Group as well as a few other private limited companies. He currently holds a dealer's representative license under the Securities Industry Act, 1983.

Mr Tan attended four (4) out of five (5) Board Meetings held in the financial year ended 30 June 2017.

## PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (Continued)

### MR GAN TECK CHONG @ GAN KWAN CHONG

Mr Gan Teck Chong @ Gan Kwan Chong, Malaysian, male, aged 70, is a Non-Independent and Non-Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 15 May 1990. He has been in the stockbroking business for more than twenty years. He commenced his career as a remisier with Chua & Co., Melaka, and joined Chew & Teo, a former member firm of the KLSE (now known as Bursa Malaysia), in 1976 as Assistant Manager. He was admitted as a member of the KLSE (now known as Bursa Malaysia) and a partner of Chew & Teo in 1979. The firm was converted into a private limited company known as Seremban Securities Sdn. Bhd. (SSSB) in April 1987 and subsequently renamed to Malpac Securities Sdn. Bhd. in 1996 and to Malpac Management Sdn. Bhd. in November 2001. He has been a director of the Company since1987. He also sits on the Board of several other companies within the Malpac Group and currently holds a dealer's representative license under the Securities Industry Act, 1983.

Mr Gan attended four (4) out of five (5) Board Meetings held in the financial year ended 30 June 2017.

### MR LIM HONG LIANG

Mr Lim Hong Liang, Malaysian, male, aged 58, is a Non-Independent and Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 16 October 1990. He is the Chairman of the Investment and Risk Management Committees and a member of the Remuneration Committee of the Company. He holds a Bachelor of Commerce (Accounting) and Master of Commerce from University of New South Wales, Sydney. Before joining Malpac, he was employed in the commercial banking sector for six years. He is a director of a public listed company, APB Resources Berhad and also sits on the Board of few other companies within the Malpac Group as well as several other private limited companies.

Mr Lim attended all the five (5) Board Meetings held in the financial year ended 30 June 2017.

### MR KAN AH CHUN

Mr Kan Ah Chun, Malaysian, male, aged 64, is a Non-Independent and Executive Director of Malpac Holdings Berhad. He was appointed to the Board on 10 September 1996. He is a member of the Investment Committee of the Company. After graduating from University of Malaya with a Bachelor of Science (Hons) Degree in 1977, he was attached to the teaching profession from 1978 to 1982. He then joined a commercial bank until 1996 when he joined Malpac Securities Sdn. Bhd. He also sits on the Board of a company within the Malpac Group as well as several other private limited companies.

Mr Kan attended four (4) out of five (5) Board Meetings held in the financial year ended 30 June 2017.

### ENCIK JOHARI LOW BIN ABDULLAH

Encik Johari Low Bin Abdullah, Malaysian, male, aged 66, was appointed to the Board of Malpac Holdings Berhad as an Independent and Non-Executive Director on 9 May 2007. He is also the Chairman of the Audit and Nomination Committees and a member of the Remuneration and Risk Management Committees of the Company. Encik Johari is a Fellow Member of The Institute of Chartered Accountants (England & Wales), the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He is also a member of Mensa International. He was previously an auditor with Coopers Lybrand London and Deloitte Kuala Lumpur, Executive Director of Ambank Group, Group Managing Director of Berjaya Group Berhad, CEO of KFC Holdings (M) Berhad and Deputy Chairman of Anglo Eastern Plantations PLC. He is currently the Chairman of the Rockwills International Group, a leading estate planning group in Malaysia.

Encik Johari attended all the five (5) Board Meetings held in the financial year ended 30 June 2017.

## PROFILE OF BOARD OF DIRECTORS AND KEY MANAGEMENT (Continued)

### NONE OF THE DIRECTORS HAS:

- Any family relationship with any other Director and/or major shareholder of Malpac Holdings Berhad.
- Any conflict of interest with Malpac Holdings Berhad.
- Any conviction for offences within the past five years other than traffic offences or any public sanction or penalty imposed by the regulatory bodies during the financial year.

## PROFILE OF KEY SENIOR MANAGEMENT

**MR ANG POO GUAN**
*Chief Executive Officer*

Mr Ang Poo Guan, Malaysian, male, aged 68, was appointed as Chief Executive Officer of Malpac Holdings Berhad on 1 March 2002. He also holds directorships in a few subsidiary companies of the Group. He is a member of the Investment Committee of the Company. He graduated from the University of Malaya in 1972 with a Bachelor of Agric. Sc. (Hon.) degree. He joined a plantation management company for a short stint before joining an agricultural development bank in 1973. In 1980 he joined a foreign commercial bank where he rose to the position of Senior Vice President. In 1996, he left the banking sector to join Malpac Management Sdn. Bhd., a subsidiary of Malpac Holdings Berhad, where he was appointed Chief Executive Officer cum Director. He is also a director of several private limited companies.

Mr Ang holds 168,500 (0.22%) shares indirectly in Malpac Holdings Berhad. He does not have any family relationship with any director and/or substantial shareholder of Malpac Holdings Berhad, nor has he any conflict of interest with the Company. He has no convictions for any offences within the past five years or any public sanction or penalty imposed by the regulatory bodies during the financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

### COMPANY PROFILE

Malpac Holdings Berhad ("Malpac Holdings") is an investment holding company, started 1976 as a stock broking firm. The Group owns investment in oil palm plantation assets, properties and shares for long term investment. The group's principal income was derived from its plantation assets located at Teluk Intan, Perak, Malaysia.

### PRINCIPAL ACTIVITIES OF THE GROUP

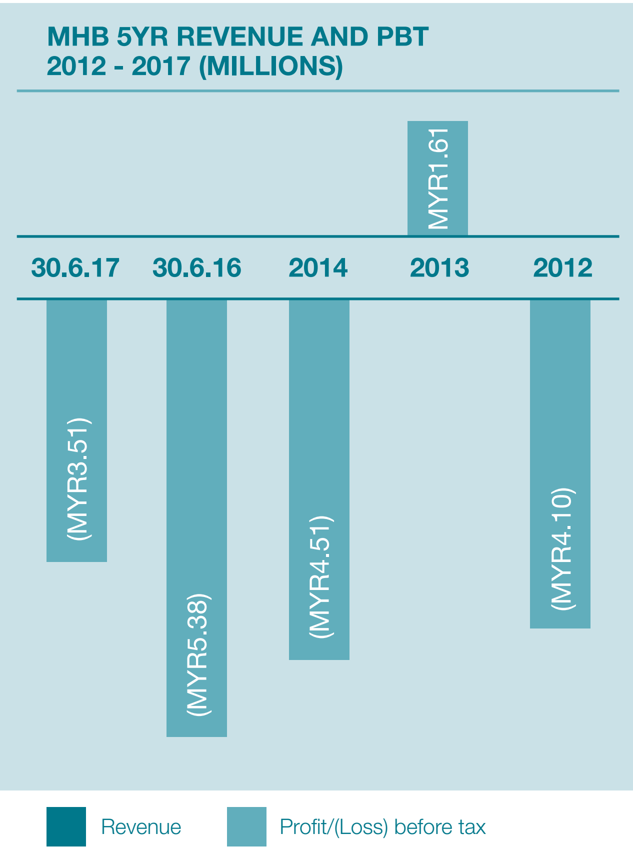
The Group's principal activity is that of investment holding.

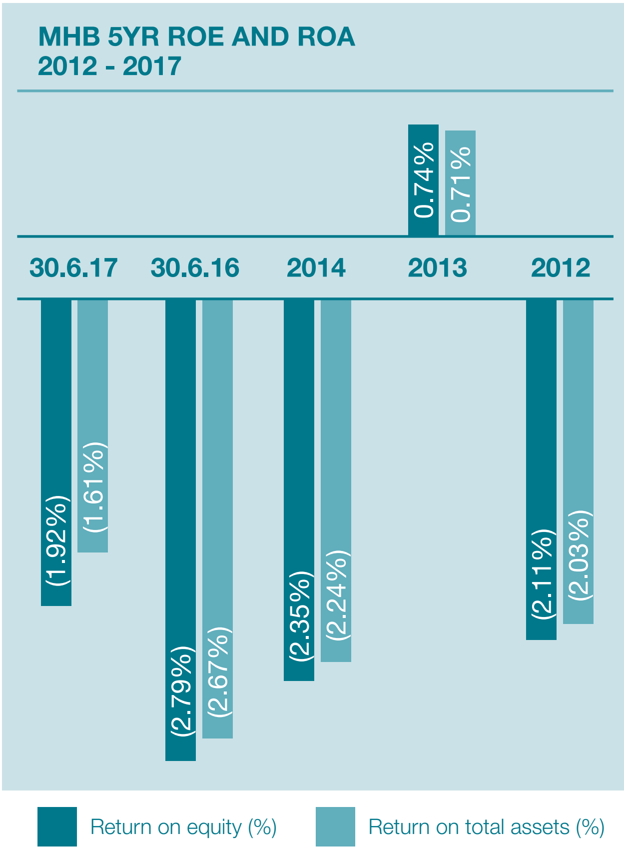
Due to the recent dismissal by the Kuala Lumpur High Court ("KLHC"), Malpac Holdings has on the interim, pending finality of the suit, handed over the ownership and control of its wholly-owned subsidiary which owns its plantation assets. As the Group is appealing to the higher court(s), the matter has not been finally resolved as yet. In the meantime, the Group is actively pursuing new investment opportunities in various industries to rebuild its revenue.

### STRATEGIES IN CREATING VALUE

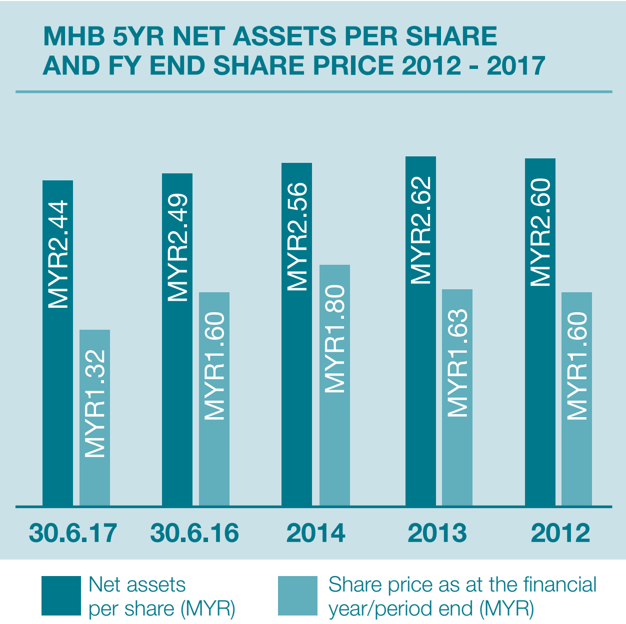
The Group is seeking to invest in businesses that offer long term growth and value generation with high margin of safety.

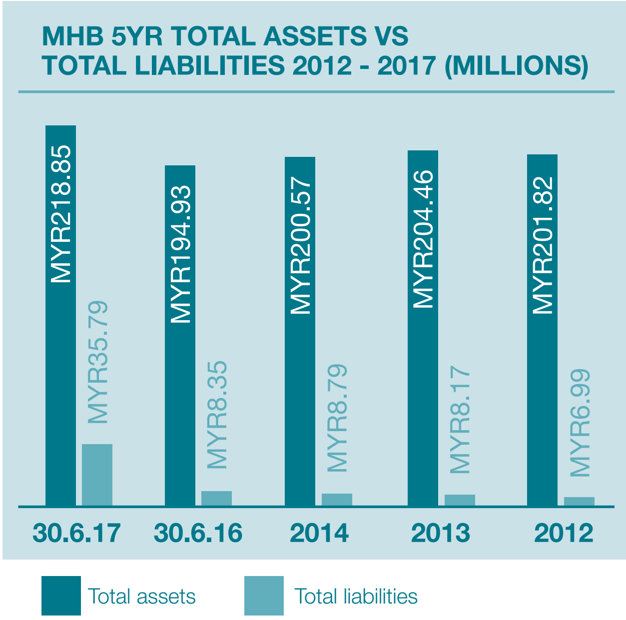
### HIGHLIGHTS OF OUR GROUP'S FINANCIAL INFORMATION FOR THE PAST 5 FINANCIAL YEARS



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)




## DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

The Group reported zero revenue generated from its oil palm businesses for the current financial year. Since July 2011, the Group had not received any plantation/mill rental payment. The appointed operators who are also the purchasers of the plantation assets had withheld all rental payments subsequent to the Ipoh High Court decision in their favour, despite not having paid the full purchase price of the plantation and mill and there were pending appeals to the higher courts. More details on the development of the legal suit could be found in the Review of Operating Activities and Legal Suit(s).

With the recent dismissal of the Malpac Holdings Berhad's legal suit filed in the Kuala Lumpur High Court and after much deliberation, the Board has taken an interim position to stop recognising MCSB's wholly-owned subsidiary – Radiant Response Sdn Bhd, the registered owner of the plantation assets located in Teluk Intan, Perak. The decision resulted a one-off gain of RM25.647 million to the Group. Together with higher prices in the quoted shares investments and the dividends income received from the unit trust funds investments, the Group reported other operating income of RM33.988 million in FY2017.

The said one-off gain was however offset by the special, general, exemplary damages and interest charges successfully claimed by the purchasers in a separate legal suit filed by the purchasers in the KLHC against the Group, MCSB, the Group's directors and the CEO. The Group has made a provision of RM31.376 million. The finality of the damages claim will depend on the decision of our appeal to the higher courts.

For the financial year ended 30 June 2017, the Group recorded net loss of RM3.514 million or loss per share of 4.69 cent.

## REVIEW OF OPERATING ACTIVITIES AND LEGAL SUIT(S)

The Group's wholly-owned subsidiary MCSB had lost a legal suit in Federal Court in September 2013 whereby two individuals ("purchasers") had vide Ipoh High Court Suit No. 22-109-2007 sued for specific performance of a conditional shares sale agreement of RRSB shares signed in 2002 ("the Original Agreement"). The sale was not completed within the stipulated time frame due to non-compliance of conditions precedent.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In September 2013, MCSB was ordered by the Federal Court to "… menyempurnakan perjanjian-perjanjian yang bertarikh 5th April 2002" ("2013 Court Order"). Thereafter, the purchasers also demanded among others that MCSB surrender and transfer a further 99,998 shares in RRSB which were issued in 2005 and which were not covered by the Original Agreement. In an effort to comply with the 2013 Court Order and also the further demands by the purchasers, the Group had appointed corporate legal advisors and an investment bank advisor ("Advisers") to advise on the legal implications if any which may arise in complying with the 2013 Court Order and the purchasers' demands. The summary of the advice by the Advisers is as follows:

(i) **Events subsequent to agreement dated 5th April 2002:** The proposed disposal of 100% of RRSB in 2002 only comprised of 2 ordinary shares of RM1.00 each and the settlement of a shareholder's loan from MCSB of RM30.6 million. RRSB is the registered owner of two parcels of leasehold plantation lands in Teluk Intan. After the conditional shares sale agreement lapsed in October 2002, several significant, irreversible events then took place: -

(a) In 2003, the transfer price for the plantation lands from Danaharta-appointed Special Administrators to MCSB was increased from RM30.6 million to RM47.4 million as a result of a fresh valuation ordered by the Securities Commission.

(b) RRSB not only became the registered owner of the two parcels of plantation lands but also became the distinct registered owner of a palm oil mill, which was separately purchased outright from the Special Administrators only in 2004, which palm oil mill was not included in the Original Agreement;

(c) In 2005, 99,998 new ordinary shares in RRSB were issued with the knowledge of the purchasers that such new shares were not covered by the Original Agreement, and the purchasers were formally informed that MCSB did not undertake to dispose of the newly issued shares to them and that the new capitalization would have to be considered and dealt with in intended discussions going forward;

(d) The shareholder's loan of RM30.6 million in the Original Agreement was no longer in existence or captured in RRSB's book in 2007/2013, the structure of the RRSB had been irreversibly changed and since 2003/2004 RRSB had held the assets on trust for MCSB without any loans;

(e) By reason of these subsequent developments, the core business and/or principal activity of the Group was changed from financial services to the cultivation and milling of oil palm under the plantation sector;

(f) The total consideration for any new agreement would have been RM53.1 million for 100% of RRSB as compared to the original consideration of RM30.6 million shareholder's loan settlement and RM2.00 for 100% of RRSB as contained in the Original Agreement and the 2002 shareholders' resolution approved;

(ii) **Material Variations to the 2002 Shareholders' Approval:** The shareholders' approval obtained in year 2002 merely mandated the directors to transfer 100% of RRSB comprising of two (2) RRSB shares then at a total consideration of RM2.00, upon repayment and settlement of a shareholders' loan of RM30.6 million (2002 Shareholders' Approval). The above mentioned intervening events had materially varied the nature and scope of the transaction as originally envisaged when the 2002 Shareholders' Approval was passed.

(iii) The Board was categorically advised and cautioned by the Advisers that it was mandatory to seek fresh shareholders' approval before the 2013 Court Order could be complied with based on the following:

(a) **Fresh shareholders' approval requirement 1 (Companies Act 1965):** Pursuant to Section 132(c)(1A) of Companies Act 1965, the Board shall not carry into effect any arrangement for the disposal of a substantial portion of the Company's undertaking or property unless the arrangement has been approved by the Company in a general meeting, whereby the term 'substantial portion' shall mean the same value prescribed by the provisions in the Main Market Listing Requirements ("MMLR") which relates to disposals by a company or its subsidiaries to which such provision applies and which would require the approval of shareholders at a general meeting in accordance with the provisions of the MMLR;

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(b) **Fresh shareholders' approval requirement 2 (MMLR Chapter 10):** Pursuant to Chapter 10.07(1)(b) of MMLR, where any one of the percentage ratios of a transaction is 25% or more, in addition to the requirements of paragraph 10.06, the listed issuer must seek shareholder approval of the transaction in a general meeting. At the material time in 2013, the aggregate consideration for the disposal of the 100% of RRSB shares to comply with the 2013 Court Order represented 27% of the Group's total assets;

(c) **Fresh shareholders' approval requirement 3 (MMLR Chapter 8):** Pursuant to paragraph 8.22(1) of the MMLR, where a proposal has been approved by shareholders in general meeting and a listed issuer proposes to make a material amendment, modification or variation to such proposal, the listed issuer must issue a circular to its shareholders and seek its shareholder approval of such material amendment, modification or variation. The subsequent events as enumerated in (i) above without doubt fell within the ambit of MMLR Chapter 8 as material variations to the resolutions approved by shareholders in 2002.

(d) **MMLR Chapter 2:** Pursuant to section 2.05 of MMLR, listed issuers are required to comply with the MMLR both in spirit and in form.

(iv) The Advisers advised MCSB to deliver the two (2) RRSB shares pursuant to the 2002 Shareholders' Approval to the purchasers, and also the Group to simultaneously seek fresh shareholders' approval on the substantial transaction and the material variations for the surrendering of the 99,998 subsequent additional RRSB shares, the palm oil mill asset, the change in total consideration and structure that were not covered by the 2002 agreement in order to comply with the demands of the purchasers;

An EGM was then held in July 2014 to seek such fresh shareholders' approvals for the proposed arrangement for surrender and disposal. The proposal was overwhelmingly rejected by the shareholders at the said July 2014 EGM. In light of the rejection of the proposal by the shareholders at the July 2014 EGM, the Group and its directors were placed in a very precarious position whereby non-compliance and contravention of Section 132C of the Companies Act 1965 and the Bursa Listing Requirements could result in the Group and its directors being exposed to potential criminal and civil liability including a jail sentence.

MHB then filed proceedings in KLHC seeking assistance and guidance of the court, as well as various declaratory and injunctive relief, arising from the aforesaid outcome of the July 2014 EGM and in the context of Section 132C of the Companies Act 1965 and the Bursa Listing Requirements. MHB took the position that MHB also sought inter alia an order from the Court for the company and the directors to be relieved from any liability whatsoever under Section 132C of the Companies Act 1965 should MCSB be required to transfer the RRSB shares and the plantation assets to the purchasers in the absence of fresh shareholders' approval.

All our prayers in the said suit were however dismissed by the KLHC on 11th April 2017 primarily on the basis of res judicata. The Court also expressed the view that the 2002 agreement was for the sale of the entire paid-up capital of RRSB, irrespective of the subsequent increase in paid-up capital.

Subsequent to MHB's filing of the suit in KLHC, MHB, MCSB, as well as the directors and the CEO in their personal capacity were sued by the purchasers for alleged abuse of court process and conspiracy to injure the purchasers by lawful and unlawful means. The purchasers alleged that the Federal Court review application filed by MCSB in 2014, the 2014 EGM, a subsequent cross-application filed by MCSB in the Ipoh High Court and the KLHC suit by MHB were all pursued by the Group to prevent them from enjoying their fruits of litigation. In addition, the purchasers claimed for special damages amounting to RM29.2 million, general damages and exemplary/aggravated damages (to be paid jointly and severally by MHB, MCSB, the directors and the CEO) to the purchasers for the possible profits under-earned between the period of 2004-2017. The alleged damages were underpinned by the hypothetical assumptions that the purchasers would have (i) replanted the plantation land successfully and optimally since 2004, (ii) would have successfully upgraded the mill to a modern system with substantial cost savings and (iii) would have generated much better returns. These allegations based on hypothetical assumptions were made despite the fact that the first legal suit in the Ipoh High Court was initiated by the purchasers only in 2007 and the disputes were still ongoing as at the end of 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

It is also to be noted that the plantation land and the mill therein were under the sole, exclusive and full possession, control and management of the purchasers from 2002 till to date. MCSB counterclaimed for unpaid rental from the purchasers for the period from 2011 to 2015, based on fresh evidence newly discovered in 2016 that the audited accounts of one Sri Ganda Oil Mill Sdn Bhd, the operating company for the oil palm plantation and palm oil mill (wherein the purchasers are major shareholders) had disclosed in their audited accounts that plantation rental was purportedly paid to MCSB up until February 2015 which was factually not the case.

On 31st May 2017, the KLHC dismissed MCSB's counterclaim in total while allowing the purchasers' claim for abuse of process and conspiracy to injure against not only MHB and MCSB but also the directors and CEO as well and award the purchasers special damages of RM29.2 million, general damages of RM1 million, exemplary damages of RM250,000, interest and costs. The Group is now appealing to the Court of Appeal against the abovementioned decisions of the KLHC.

The directors and the management of the Group, together with their counsel and advisors have tried their utmost best and exhausted substantial time and resources to vindicate and protect their rights and interests through the legal process. The directors and the management are not personally emotionally attached to the loss of RRSB or the plantation assets, but the Group and the directors are legally bound to ensure that the rights and interests of the Group, its shareholders and the investing public are protected and upheld, and also to ensure that the Group does not contravene the country's laws and MMLR. The Group would make it very clear that in filing the KLHC suit, the Group had no intention to disregard or go against the 2013 Court Order. MHB genuinely took the view based on legal advice received that the surrender and disposal of the 99,998 subsequent additional RRSB shares and the palm oil mill asset as well as compliance with the 2013 Court Order could not be effected due to contravention of the Companies Act 1965 and the MMLR.

The Group is currently actively pursuing various investment propositions as a precautionary measure with a view to rebuild its core business in the event that the appellate courts decide against the Group in the ongoing legal suits.

### ANTICIPATED OR KNOWN RISK(S)

In light of the recent KLHC decisions, notwithstanding the appeals to the Court of Appeal, the Board is constrained to recognise that the Group is exposed to the significant legal risk of losing the plantation and mill. In compliance with the orders of the Ipoh High Court, MCSB was recently compelled to deliver all documents relating to its wholly-owned subsidiary RRSB to the purchasers. As a consequence, it is highly likely that the Group will not receive any income from RRSB unless there is a reversal of the KLHC decisions by the appellate courts. In the worst-case scenario, should the Group finally lose legal ownership of RRSB after exhausting all legal avenues, the Group may fall within the provisions of the Chapter 8.03A framework of the MMLR.

### FORWARD LOOKING STATEMENT

Global investment outlook in 2017-2018 is getting more subdued with the unprecedented political and social changes. Brexit, and political developments and changes in USA, Europe and Asia had resulted in more uncertainties on future fiscal and monetary policies all over the world. The Group will continue to adopt highly prudent practices to protect the shareholder's best interest despite the uncertainties ahead. Demand for crude palm oil is expected to remain stable due to consumption growth and expansion of downstream applications of crude palm oil. The demand growth is however offset by higher number of mature estates particularly in Indonesia. It is expected that the crude palm oil price will remain resilient despite all the uncertainties and gloomy economic outlook.

The Board of Directors do not recommend any dividend pay-out for the financial year ended 30 June 2017.

# AUDIT COMMITTEE REPORT

## OBJECTIVE

The Audit Committee was established to act as a Committee of the Board of Directors to fulfil its fiduciary responsibilities in accordance with the Terms of Reference of the Audit Committee and to assist the Board in reviewing the adequacy and integrity of the Group's financial administration and reporting and internal control. The Terms of Reference of the Audit Committee are available for viewing in the Company's website.

## MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee comprises the following members: -

| Chairman | Attendance |
|---|---|
| **Johari Low Bin Abdullah**<br>[Senior Independent Non-Executive Director]<br>[Fellow Member of the Institute of Chartered Accountant (England & Wales), Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants] | 4/4 |

| Members | Attendance |
|---|---|
| **Muhayuddin Bin Musa**<br>[Independent Non-Executive Director] | 4/4 |
| **Tan Chon Sing @ Tan Kim Tieng**<br>[Non-Independent Non-Executive Director] | 3/4 |

## AUTHORITY

The Audit Committee is empowered to, in accordance with the procedures determined by the Board of Directors and at the cost of the Company: -

- Investigate any matters within its term of reference.
- Have full access to all information in relation to the Company and its subsidiaries.
- Have direct communication channels with the External Auditors and Internal Auditors.
- To convene meetings with the Internal Auditors without the presence of Executive Directors and employees of the Company, whenever deemed necessary.
- To convene meetings with the External Auditors at least twice a year without the presence of the Executive Directors and management staff.
- Obtain independent professional or other advice as necessary.

Notwithstanding anything to the contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board of Directors on matter considered and its recommendations thereon, pertaining to the Group.

# AUDIT COMMITTEE REPORT (Continued)

## MEETINGS

The Committee will meet at least four times in a year. The quorum for the meeting shall consist of two members of which majority of members present must be Independent directors. The Directors, employees, auditors or others may attend meetings upon the invitation of the Audit Committee.

The Chairman and Encik Muhayuddin Bin Musa attended all the four (4) meetings and Mr Tan Chon Sing @ Tan Kim Tieng attended three (3) out of four (4) meetings held during the financial year ended 30 June 2017.

The Company Secretary shall be the Secretary to the Audit Committee.

## MINUTES

The Secretary shall maintain minutes of the proceedings of the meeting and circulate such minutes to all members of the Audit Committee. The Chairman of the Committee shall report on each meeting to the Board of Directors.

## WORK OF THE AUDIT COMMITTEE

The Audit Committee has discharged its functions during the financial year ended 30 June 2017 as follows:

- Reviewed with the internal auditors and reported to the Board on the following matters:
  - o the internal audit plan, scope of work and its finding at half year basis, and to highlight to the Board on any material finding.
  - o the adequacy of the internal controls procedures and operational controls.
  - o the major findings of internal audit reports and their recommendations relating thereto as well as the management response to ensure that appropriate and adequate remedial action were taken by the Management.
- Reviewed with the external auditors and report to the Board on the following matters:
  - o the audit planning memorandum.
  - o the audit review memorandum ("ARM") and highlighted significant issues in the ARM.
  - o matters for control improvements.
- Reviewed the quarterly unaudited results and audited financial statements which were recommended for the Board's adoption prior to the announcement/submission to Bursa Securities focusing particularly on:
  - o changes in or implementation of major accounting policy.
  - o significant and unusual events.
  - o compliance with accounting standards and other legal requirements
  - o compliance with Bursa Securities' MMLR, Companies Act 2016 and other regulatory requirements
- Reviewed the audited financial statements and recommended the adoption of the financial statements.
- Assessed the suitability and independence of the External Auditors and make recommendations to the Board for their re-appointment.

## AUDIT COMMITTEE REPORT (Continued)

- Reviewed the progress and status of the on-going material litigation including engaging in discussions with the Company's solicitors.
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to its inclusion in the Annual Report.
- Evaluated the audit fees payable to the internal auditors and external auditors.
- Review the related party transactions and any conflicts of interest that may arise within the Company and the Group.
- Reviewed and to ensure the recurrent related party transactions entered into by the Company and/or the Group and the disclosures of such transactions in the quarterly financial results.

## WORK OF THE INTERNAL AUDIT FUNCTION

The Board recognises the importance of the internal audit function and the independent status required for carrying out their function effectively. For the financial year ended 30 June 2017, the internal audit function of the Company was outsourced to an external service provider, namely, IA Essential Sdn. Bhd.

During the financial year, the outsourced internal audit function assisted the Audit Committee in discharging its duties and responsibilities by executing independent reviews to ensure the adequacy and effectiveness of the internal control systems of the Group.

The work done of the internal audit function for the financial year ended 30 June 2017 included the following:

a) Conducting internal audit reviews in accordance with the internal audit plan approved by the Audit Committee;

b) Reporting the results of internal audit and making recommendations for improvements to the Audit Committee on a periodic basis.

During the financial year, two (2) internal audit reports were issued on various units of the Group covering bank balances, investments and capital expenditure. The internal audits conducted did not reveal any weaknesses in the internal control system that would result in material losses, contingencies or uncertainties which are necessary to be disclosed in the Annual Report.

The cost incurred for the internal audit function in respect of the financial year was RM13,196.47.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") hereby disclose the manner and the extent of which it has applied the principles and complied with recommended best practices set out in the Malaysian Code on Corporate Governance ("MCCG") and governance standards prescribed in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") throughout the financial year ended 30 June 2017.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Board's Roles and Responsibilities

The Board in discharging its stewardship, is constantly mindful of safeguarding the interest of the Group's stakeholders and responsible for the performance of the Group.

The Board's core responsibilities are as follow:

- **Accountability to the shareholders:** Understand and consider the interests of shareholders and relevant stakeholders for the business directions and crucial decision making relating to the Group. The Board reviews the adequacy and the integrity of the Group's internal control systems to ensure that all levels within the Group comply with the applicable laws, regulations, rules, directives and guidelines. The Board is also responsible to ensure that the communications both to and from shareholders and relevant stakeholders are effective;

- **Set strategy & structure:** Determine and review the overall strategic plans and the suitable organisation structure for the Group. The Board review and evaluate the present and future opportunities, threats and risks in the external environment, evaluate the strengths and weaknesses of the company structure and the principal risks relating to the Group;

- **Delegate to management & internal control:** Delegate authority to the management, participate, monitor and evaluate the implementation of policies, strategies and business plans. The Board also oversees and evaluate the conduct of business of the Group to ensure that the Group adheres to high standards of ethics and corporate behaviour;

The Board has adopted a Board Charter whereby it provides guidance for the existing and prospective Board members and its Committees on their fiduciary duties and responsibilities. The Board Charter will be reviewed and updated periodically to ensure consistency with the Board's strategic plan. The Board Charter is available on the Company's website.

In addition, the Board delegates certain responsibilities to several Board Committees such as the Audit Committee, Nomination Committee, Remuneration Committee, Investment Committee and Risk Management Committee which operate within defined Terms of Reference. In the normal course of events, day to day management of the Group will be in the hands of management and under the stewardship of the Chief Executive Officer.

### 1.2 Code of Ethics and Conduct

A formal Code of Ethics has been developed to guide the Group's Directors towards achieving high standards of behaviours in our business dealings. For employees, they are required to observe and adhere to a Standard of Conduct which sets out the Code of Ethics, the Misuse of Position, confidentiality rules and Breach of Discipline. The Standard of Conduct aims to instil good conduct, integrity and ensure good corporate practices among the Group's employees.

The Code of Ethics and Conduct is available on the Company's website.

## STATEMENT ON CORPORATE GOVERNANCE (Continued)

### 1.3 Whistleblowing Policy

The Group has put in place a Whistleblowing Policy and this policy forms an integral part of the Group's commitment towards providing a safe and ethical work environment, thus resulting in improving the overall effectiveness and success of the Group. Recognising that upholding these ethical standards requires confidence on the part of all directors, employees and stakeholders, and any issues of concern can be addressed transparently, fairly and truthfully and remedial action can be taken promptly. The Policy can be viewed on the Company's website.

### 1.4 Access to Information, Advice and Company Secretary

The Board and Board Committees received timely and up-to-date information and are provided with all relevant papers and reports in advance of each Board and Committee Meeting in accordance with the agenda for discussion. This ensures that Directors have sufficient time to appreciate issues deliberated at meetings and expedites the decision-making process. Senior management is invited to attend Board or Committee Meetings to present the financial performance, reports or other proposals affecting the business areas as at when and where necessary. The Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and the regulatory requirements are met. The Directors are also given access to seek independent professional advice when necessary at the Company's expense.

### 1.5 Qualified and Competent Company Secretaries

The Company Secretaries of the Group are qualified company secretaries under the Companies Act 2016. The Company Secretaries play an advisory role to the Board, particularly with regard to the Group's constitution and Board policies and procedures as well as compliance with relevant rules and regulations.

The Company Secretaries records, prepares and circulates the minutes of the meetings of the Board and Board Committees on timely basis and ensures that the minutes are properly kept at the registered office of the Company and produced for inspection, if required.

## 2. STRENGTHEN COMPOSITION

### 2.1 Board Composition and Balance

There is a balance of power and authority in the Board with two executive non-independent directors, three non-executive non-independent directors and two non-executive independent directors. The Group complies with the MMLR which requires one-third of the Board members as independent non-executive directors.

All board members have extensive professional and business experience. Essentially, this meets the prerequisites of an effective board where the intimate business knowledge of the executive directors is combined with the broader views and objectivity that non-executive directors bring into the Board's deliberation and decision-making process.

The role of the Chairman and the Executive Directors are segregated. The Chairman is primarily responsible for the Board effectiveness and conduct, whilst the Executive Directors together with the Chief Executive Officer are responsible for day-to-day running of business and implementation of Board policies and decisions. The Executive and Non-Executive Directors together ensure that the strategies proposed by the management are objectively evaluated and examined and the long-term interests of the shareholders are the highest priority.

## STATEMENT ON CORPORATE GOVERNANCE (Continued)

Both Independent Directors have served the Board for a cumulative term of more than nine (9). The Board has made a critical assessment of the performance and concluded that their level of independence, objectivity and integrity will no way be compromised notwithstanding their long service. As such, both of them will be recommended to the Shareholders on the continuation in office as Independent Directors at the forthcoming AGM.

The Board supports the initiative to include woman representation on the Board to achieve a more gender diversified Board. Candidates that are competent, possess leadership qualities and suitable qualification with specialised knowledge that meet the Group's needs will be considered for appointment to the Board in the future.

### 2.2 Board Committees

#### 2.2.1 Audit Committee

The Group's financial reporting and internal control system are overseen by the Audit Committee, which comprises two (2) independent non-executive Directors and one (1) non-independent and non-executive Director. The composition, terms of reference and summary of the activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report.

The Audit Committee meets quarterly. Additional meetings are held as and when required. For financial year ended 30 June 2017, four meetings were held. The Audit Committee's meetings are always held before the Board's meetings. This is to ensure that all critical issues highlighted can be brought to the Board on a timely basis.

#### 2.2.2 Nomination Committee ("NC")

The NC consists entirely of Non-Executive Directors with majority being Independent Directors. The NC is chaired by a Senior Independent Director and the members are as follows:

1. Encik Johari Low Bin Abdullah – Chairman
2. Mr Tan Chon Sing @ Tan Kim Tieng
3. Encik Muhayuddin Bin Musa

The Terms of Reference of the Nomination Committee can be found on the Company's website.

NC have been ensuring that the Group follows the criteria set-out in 2.20A of MMLR in recruiting, retaining, training and developing the best available executive and non-executive, as well as directing and managing board renewal and succession effectively. The NC assess the contributions of each individual Director independently based on the nomination and election process including the Chief Executive Officer ("CEO") on an annual basis.

During the financial year ended 30 June 2017, the NC held one meeting to evaluate the performance and effectiveness of the Board based on specific criteria, including areas such as size, composition, mix of skills, principal responsibilities of the Board, the Board process and Board governance. The performance of each Director was evaluated based on criteria such as contribution to interaction, role and duties, knowledge and integrity. In addition, the NC also:

- reviewed the composition of respective Board Committees of the Group to ensure its effectiveness;

- reviewed the re-election and re-appointment of retiring Directors to the Board pursuant to the Company's Constitution;

- assessed independence of each Independent Director by taking into their disclosed interests and based on the guidelines as set out in the MMLR.

Based on the review and assessment, the NC has observed that the Group has no female director and/or female participation in the key management roles as recommended by the MCCG. The Board does not have a gender diversity policy and the Board's current policy is to provide equal opportunity to candidates based on meritocracy and the Board believes it is vital to recruit and retain the best available talent regardless of gender, ethnicity or age. The NC has viewed that the current composition of the Board was well-constructed with Directors possessing the right mix of skills and vast experience and supportive of the continuous growth of the Group.

### 2.2.3 Remuneration Committee

The Committee consists mainly of Non-Executive Directors with majority being Independent Directors. The members of the Remuneration Committee are:

1. Encik Muhayuddin Bin Musa - Chairman
2. Encik Johari Low Bin Abdullah
3. Mr Lim Hong Liang

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the Executive Directors, whilst the Board as a whole determines the remuneration of the Non-Executive Directors. Individual Directors do not participate in discussions or decisions concerning their own remuneration packages. The Remuneration Committee met once during the financial year under review and all members registered full attendance.

### 2.2.4 Investment Committee

The Committee consists of two Executive Directors, a Non-Executive Director and the Group CEO. The members of the committee are as follows: -

1. Mr Lim Hong Liang - Chairman
2. Mr Tan Chon Sing @ Tan Kim Tieng
3. Mr Kan Ah Chun
4. Mr Ang Poo Guan

The role of the Investment Committee is to assist the Board in assessing and approving all significant investment matters which include the capital budget, investment transactions and proposals on new investment capital. The significant issues and actions deliberated and decided in the Committee are tabled in the Board for review and approval. The Investment Committee shall meet as and when required and shall report to the board on its proceeding on all matters within its duties and responsibilities. There were two (2) meetings held during the financial year ended 30 June 2017.

### 2.2.5 Risk Management Committee

The Committee consists of Non-Executive and Executive Directors. The members of the Risk Management Committee are:

1. Mr Lim Hong Liang - Chairman
2. Encik Johari Low Bin Abdullah
3. Encik Muhayuddin Bin Musa

The role of the Risk Management Committee is to assist the Board to identify, evaluate and manage various risks and monitor these risks constantly to ensure that risks are actively updated and effectively managed. The Risk Management Committee meets as and when required or at least once a year.

## STATEMENT ON CORPORATE GOVERNANCE (Continued)

### 2.3 Re-election of Directors

In accordance with the Constitution of Company, one-third (1/3) of the Directors shall retire from office, at least once in three (3) years. Retiring directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments.

### 2.4 Directors' Training

All the Directors have completed the Mandatory Accreditation Programme and attended various training programmes under the Continuing Education Programmes pursuant to the requirements of MMLR. All Directors have attended at least one training course each that the Board considered relevant to the discharge of their duties as a director. The Board encourages its Directors to attend talks, workshops, seminars and conferences to update and enhance their skills and knowledge to keep abreast with the changing business developments relevant to the industry within which the Group operates.

During the financial year ended 30 June 2017, the board members attended the following programmes:

| Director | Courses/Seminars/Workshop attended |
|---|---|
| Tan Chon Sing @<br>Tan Kim Tieng | • AMLA, Market Misconduct, Chinese Wall & Prevention of Insider Trading<br>• Warrants and Call Warrants - How To Select Them |
| Chew Loy Chee<br>Lim Hong Liang<br>Kan Ah Chun<br>Johari Low Bin Abdullah | • International Tax Developments affecting Wealth Crossing Borders<br>• Beyond Retirement |
| Muhayuddin Bin Musa | • Advocacy Sessions on Management Discussion & Analysis ("MD&A") for CEO and CFO of Listed Issuers<br>• The Malaysian Code On Corporate Governance |
| Gan Teck Chong @<br>Gan Kwan Chong | • Product@Bursa 2017<br>• AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach |

### 2.5 Directors' Remuneration

The remuneration policy of the Company for Executive Directors is structured to link rewards to corporate and individual performance. As for Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned. Details of remuneration received/receivable by Directors from the Company and the Group for the financial year ended 30 June 2017 are as follows:

| | Fee (RM) | Salaries, EPF & Allowance (RM) | Other Emoluments & Benefits (RM) | Total (RM) |
|---|---|---|---|---|
| Company | | | | |
| Executive Directors | 24,000 | 188,200 | 111,406 | 323,606 |
| Non-Executive Directors | 36,000 | 254,880 | 138,500 | 429,380 |
| Group | | | | |
| Executive Directors | 24,000 | 188,200 | 175,356 | 387,556 |
| Non-Executive Directors | 36,000 | 254,880 | 277,250 | 568,130 |

The Board recommends Directors' fee of RM24,000 for Executive Directors and RM36,000 for Non-Executive Directors to be payable for the financial year ended 30 June 2017 subject to shareholders' approval at the forthcoming AGM.

## STATEMENT ON CORPORATE GOVERNANCE (Continued)

The number of Directors whose remuneration falls into the respective bands is as follows:-

| Range of Remuneration (RM) | Executive Directors | Non-Executive Directors |
|---|---|---|
| 50,000 – 100,000 | - | 2 |
| 100,001 – 150,000 | 1 | 2 |
| 150,001 – 200,000 | - | 1 |
| 200,001 – 250,000 | - | - |
| 250,001 – 300,000 | 1 | - |

The details of the individual Director's remuneration are not disclosed in the report as the Board considers the above disclosures satisfy the accountability and transparency aspect of the MCCG.

## 3. REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independence

The Board through the Nomination Committee assesses the independence of the NEDs annually. This is in line with the MCCG, as one of the factors in determining the NEDs eligibility to stand for re-election.

Based on the assessment carried out during the financial year ended 30 June 2017, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company as well as ability to resolve problems based on clarity and understanding of all subject matters during deliberations at Board meetings.

### 3.2 Tenure of Independent Director

Recommendation of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years, however, the Nomination Committee and Board have assessed and concluded that notwithstanding the length of service put in by both Directors, they have at all time been able to exercise a high level of objectivity and integrity with sound independent judgments in discharging their duties and responsibilities.

Furthermore, the Board is satisfied that Encik Muhayuddin Bin Musa and Encik Johari Low Bin Abdullah actively participated in Board's and Board Committee's discussions and provided an independent view to the Board. Their vast experiences enable them to provide the Board with a diverse set of experience and expertise. The Board is of the view that their continued service is still needed and their independence and objectivity will not be compromised.

As such, the NC has assessed and recommended to the Board on the continuation in office of the two (2) Independent Directors and to seek shareholders' approval at the forthcoming AGM.

### 3.3 Role of Chairman & CEO

The Chairman of the Company is an Independent Non-Executive Director ("NED"). The role of the Chairman and Chief Executive Officer ("CEO") are held by different individuals. The Chairman's main responsibility is to lead and manage the Board in order to ensure its effectiveness.

The CEO is responsible for leading the management team, implementation of the decision approved by the Board, the CEO is also responsible for planning the future direction of the Group for the Board's consideration and approval.

## STATEMENT ON CORPORATE GOVERNANCE (Continued)

### 3.4 Board Composition

The Board consists of seven (7) members of whom two (2) are Independent NEDs, three (3) are Non-Independent NEDs and two (2) are Non-Independent Executive Directors. The present composition of the Board complies with Paragraph 15.02(1) of the MMLR of Bursa Securities whereby at least one-third (1/3) of the Board must be made up of Independent Directors.

## 4. FOSTER COMMITMENT

### 4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at the Board and Board Committee meetings for the financial year ended 30 June 2017, as set out in the table below:

| | Board Meeting | Audit Committee Meeting | Nomination Committee Meeting | Remuneration Committee Meeting | Investment Committee Meeting | Risk Management Committee Meeting |
|---|---|---|---|---|---|---|
| Muhayuddin Bin Musa | 4/5 | 4/4 | 1/1 | 1/1 | - | 1/1 |
| Chew Loy Chee | 5/5 | - | - | - | - | - |
| Lim Hong Liang | 5/5 | - | - | 1/1 | 2/2 | 1/1 |
| Tan Chon Sing @ Tan Kim Tieng | 4/5 | 3/4 | 1/1 | - | 2/2 | - |
| Gan Teck Chong @ Gan Kwan Chong | 4/5 | - | - | - | - | - |
| Kan Ah Chun | 4/5 | - | - | - | 2/2 | - |
| Johari Low Bin Abdullah | 5/5 | 4/4 | 1/1 | 1/1 | - | 1/1 |

The Board meets at least once in every quarterly and on other occasions, as and when necessary, to inter alia approve quarterly financial results, statutory financial statement, the annual report and business plans and budgets as well as to review the performance of the Company and its operating subsidiaries. Board papers are circulated to the Board members prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to have a proper deliberation on issues raised during Board meetings.

All Directors have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR of Bursa Securities.

### 4.2 Number of Directorship of Each Director

To ensure the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold a directorship at more than five (5) PLCs (as prescribed in Paragraph 15.06 of the MMLR of Bursa Securities) and must be able to commit sufficient time to the Company matters. The Directors are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

# STATEMENT ON CORPORATE GOVERNANCE (Continued)

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

The Board is responsible for ensuring that the financial statement prepared for each financial year presents a true and fair view of the state of affairs of the Company and Group. The Board ensures that the Group's financial statements are drawn up in accordance with the provision of the Companies Act 2016 and applicable approved accounting standards. The Board is assisted by the Audit Committee in reviewing the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements comply with the accounting standards and other regulatory requirements. The Statement of Director's responsibilities is set out annually in the Annual Report.

### 5.2 Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors. The Audit Committee meets with the External Auditors at least twice a year to discuss their audit plan, audit findings and the Group's financial statements. Such meetings are held without the presence of the Executive Director and Management of the Group. This encourages a greater exchange of independence and open dialogue between both parties.

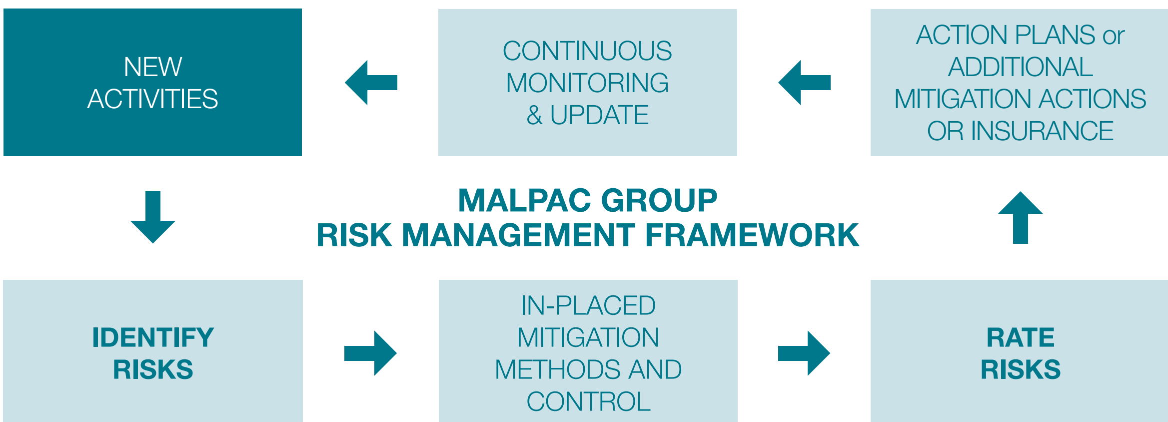
The Audit Committee also annually reviews the suitability and effectiveness of the External Auditors by assessing its audit plan, proposed fees and the feedback from the financial personnel of their dealings with External Auditors during the financial year. The Audit Committee had on 17 May 2017 conducted assessment on the suitability and independence of the external auditors and being satisfied with the performance of the External Auditors, the Audit Committee had recommended their re-appointment to the Board and shareholders' approval will be sought at the forthcoming AGM.

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Risk Management Framework

The Board is fully aware of its responsibility to institute the risk management and internal control mindset into every level of employees and directors of the Group to safeguard and enhance the value of the shareholders in the Group. The risk management and internal control system are designed to manage and mitigate the risks that may impede the achievement of the Group's business objectives.

The Board has established a framework to formulate and review risk management policies and risk strategies. The Board embedding risk management in all levels within the Group with the assistance of the Risk Management Team which is made up of the CEO and the Executive Directors. The RMC has established the framework of processes for identifying, evaluating and managing the risks faced by the existing businesses and the new investments of the Group. The said framework is illustrated as follow:



The Risk Management Team consults with the consultants like solicitors, insurance brokers and meet annually as well as on the need basis to discuss the key risks and evaluate the respective appropriate risk mitigation controls.

### 6.2 Internal Audit Function

The Group has engaged the services of an independent professional firm, namely, IA Essential Sdn. Bhd. to provide much of the assurance regarding the adequacy and integrity of the Group's system of internal controls. Their principal role is to provide independent assurance on the adequacy and effectiveness of governance and internal control processes.

The report of the internal audit is tabled for the Audit Committee's review and comments, and the audit findings will then be communicated to the Board. Statement on Risk Management and Internal Control set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

## 7. ENSURE TIMELY AND HIGH-QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy

The Board is committed in ensuring that communications to the investing public, regarding the business and the financial performance of the Company, are factual, accurate, transparent, timely, informative and consistent. The Group comply with all the disclosure requirements stipulated in the Corporate Disclosure Guide issued by Bursa Malaysia. All the announcements made to the investing public are further verified with the consultation of the Company Secretary and/or professional advisers.

## 8. INVESTORS RELATIONS & SHAREHOLDERS COMMUNICATION

### 8.1 Encourage shareholder participation at General Meeting

Notice of the AGM which is contained in the Annual Report is sent out at least twenty-one (21) days prior to the date of the meeting. The AGM serves as a principal forum for dialogue and interaction with all shareholders who are encouraged to participate in a question and answer session. The Chairman of the meeting or the CEO will facilitate the discussion with the shareholders and provide further information in response to shareholders' queries.

### 8.2 Poll Voting

With effect from 1 July 2016, all resolutions put forth at the AGM for a vote shall be decided by poll.

### 8.3 Effective Communication with Shareholders and Investors

The Board is committed to maintaining effective communication with its shareholders, stakeholders and the public in general. Investors and members of the public who wish to seek clarification on any matters pertaining to their shareholdings or investments can contact the persons as stated on the Company's website.

## COMPLIANCE STATEMENT

The Board is satisfied that the Company has in the financial year ended 30 June 2017 complied with the principles and recommendations of the MCCG except where it was specifically stated otherwise.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## BOARD RESPONSIBILITY

The Board affirms its responsibilities for a sound system of internal control, quality risk management practices and for reviewing the Group's adequacy and integrity in these systems. The principal function of the internal control system is intended to identify and to manage significant risks faced by the Group's business operations, which may impede the achievement of the Group's objective. The Board ensures that the effectiveness and integrity of the risk management and internal control system are reviewed on an ongoing basis and is of the view that the system in place is sound and sufficient to safeguard the Group's assets.

The Board also acknowledges that these systems are designed to ensure that risks are identified and managed at acceptable levels rather than to eliminate such risks. Hence, systems can only provide reasonable but not absolute assurance against financial losses or uncertainties.

## RISK MANAGEMENT

The Board regards risk management as an integral part of the Group's business operations and has established a Risk Management Committee ("RMC") that comprises the Executive Non-Independent Director and Non-Executive Independent Directors. The RMC identifies and communicates to the Audit Committee and the Board the present and potential critical risks the Group faces, their changes and the management action plans to manage these risks.

The RMC has established a risk assessment process to identify, evaluate and manage the significant risks faced by the Group. Key risks identified are scored for the likelihood of the risks occurring and magnitude of its impact. Risk assessment, monitoring and review of the various risks faced by the Group are a continuous process within the key operating units with the RMC playing a pivotal oversight function. The RMC convenes on an annual basis to review the key risks profiles and report to the Audit Committee. Reviews are conducted annually or as and when necessary by RMC to determine the existence of a new risk and whether the risks previously identified remain relevant.

## INTERNAL CONTROL

The outsourced internal auditors are engaged to assist the Board and Audit Committee in providing an independent assessment of adequacy, efficiency and effectiveness of the Group's internal control system. They have on a semi-annual basis assessed the adequacy and effectiveness of the Group's system of internal control and compliance frameworks and have subsequently reported their findings to the Audit Committee. The Audit Committee reviewed the internal audit reports and informed the Board on the adequacy and effectiveness of the Group's system of internal control.

The Group's system of risk management and internal control mainly applies to its operating units and does not cover the dormant companies.

The key elements of the Group's internal control system are: -

- Organisation structure with clearly defined lines of authority and the appropriate levels of delegation.
- Policies and procedures are clearly communicated to all staff members.
- Quarterly financial reports are provided to Directors and discussed at Audit Committee and Board meetings;
- The RMC would discuss the possible risk areas on the Group's operational and management issues as and when necessary and report to Audit Committee;
- Internal audit function outsourced to an independent advisory firm with its audit plan approved by the Audit Committee to assess the adequacy of internal control, the extent of compliance with policy and procedures as well as advising management on areas for improvement;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

- The Audit Committee convenes meeting on a quarterly basis to deliberate on the findings and recommendation for improvements by the Internal Auditors and External Auditors. The Audit Committee reviews the action taken to rectify the findings in a timely manner and to evaluate the effectiveness and adequacy of the Group's internal control system;
- The CEO oversees the Group's operations and internal controls and reports to the Board on the key risks;
- All major decisions are subject to detailed appraisal and review. The Board receives comprehensive information covering all decisions within the group on a quarterly basis.

The Board, together with the management will, when necessary put in place appropriate action plans to further enhance the Group's risk management and internal control system.

For the financial year ended 30 June 2017 under review, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control. No major weaknesses or uncertainties, which could result in material losses, were identified nor would require separate disclosure.

## ADEQUACY & EFFECTIVENESS OF THE RISK MANAGEMENT & INTERNAL CONTROL SYSTEM

The Board has received assurance from the Chief Executive Officer and Finance Manager that the Group's risk management and internal control system is operating adequately and effectively in all material aspects. It is of the view that the risk management and internal control system are satisfactory and no material internal control failures resulted in material losses or contingencies during the financial year under review.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors, Messrs Baker Tilly Monteiro Heng, have performed a limited assurance engagement on this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2017 and reported to the Board that based on the procedures performed, nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Controls intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

This statement is made pursuant to paragraph 15.26(a) of Main Market Listing Requirements.

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company for the financial year ended 30 June 2017.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016.

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

# STATEMENT ON CORPORATE SOCIAL RESPONSIBILITIES

The Company strives to be a good corporate citizen, comply with all bylaws and maintain ethical and moral decision-making in all business dealings. Malpac Holdings Berhad and its subsidiaries, through its people, are committed to promoting care of the environment, promoting equal opportunities based on merits, promoting life-long learning, ensuring safe and efficient working environment and working with professionals and business partners who uphold similar values.

# OTHER INFORMATION

## 1. MATERIAL CONTRACTS

There were no material contracts entered by the Company and/or its subsidiaries which involve Directors' and major shareholders' interests, either still subsisting at the financial year ended 30 June 2017 or which were entered into since the end of the previous financial year.

## 2. AUDIT AND NON-AUDIT FEES

The details of fees paid/payable to the external auditors and its affiliated companie by the Group and the Company for the financial year ended 30 June 2017 as set out below: -

| | Group RM | Company RM |
|---|---|---|
| Statutory audit | 44,000 | 23,500 |
| Other services | 15,000 | 7,000 |
| Total | 59,000 | 30,500 |

# FINANCIAL STATEMENTS



MALPAC

MALPAC HOLDINGS BERHAD
(197424-V)
(Incorporated in Malaysia)

# DIRECTORS' REPORT

The directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

| | Group | Company |
|---|---|---|
| | RM | RM |
| Loss for the financial year, attributable to owners of the parent | 3,514,465 | 908,397 |

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend payment for the current financial year.

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

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

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

## CURRENT ASSETS

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

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

## DIRECTORS' REPORT (Continued)

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

(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 liability of any other person; and

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:

(i) 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 other than those disclosed in Note 4 to the financial statements; and

(ii) 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.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

### DIRECTORS OF THE COMPANY

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

CHEW LOY CHEE
TAN CHON SING @ TAN KIM TIENG
GAN TECK CHONG @ GAN KWAN CHONG
LIM HONG LIANG
KAN AH CHUN
MUHAYUDDIN BIN MUSA
JOHARI LOW BIN ABDULLAH

# DIRECTORS' REPORT (Continued)

## DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| **Direct Interest** | **At 1.7.2016** | **Bought** | **Sold** | **At 30.6.2017** |
| Chew Loy Chee | 3,152,188 | - | - | 3,152,188 |
| Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | - | - | 10,315,393 |
| Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | - | - | 3,917,303 |
| Lim Hong Liang | 14,251,008 | 53,000 | - | 14,304,008 |
| Kan Ah Chun | 2,279,960 | - | - | 2,279,960 |
| **Deemed Interest** | | | | |
| Chew Loy Chee * | 360,000 | - | - | 360,000 |
| Tan Chon Sing @ Tan Kim Tieng * | 2,209,300 | - | - | 2,209,300 |
| Gan Teck Chong @ Gan Kwan Chong * | 4,460,800 | - | - | 4,460,800 |
| Lim Hong Liang ** | 3,691,900 | - | - | 3,691,900 |

* *Deemed interested through spouse*

** *Deemed interested through a corporation in which the director has substantial financial interest*

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Chon Sing @ Tan Kim Tieng, Gan Teck Chong @ Gan Kwan Chong and Lim Hong Liang are also deemed interested in the ordinary shares of the subsidiaries to the extent the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares of the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Directors' Remuneration and Note 6 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 arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

## INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, no indemnity coverage and insurance premium paid for the directors and officers of the Group and of the Company.

# DIRECTORS' REPORT (Continued)

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 12 to the financial statements.

## SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO FINANCIAL YEAR END

Details of significant events during and subsequent to financial year end are disclosed in Note 30 and 33 to the financial statements.

## AUDITORS' REMUNERATION

The details of the Group's and the Company's auditors' remuneration are disclosed in Note 4 to the financial statements.

## INDEMNITY TO AUDITORS

The Group and the Company have agreed to indemnify the auditors of the Group and of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

## AUDITORS

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

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

**TAN CHON SING @ TAN KIM TIENG**
Director

**GAN TECK CHONG @ GAN KWAN CHONG**
Director

Date: 4 October 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
|---|---|---|---|
| Revenue | | - | - |
| Other income | | 33,987,998 | 6,271,797 |
| Administrative expenses | | (6,120,271) | (8,522,987) |
| Other operating expenses | | (31,381,935) | (3,131,342) |
| **Loss before tax** | 4 | (3,514,208) | (5,382,532) |
| Tax (expense)/credit | 7 | (257) | 176,660 |
| **Loss for the financial year/period, attributable to owners of the parent** | | (3,514,465) | (5,205,872) |
| **Loss per share attributable to owners of the parent:** | | | |
| Basic loss per share (sen) | 8 | (4.7) | (6.9) |
| Diluted loss per share (sen) | 8 | (4.7) | (6.9) |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2017

| | Note | 2017 RM | 2016 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 55,544,774 | 56,127,793 |
| Investment properties | 10 | 1,111,500 | 1,138,500 |
| Prepaid land lease payments | 11 | - | 28,852,263 |
| Other investments | 13 | 14,369,868 | 11,999,044 |
| | | 71,026,142 | 98,117,600 |
| **Current assets** | | | |
| Receivables and deposits | 14 | 49,709,546 | 682,109 |
| Tax recoverable | | 15,364 | 16,707 |
| Other investments | 13 | 9,094,421 | 7,894,387 |
| Short term cash investments | 15 | 88,650,090 | 87,767,202 |
| Deposits, cash and bank balances | 16 | 357,574 | 452,143 |
| | | 147,826,995 | 96,812,548 |
| **Total Assets** | | 218,853,137 | 194,930,148 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 17 | 99,366,593 | 75,000,000 |
| Reserves | 18 | 83,700,194 | 111,581,252 |
| **Total Equity** | | 183,066,787 | 186,581,252 |
| **Liabilities** | | | |
| **Non-current liability** | | | |
| Provisions | 21 | 327,988 | 295,716 |
| **Current liabilities** | | | |
| Payables, deposits and accruals | 20 | 605,571 | 4,694,229 |
| Provisions | 21 | 34,852,791 | 3,358,951 |
| | | 35,458,362 | 8,053,180 |
| **Total Liabilities** | | 35,786,350 | 8,348,896 |
| **Total Equity and Liabilities** | | 218,853,137 | 194,930,148 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Share Capital RM | Share Premium RM | Retained Earnings RM | Total Equity RM |
|---|---|---|---|---|
| **At 1 January 2015** | 75,000,000 | 24,366,593 | 92,420,531 | 191,787,124 |
| Loss for the financial period, representing total comprehensive loss for the financial period | - | - | (5,205,872) | (5,205,872) |
| **At 30 June 2016/1 July 2016** | 75,000,000 | 24,366,593 | 87,214,659 | 186,581,252 |
| Loss for the financial year, representing total comprehensive loss for the financial year | - | - | (3,514,465) | (3,514,465) |
| Transition to no par value regime | 24,366,593 | (24,366,593) | - | - |
| **At 30 June 2017** | 99,366,593 | - | 83,700,194 | 183,066,787 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Loss before tax | (3,514,208) | (5,382,532) |
| Adjustments for:- | | |
| Amortisation of prepaid land lease payments | 1,648,701 | 2,473,051 |
| Bad debt written off | 3,845 | - |
| Depreciation of investment properties | 27,000 | 40,500 |
| Depreciation of property, plant and equipment | 430,956 | 903,628 |
| Distribution income from unit trusts | (2,427,873) | (4,718,399) |
| Dividend income | (259,000) | (656,493) |
| Gain on remeasurement arising from decognition of a subsidiary | - | (16,753) |
| Gain on redemption of short term cash investments | (65,163) | (137,410) |
| Gain on disposal of financial assets at fair value through profit or loss | (292,716) | (137,931) |
| Gain on disposal of property, plant and equipment and prepaid land lease payment | (25,646,787) | (56,000) |
| Interest income | (285,596) | (490,783) |
| Net fair value (gain)/loss on financial assets at fair value through profit or loss | (4,955,875) | 3,114,090 |
| Property, plant and equipment written off | 2,412 | 17,252 |
| Provisions | 32,021,283 | 562,444 |
| Operating loss before working capital changes | (3,313,021) | (4,485,336) |
| Increase in receivables | (31,282) | (494,805) |
| Increase/(Decrease) in payables | 11,341 | (287,040) |
| Cash used in operations | (3,332,962) | (5,267,181) |
| Tax refunded | 8,851 | 198,897 |
| Tax paid | (7,765) | (16,950) |
| Utilisation of provision | (495,171) | (710,338) |
| Net cash used in operating activities | (3,827,047) | (5,795,572) |

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
|---|---|---|---|
| **Cash Flows from Investing Activities** | | | |
| Distribution income received | | 2,427,873 | 4,718,399 |
| Dividends received | | 259,000 | 656,493 |
| Interest received | | 285,596 | 490,783 |
| Net cash outflow from derecognition of a subsidiary | 12 | - | (84,574) |
| Interest in property venture | | - | (2,000,000) |
| Proceeds from disposal/redemption of: | | | |
| - Financial assets at fair value through profit or loss | | 4,880,570 | 3,125,989 |
| - Property, plant and equipment | | - | 56,000 |
| - Short term cash investments | | 57,686,294 | 54,618,909 |
| Purchase of: | | | |
| - Financial assets at fair value through profit or loss | | (4,121,263) | (3,070,330) |
| - Property, plant and equipment | | - | (123,150) |
| - Short term cash investments | | (57,685,592) | (52,656,901) |
| Net cash from investing activities | | 3,732,478 | 5,731,618 |
| **Net decrease in cash and cash equivalents** | | (94,569) | (63,954) |
| Cash and cash equivalents at beginning of the financial year/period | | 452,143 | 516,097 |
| **Cash and cash equivalents at end of the financial year/period** | 16 | 357,574 | 452,143 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
|---|---|---|---|
| Revenue | | - | - |
| Other income | | 1,505,679 | 2,454,627 |
| Administrative expenses | | (2,400,854) | (2,625,463) |
| Other operating expenses | | (13,138) | (23,320) |
| **Loss before tax** | 4 | (908,313) | (194,156) |
| Tax (expense)/credit | 7 | (84) | 176,897 |
| **Loss for the financial year/period** | | (908,397) | (17,259) |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2017

| | Note | 2017 RM | 2016 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 17,375 | 28,650 |
| Investment in subsidiaries | 12 | 166,981,515 | 166,981,515 |
| | | 166,998,890 | 167,010,165 |
| **Current assets** | | | |
| Receivables and deposits | 14 | 464,649 | 441,137 |
| Short term cash investments | 15 | 41,714,555 | 42,093,148 |
| Deposits, cash and bank balances | 16 | 101,438 | 259,756 |
| | | 42,280,642 | 42,794,041 |
| **Total Assets** | | 209,279,532 | 209,804,206 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 17 | 99,366,593 | 75,000,000 |
| Reserves | 18 | 107,672,510 | 132,947,500 |
| **Total Equity** | | 207,039,103 | 207,947,500 |
| **Liabilities** | | | |
| **Non-current liability** | | | |
| Provisions | 21 | 187,616 | 171,757 |
| **Current liabilities** | | | |
| Payables, deposits and accruals | 20 | 330,679 | 329,629 |
| Provisions | 21 | 1,722,134 | 1,355,320 |
| | | 2,052,813 | 1,684,949 |
| **Total Liabilities** | | 2,240,429 | 1,856,706 |
| **Total Equity and Liabilities** | | 209,279,532 | 209,804,206 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Share Capital RM | Share Premium RM | Retained Earnings RM | Total Equity RM |
|---|---|---|---|---|
| **At 1 January 2015** | 75,000,000 | 24,366,593 | 108,598,166 | 207,964,759 |
| Loss for the financial period, representing total comprehensive loss for the financial period | - | - | (17,259) | (17,259) |
| **At 30 June 2016/1 July 2016** | 75,000,000 | 24,366,593 | 108,580,907 | 207,947,500 |
| Loss for the financial year, representing total comprehensive loss for the financial year | - | - | (908,397) | (908,397) |
| Transition to no par value regime | 24,366,593 | (24,366,593) | - | - |
| **At 30 June 2017** | 99,366,593 | - | 107,672,510 | 207,039,103 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss before tax | | (908,313) | (194,156) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 9,242 | 14,537 |
| Distribution income from unit trusts | | (1,147,287) | (2,274,756) |
| Gain on redemption of short term cash investments | | (14,132) | (136,634) |
| Impairment losses on amounts due from subsidiaries | | 11,104 | 6,499 |
| Interest income | | (1,881) | (637) |
| Net fair value gain on financial assets at fair value through profit or loss | | (342,379) | - |
| Property, plant and equipment written off | | 2,033 | 16,821 |
| Provisions | | 382,673 | 97,682 |
| Operating loss before working capital changes | | (2,008,940) | (2,470,644) |
| Increase in receivables | | (34,616) | (47,004) |
| Increase/(Decrease) in payables | | 1,050 | (58,363) |
| Cash used in operations | | (2,042,506) | (2,576,011) |
| Tax paid | | (84) | - |
| Tax refunded | | - | 186,647 |
| Net cash used in operating activities | | (2,042,590) | (2,389,364) |
| **Cash Flows from Investing Activities** | | | |
| Distribution income received | | 1,147,287 | 2,274,756 |
| Interest received | | 1,881 | 637 |
| Proceeds from redemption of: | | | |
| - Short term cash investments | | 37,922,002 | 15,111,969 |
| Purchase of: | | | |
| - Short term cash investments | | (37,186,898) | (14,874,186) |
| - Property, plant and equipment | | - | (5,516) |
| Net cash from investing activities | | 1,884,272 | 2,507,660 |
| **Net (decrease)/increase in cash and cash equivalents** | | (158,318) | 118,296 |
| Cash and cash equivalents at beginning of the financial year/period | | 259,756 | 141,460 |
| **Cash and cash equivalents at end of the financial year/period** | 16 | 101,438 | 259,756 |

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 2nd Floor, 23 Jalan Kong Sang, 70000 Seremban, Negeri Sembilan Darul Khusus.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12. There have been no significant changes in the nature of these activities during the financial year. The financial statements were authorised for issue by the Board of Directors in accordance with a Board of Directors' resolution dated 4 October 2017.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the 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 basis, other than as disclosed in the significant accounting policies.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

### (a) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

#### (i) Adoption of amendments/improvements to MFRSs

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 2. BASIS OF PREPARATION (CONT'D)

### (a) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (cont'd)

#### (i) Adoption of Amendments/Improvements to MFRSs (cont'd)

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

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

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

| | | Effective for financial periods beginning on or after |
|---|---|---|
| New MFRSs | | |
| MFRS 9 | Financial Instruments | 1 January 2018 |
| MFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 16 | Leases | 1 January 2019 |
| MFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments/Improvements to MFRSs | | |
| MFRS 1 | First-time adoption of MFRSs | 1 January 2018 |
| MFRS 2 | Share-based Payment | 1 January 2018 |
| MFRS 4 | Insurance Contracts | 1 January 2018 |
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2017 |
| MFRS 107 | Statement of Cash Flows | 1 January 2017 |
| MFRS 112 | Income Taxes | 1 January 2017 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2018/Deferred |
| MFRS 140 | Investment Property | 1 January 2018 |
| New IC Int | | |
| IC Int 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IC Int 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 2. BASIS OF PREPARATION (CONT'D)

### (a) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (cont'd)

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

***MFRS 9 Financial Instruments***

Key requirements of MFRS 9:

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

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

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

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

**MFRS 15 Revenue from Contracts with Customers**

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

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

## 2. BASIS OF PREPARATION (CONT'D)

### (a) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (cont'd)

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

**MFRS 15 Revenue from Contracts with Customers (cont'd)**

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

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

**MFRS 16 Leases**

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

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

***Amendments to MFRS 12 Disclosure of Interests in Other Entities***

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

**Amendments to MFRS 107 Statement of Cash Flows**

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

**Amendments to MFRS 112 Income Taxes**

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

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

## 2. BASIS OF PREPARATION (CONT'D)

### (a) New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (cont'd)

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

***Amendments to MFRS 140 Investment Property***

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

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

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

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

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

### (b) Functional and presentation currency

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

### (c) Significant accounting estimates and judgements

The significant areas of estimation uncertainty and critical judgements in applying accounting principles that have significant effect on the amounts recognised in the financial statements are described as follows:

(i) Classification of financial assets

The Group has classified its investments as available-for-sale and fair value through profit or loss financial assets. In applying the accounting policy, the Group assesses its nature and the intention at initial recognition date.

(ii) Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on investment properties. The Group has evaluated and determined that it retains all the significant risks and rewards of ownership of the investment properties which are leased out on operating leases, and thus account for the arrangements as operating lease.

## 2. BASIS OF PREPARATION (CONT'D)

### (c) Significant accounting estimates and judgements (cont'd)

(iii) Revenue recognition

The Group had suspended the recognition of income from the oil palm plantation and the lease rental from oil mill with effect from 1 July 2011 following the Ipoh High Court judgements as mentioned in Note 30. The Group has determined that there is a significant uncertainty as to the probability that the economic benefits associated with the plantation and oil mill flow to the Group.

(iv) Useful lives of property, plant and equipment (Note 9) – The cost of property, plant and equipment depreciated on a straight line method over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years based on past experience with similar assets. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(v) Disposal of other investment, prepaid land lease payment and plant and machinery (Note 9, 11 and 13) - The Group recognised the disposal of its other investment, prepaid land lease payment and plant and machinery. The Group had evaluated and determined that significant risks and rewards relating to the said properties had been transferred to the purchasers and that the Group has lost control over these assets.

(vi) Impairment loss on receivables (Note 14) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. 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 debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

(vii) Provision for legal fee (Note 21) – The provision is made for legal services in respect of the Group's litigation case as mentioned in Note 30. The amount of provision is determined using the best estimate of the management based on their past experience on similar cases. It is reasonably possible, that outcomes within the next financial year that are different from assumptions would require a material adjustment to the provision made.

(viii) Provision for retirement gratuity (Note 21) – The provision is determined based on the number of years of service of the employees and directors at the reporting date and their salaries over the past years. The retirement gratuity payable is vested upon the employees and directors reaching their retirement age. The provision is discounted at a rate of 3.44% to 4.06% (2016: 4.27% to 5.48%).

(ix) Provision for unutilised leave (Note 21) – The provision is made based on the employees' salaries over the past years and the unutilised leave at the end of the financial year/period and will be reversed once the leave is utilised.

(x) Provision for legal claims (Note 21) – The provision is made for damages in respect of the Group's litigation as mentioned in Note 30. The amount of provision is determined based on the High Court's decision on 31 May 2017.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of controls as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- Potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements;
- The nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- Any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The transaction costs of the investments shall be recognised as expense in the profit or loss in the period in which the costs are incurred.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

#### (ii) Accounting for business combinations

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year/period.

The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group and continue to consolidate until the date that such control ceases.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

#### (ii) Accounting for business combinations (cont'd)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

**Acquisition on or after 1 October 2011**

For acquisition on or after 1 October 2011, the Group measures goodwill at the acquisition date as:

i) The fair value of the consideration transferred; plus
ii) The recognised amount of any non-controlling interests in the acquiree; plus
iii) If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
iv) The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**Acquisition between 1 October 2006 and 30 September 2011**

For acquisition between 1 October 2006 and 30 September 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired over the cost of acquisition is recognised immediately in the profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

**Acquisitions prior to 1 October 2006**

For acquisition prior to 1 October 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

#### (iii) Non-controlling interests

Non-controlling interests are the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and are presented in the consolidated statement of financial position and consolidated statement of changes in equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the financial year/period between non-controlling interests and the equity shareholders of the Company.

The interests of non-controlling shareholders may be initially measured either at fair value at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All losses attributable to the non-controlling interests are allocated to the minority shareholders even if the losses exceed the non-controlling interests in the subsidiary's equity.

#### (iv) Changes in group composition

The Group treats changes in the group composition that do not result in a loss of control as equity transaction between the Group and the minority shareholders. Any difference between the Group's shares of net assets before and after the change, and any consideration received or paid, is recognised directly in equity and attributed to owners of the Company.

Upon the loss of control of a subsidiary, the Group derecognised the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in full. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent the Group has interests. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

### (b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of consideration due.

#### (i) Interest income

Interest income is recognised using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Revenue (cont'd)

#### (ii) Dividend income and distribution income

Dividend income and distribution income are recognised when the Group's right to receive payment is established.

#### (iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of lease income over the lease term on a straight-line basis.

#### (iv) Oil palm plantation

Revenue from oil palm plantation is recognised on an accrual basis.

### (c) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year/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 leave are recognised when the absences occur.

#### (ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (iii) Retirement gratuity scheme

The Company established a retirement gratuity scheme in 2010 for employees and directors of the Group. The amount of retirement gratuity payable is determined by the Board of Directors in relation to the services rendered up to the date of retirement. The retirement gratuity is calculated based on the basic salary over the tenure of employment to date. The retirement gratuity payable is vested upon the employees and directors reaching their retirement age.

### (d) Leases

#### (i) Operating Lease – The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Leases (cont'd)

#### (ii) Operating Lease – The Group as Lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### (e) Tax expense

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

#### (i) Current tax

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

#### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) Tax expense (cont'd)

#### (ii) Deferred tax (cont'd)

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

#### (iii) Goods and Services Tax

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

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

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

### (f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

| | |
|---|---|
| Buildings | 2% |
| Plant and machinery | 10% |
| Office equipment | 10% - 12% |
| Computer equipment | 20% |
| Motor vehicles | 20% |

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised in profit or loss.

### (h) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets.

#### (i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial assets (cont'd)

#### (ii) Loans and receivables

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

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

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

#### (iii) Held-to-maturity

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

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

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

#### (iv) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

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 on 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.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) Financial assets (cont'd)

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

### (i) Fair value estimation of available-for-sale financial assets

The fair values of investments that are not traded in an active market are determined by using a variety of methods and makes assumptions based on market condition existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair value of investments. However, if the probabilities of various estimates cannot be reasonably measured, the Group is precluded from measuring the instruments at fair value, and the financial instruments are measured at cost.

### (j) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor 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 and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Impairment of financial assets (cont'd)

#### (ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, 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.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

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

#### (iii) Available-for-sale financial assets 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 assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and demand deposits with licensed banks with maturity not more than 3 months and short term highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

### (l) Share capital

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 proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Prior to Companies Act 2016 which came into effect on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### (i) Other financial liabilities

The Group's and the Company's other financial liabilities include other payables and accruals.

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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.

### (n) Provisions

Provision for liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

### (o) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Board of Directors of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (p) Fair value measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting date.

For the purpose of fair value disclosures, the Group had determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 4. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

| | Group | | Company | |
|---|---|---|---|---|
| | **Financial year ended 30.6.2017 RM** | **Period from 1.1.2015 to 30.6.2016 RM** | **Financial year ended 30.6.2017 RM** | **Period from 1.1.2015 to 30.6.2016 RM** |
| Auditors' remuneration | | | | |
| Statutory audit | | | | |
| - current financial year | 44,000 | 42,000 | 23,500 | 22,000 |
| - under/(over) provision in prior financial year | (1,000) | (3,000) | (1,000) | (1,000) |
| Amortisation of prepaid land lease payments (Note 11) | 1,648,701 | 2,473,051 | - | - |
| Bad debt written off | 3,845 | - | - | - |
| Depreciation of property, plant and equipment (Note 9) | 430,956 | 903,628 | 9,242 | 14,537 |
| Depreciation of investment properties (Note 10) | 27,000 | 40,500 | - | - |
| Employee benefits expense (Note 5) | 1,230,698 | 1,803,505 | 729,265 | 1,312,294 |
| Non-executive directors' remuneration (Note 6) | 535,380 | 673,320 | 429,380 | 583,320 |
| Impairment losses on amounts due from subsidiaries (Note 14) | - | - | 11,104 | 6,499 |
| Net fair value (gain)/loss on financial assets at fair value through profit or loss | (4,955,875) | 3,114,090 | (342,379) | - |
| Property, plant and equipment written off | 2,412 | 17,252 | 2,033 | 16,821 |
| Provision for legal claims | 31,375,678 | - | - | - |
| Provision for legal fee | 500,000 | 400,000 | 300,000 | - |
| Rental of premises | 219,701 | 327,446 | 205,301 | 305,046 |
| Interest on obligation (Note 21) | 13,238 | 28,364 | 7,583 | 15,844 |
| Direct operating expenses from investment properties (including repair and maintenance) that generate rental income | - | 6,517 | - | - |
| Direct operating expenses from investment properties (including repair and maintenance) that did not generate rental income | 21,443 | 24,661 | - | - |
| Dividend income | (259,000) | (656,493) | - | - |
| Distribution income from unit trusts | (2,427,873) | (4,718,399) | (1,147,287) | (2,274,756) |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

### 4. LOSS BEFORE TAX (CONT'D)

Loss before tax is arrived at after charging/(crediting): (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| Bad debt recovery | (20,000) | - | - | - |
| Interest income from: | | | | |
| - Financial assets at fair value through profit or loss | (278,860) | (482,529) | - | - |
| - Short term deposits with licensed banks | (3,754) | (3,417) | (224) | (89) |
| - Short term cash investments | (2,347) | (3,068) | (1,503) | - |
| - Others | (635) | (1,769) | (154) | (548) |
| (Gain)/Loss on disposal/redemption of: | | | | |
| - Short term cash investments | (65,163) | (137,410) | (14,132) | (136,634) |
| - Financial assets at fair value through profit or loss | (292,716) | (137,931) | - | - |
| - Property, plant and equipment and prepaid land lease payment | (25,646,787) | (56,000) | - | - |
| - Prepaid land lease payment | - | - | - | - |
| Gain on remeasurement arising from decognition of a subsidiary | - | (16,753) | - | - |
| Rental income on investment property | - | (15,300) | - | - |

### 5. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| Salaries and other emoluments | 960,261 | 1,375,096 | 562,556 | 1,031,086 |
| Employees Provident Fund | 146,700 | 225,465 | 89,520 | 173,232 |
| Other employee benefits | 123,737 | 202,944 | 77,189 | 107,976 |
| | 1,230,698 | 1,803,505 | 729,265 | 1,312,294 |

## 5. EMPLOYEE BENEFITS EXPENSE (CONT'D)

Included in employee benefits expense of the Group and of the Company are the following:

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| Executive directors' remuneration (excluding benefits in kind) (Note 6) | 363,606 | 557,388 | 323,606 | 507,388 |
| Provision for retirement gratuity * | 84,434 | 121,738 | 71,651 | 76,341 |
| Provision for unutilised leave (Net) | 3,235 | 12,342 | 3,439 | 5,497 |

* Included provision for retirement gratuity of the Group and of the Company for executive directors of the Company amounting to RM11,406 (2016: RM27,188).

## 6. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by directors of the Company during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| **Executive Directors:** | | | | |
| Salaries and other emoluments | 328,200 | 494,200 | 288,200 | 444,200 |
| Fees | 24,000 | 36,000 | 24,000 | 36,000 |
| Retirement gratuity benefits | 11,406 | 27,188 | 11,406 | 27,188 |
| Total executive directors' remuneration (excluding benefits in kind) (Note 5) | 363,606 | 557,388 | 323,606 | 507,388 |
| Estimated monetary value of benefits in kind | 23,950 | 35,925 | - | - |
| Total executive directors' remuneration (including benefits in kind) | 387,556 | 593,313 | 323,606 | 507,388 |

## 6. DIRECTORS' REMUNERATION (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| **Non-executive Directors:** | | | | |
| Allowance and other emoluments | 481,380 | 592,320 | 375,380 | 502,320 |
| Fees | 36,000 | 54,000 | 36,000 | 54,000 |
| Retirement gratuity benefits | 18,000 | 27,000 | 18,000 | 27,000 |
| Total non-executive directors' remuneraction (excluding benefits in kind) (Note 4) | 535,380 | 673,320 | 429,380 | 583,320 |
| Estimated monetary value of benefits in kind | 32,750 | 51,050 | - | - |
| Total non-executive directors' remuneration (including benefits in kind) | 568,130 | 724,370 | 429,380 | 583,320 |
| Total directors' remuneration | 955,686 | 1,317,683 | 752,986 | 1,090,708 |

## 7. TAX EXPENSE/(CREDIT)

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| **Current tax expense:** | | | | |
| Malaysian income tax: | | | | |
| - current financial year | - | 241 | - | - |
| - under/(over) provision in prior financial year/period | 257 | (176,901) | 84 | (176,897) |
| Tax expense/(credit) recognised in profit or loss | 257 | (176,660) | 84 | (176,897) |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 7. TAX EXPENSE/(CREDIT) (CONT'D)

The reconciliation of the tax amount at statutory income tax rate of the Group's and of the Company's tax credit are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| Loss before tax | (3,514,208) | (5,382,532) | (908,313) | (194,156) |
| Tax at the Malaysian statutory income tax rate of 24% | (843,400) | (1,291,800) | (218,000) | (46,600) |
| Non-taxable income | (7,040,500) | (1,341,400) | (360,900) | (578,700) |
| Non-deductible expenses | 8,713,448 | 1,637,341 | 578,900 | 601,500 |
| Deferred tax assets not recognised during the financial year/period | - | 996,100 | - | 23,800 |
| Utilisation of deferred tax assets previously not recognised in prior financial year | (829,400) | - | - | - |
| Under/(Over) provision of income tax expense in prior financial year/period | 109 | (176,901) | 84 | (176,897) |
| Tax expense/(credit) recognised in profit or loss | 257 | (176,660) | 84 | (176,897) |

Domestic income tax is calculated at the Malaysian Statutory tax rate of 24% of the estimated assessable profit for the financial year/period.

## 8. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing loss for the financial year/period, net of tax, attributable to owners of the parent by the number of ordinary shares of RM1 each in issue during the financial year/period.

| | Group | |
|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| Loss for the financial year/period, attributable to owners of the parent | (3,514,465) | (5,205,872) |
| Number of ordinary shares in issue | 75,000,000 | 75,000,000 |
| Basic loss per share (sen) | (4.7) | (6.9) |

### (b) Diluted

The Group has no potentially dilutive ordinary shares that may be issued in the future. As such, there is no dilution effect on the loss per ordinary share of the Group for the financial year/period.

There have been no other transactions involving ordinary shares between reporting date and the date of authorisation of these financial statements.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM | Buildings RM | Motor vehicle RM | Computer equipment RM | Plant and machinery RM | Others * RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 July 2016 | 53,367,232 | 2,216,000 | 1,485,304 | 15,968 | 3,656,887 | 293,425 | 61,034,816 |
| Disposals | - | - | (19) | - | (3,656,887) | - | (3,656,906) |
| Written off | - | - | - | - | - | (3,012) | (3,012) |
| At 30 June 2017 | 53,367,232 | 2,216,000 | 1,485,285 | 15,968 | - | 290,413 | 57,374,898 |
| **Accumulated depreciation** | | | | | | | |
| At 1 July 2016 | - | 280,588 | 1,081,959 | 11,193 | 3,378,999 | 154,284 | 4,907,023 |
| Depreciation charge for the financial year | - | 44,320 | 228,406 | 2,338 | 128,256 | 27,636 | 430,956 |
| Disposals | - | - | - | - | (3,507,255) | - | (3,507,255) |
| Written off | - | - | - | - | - | (600) | (600) |
| At 30 June 2017 | - | 324,908 | 1,310,365 | 13,531 | - | 181,320 | 1,830,124 |
| **Net carrying amount** | | | | | | | |
| At 30 June 2017 | 53,367,232 | 1,891,092 | 174,920 | 2,437 | - | 109,093 | 55,544,774 |

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Group | Freehold land RM | Buildings RM | Motor vehicle RM | Computer equipment RM | Plant and machinery RM | Others * RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2015 | 53,367,232 | 2,216,000 | 1,532,785 | 15,968 | 3,656,887 | 333,012 | 61,121,884 |
| Additions | - | - | 117,105 | - | - | 6,045 | 123,150 |
| Disposals | - | - | (164,586) | - | - | - | (164,586) |
| Written off | - | - | - | - | - | (45,632) | (45,632) |
| At 30 June 2016 | 53,367,232 | 2,216,000 | 1,485,304 | 15,968 | 3,656,887 | 293,425 | 61,034,816 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2015 | - | 214,108 | 850,087 | 7,208 | 2,984,447 | 140,511 | 4,196,361 |
| Depreciation charge for the financial period | - | 66,480 | 396,458 | 3,985 | 394,552 | 42,153 | 903,628 |
| Disposals | - | - | (164,586) | - | - | - | (164,586) |
| Written off | - | - | - | - | - | (28,380) | (28,380) |
| At 30 June 2016 | - | 280,588 | 1,081,959 | 11,193 | 3,378,999 | 154,284 | 4,907,023 |
| **Net carrying amount** | | | | | | | |
| At 30 June 2016 | 53,367,232 | 1,935,412 | 403,345 | 4,775 | 277,888 | 139,141 | 56,127,793 |

Included in the motor vehicle and plant and equipment with a carrying amount of RM149,651 (2016: RM277,907) is part of the subject under litigation case 1 and 2 as disclosed in Note 30. The Group had recognised the disposal of the said property in the consolidated financial statements during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Motor vehicle RM | Computer equipment RM | Others * RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **Cost** | | | | |
| At 1 July 2016 | 8,651 | 6,672 | 81,134 | 96,457 |
| Written off | - | - | (2,483) | (2,483) |
| At 30 June 2017 | 8,651 | 6,672 | 78,651 | 93,974 |
| **Accumulated depreciation** | | | | |
| At 1 July 2016 | 7,413 | 4,495 | 55,899 | 67,807 |
| Depreciation charge for the financial year | 990 | 1,045 | 7,207 | 9,242 |
| Written off | - | - | (450) | (450) |
| At 30 June 2017 | 8,403 | 5,540 | 62,656 | 76,599 |
| **Net carrying amount** | | | | |
| At 30 June 2017 | 248 | 1,132 | 15,995 | 17,375 |
| **Cost** | | | | |
| At 1 January 2015 | 8,651 | 6,672 | 120,511 | 135,834 |
| Additions | - | - | 5,516 | 5,516 |
| Written off | - | - | (44,893) | (44,893) |
| At 30 June 2016 | 8,651 | 6,672 | 81,134 | 96,457 |
| **Accumulated depreciation** | | | | |
| At 1 January 2015 | 5,928 | 2,857 | 72,557 | 81,342 |
| Depreciation charge for the financial period | 1,485 | 1,638 | 11,414 | 14,537 |
| Written off | - | - | (28,072) | (28,072) |
| At 30 June 2016 | 7,413 | 4,495 | 55,899 | 67,807 |
| **Net carrying amount** | | | | |
| At 30 June 2016 | 1,238 | 2,177 | 25,235 | 28,650 |

* Others comprise of renovation, electrical installation, office equipment and furniture and fittings.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

### 10. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| **Cost** | | |
| At beginning/end of the financial year/period | 1,350,000 | 1,350,000 |
| **Accumulated depreciation** | | |
| At beginning of the financial year/period | 211,500 | 171,000 |
| Charge for the financial year/period | 27,000 | 40,500 |
| At end of the financial year/period | 238,500 | 211,500 |
| Net carrying amounts | 1,111,500 | 1,138,500 |
| Estimated fair value | 1,538,000 | 1,525,000 |

The investment properties with a net carrying amount of RM1,111,500 (2016: RM1,138,500) are registered under the name of a third party company which is holding the assets in trust for the Group.

The Group's investment properties consist of 3 units of condominiums in Damansara Heights.

The estimated fair value of investment properties were arrived at by the directors of the Company by reference to similar properties in the locality and adjusting for size, present market trend and other differences.

### 11. PREPAID LAND LEASE PAYMENT

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| **Cost** | | |
| At 1 July 2016/1 January 2015 | 46,163,622 | 46,163,622 |
| Disposals | (46,163,622) | - |
| At 30 June | - | 46,163,622 |
| **Accumulated amortisation** | | |
| At 1 July 2016/1 January 2015 | 17,311,359 | 14,838,308 |
| Charge for the financial year/period | 1,648,701 | 2,473,051 |
| Disposals | (18,960,060) | - |
| At 30 June | - | 17,311,359 |
| **Net carrying amount** | - | 28,852,263 |

Included in the prepaid land lease payment with a carrying amount of RM nil (2016: RM28,852,263) is part of the subject under litigation as disclosed in Note 30. The Group had recognised the disposal of the said property in the consolidated financial statements during the financial year.

## 12. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Unquoted shares, at costs | 167,215,233 | 167,215,233 |
| Less: Accumulated impairment loss | (233,718) | (233,718) |
| | 166,981,515 | 166,981,515 |

Details of the subsidiaries are as follows:

| Name of Company | Principal Place of Business/ Country of Incorporation | Principal Activities | Proportion of Ownership Interest/ Voting rights 2017 | Proportion of Ownership Interest/ Voting rights 2016 |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| Malpac Capital Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| Malpac Management Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Malpac Assets Management Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Malpac Land Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Discovery Assets Sdn. Bhd. | Malaysia | Dormant | 100% | 100% |
| Precious Way International Limited ^ | British Virgin Islands | Investment holding | 100% | 100% |

^ Audited by Messrs. Baker Tilly Monteiro Heng for the purpose of consolidation in the financial statements of the Group.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 13. OTHER INVESTMENTS

| | Note | Group 2017 RM | Group 2016 RM |
|---|---|---|---|
| **Non-current** | | | |
| Equity and debt instruments quoted in Malaysia | (a) | 14,369,868 | 11,899,044 |
| Unquoted shares in Malaysia | (b)(i) | - | 100,000 |
| | | 14,369,868 | 11,999,044 |
| **Current** | | | |
| Equity and debt instruments quoted in Malaysia | (a) | 7,094,421 | 5,894,387 |
| Interest in property venture | (b)(ii) | 2,000,000 | 2,000,000 |
| | | 9,094,421 | 7,894,387 |
| | | 23,464,289 | 19,893,431 |

(a) Equity and debt instruments quoted in Malaysia

| Group | 2017 Carrying amount RM | 2017 Market value of quoted investments RM | 2016 Carrying amount RM | 2016 Market value of quoted investments RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| Equity and debt instruments quoted in Malaysia, at fair value | 14,369,868 | 14,369,868 | 11,899,044 | 11,899,044 |
| **Current** | | | | |
| Equity and debt instruments quoted in Malaysia, at fair value | 7,094,421 | 7,094,421 | 5,894,387 | 5,894,387 |

(b) (i) Unquoted shares in Malaysia

The unquoted shares represent 100,000 ordinary shares held in RRSB, which is part of the subject under litigation as disclosed in Note 30. The Group has disposed the said investment in the consolidated financial statements during the financial year.

(ii) Interest in property venture

The interest in property venture represents the Group's participation interest with third parties to acquire a property in the United Kingdom and in which the Group and the third parties are desirous to dispose of the property in the open market. This amount is secured by title deed of two Malaysian properties of the third parties as collateral and the estimated market values of the said properties are sufficient to cover the investment.

## 14. RECEIVABLES AND DEPOSITS

| | Note | 2017 RM | 2016 RM |
|---|---|---|---|
| **Group** | | | |
| **Trade receivables** | | | |
| Loan receivable | | 2,291,047 | 2,291,047 |
| Less: Allowance for impairment | | (2,291,047) | (2,291,047) |
| Trade receivables, net | (a) | - | - |
| **Other receivables** | | | |
| Other receivables | (b)(i) | 49,031,282 | 3,845 |
| Deposits | (b)(ii) | 678,264 | 678,264 |
| Other receivables, net | | 49,709,546 | 682,109 |
| Total trade and other receivables | | 49,709,546 | 682,109 |
| **Company** | | | |
| **Other receivables** | | | |
| Amounts due from subsidiaries | (b)(iii) | 514,466 | 479,850 |
| Less: Allowance for impairment | | (101,087) | (89,983) |
| | | 413,379 | 389,867 |
| Deposits | | 51,270 | 51,270 |
| Total other receivables | | 464,649 | 441,137 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days (2016: 30 days) credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

Trade ageing analysis of the Group's trade receivables are as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| **Group** | | |
| Impaired | 2,291,047 | 2,291,047 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 14. RECEIVABLES AND DEPOSITS (CONT'D)

### (a) Trade receivables (cont'd)

Receivables that are impaired
Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The movement of allowance accounts used to record the impairment is as follows:

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| **Group** | | |
| At beginning/end of the financial year/period | 2,291,047 | 2,291,047 |

### (b) Other receivables

(i) Included in other receivables is an amount of RM49,000,000 in relation to the consideration receivable from the purchasers, as disclosed in Note 30;

(ii) Included in deposits of the Group is an amount of RM614,294 (2016: RM614,294) which represents deposit paid for acquisition of overseas properties which are still under construction; and

(iii) Amounts due from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand by cash. The movement of allowance account used to record the impairment of other receivables is as follows:

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| **Company** | | |
| At beginning of the financial year/period | 89,983 | 83,484 |
| Charge for the financial year/period (Note 4) | 11,104 | 6,499 |
| At end of the financial year/period | 101,087 | 89,983 |

## 15. SHORT TERM CASH INVESTMENTS

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| **Group** | | |
| Cash management fund with investment management companies | 88,650,090 | 87,767,202 |
| **Company** | | |
| Cash management fund with investment management companies | 41,714,555 | 42,093,148 |

## 16. DEPOSITS, CASH AND BANK BALANCES

| | 2017 RM | 2016 RM |
|---|---|---|
| **Group** | | |
| Short term deposits with licensed banks | 133,182 | 271,372 |
| Cash and bank balances | 224,392 | 180,771 |
| | 357,574 | 452,143 |
| **Company** | | |
| Short term deposits with licensed banks | - | 150,000 |
| Cash and bank balances | 101,438 | 109,756 |
| | 101,438 | 259,756 |

The short-term deposits of the Group and of the Company bear effective interest at rates of 2.55% to 3.50% (2016: 2.25% to 3.35%) per annum and nil (2016: 2.25%) per annum with maturity period of 5 days to 3 months (2016: 5 days to 3 months) and nil (2016: 7 days).

## 17. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Number of shares | Amount RM | Number of shares | Amount RM |
| **Issued and fully paid** | | | | |
| At 1 January 2015/ 1 July 2016 | 75,000,000 | 75,000,000 | 75,000,000 | 75,000,000 |
| Transition to no-par value regime | - | 24,366,593 | - | - |
| At 30 June | 75,000,000 | 99,366,593 | 75,000,000 | 75,000,000 |

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium of RM24,366,593 becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months upon the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual interests.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 18. RESERVES

| | 2017 RM | 2016 RM |
|---|---|---|
| **Group** | | |
| Share premium | - | 24,366,593 |
| Retained earnings | 83,700,194 | 87,214,659 |
| | 83,700,194 | 111,581,252 |
| **Company** | | |
| Share premium | - | 24,366,593 |
| Retained earnings | 107,672,510 | 108,580,907 |
| | 107,672,510 | 132,947,500 |

### (a) Share premium

This reserve comprises premium paid on subscription of shares of the Company above par value of the shares in the previous financial years.

## 19. DEFERRED TAX ASSETS

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| **Group** | | |
| Unabsorbed capital allowance | 563,600 | 504,000 |
| Unutilised tax losses | 6,641,900 | 5,889,600 |
| Fair value adjustment in respect of investment securities | 2,336,400 | 6,473,900 |
| Deductible temporary differences arising from expenses | 1,884,900 | 2,014,900 |
| | 11,426,800 | 14,882,400 |

## 20. PAYABLES, DEPOSITS AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Other payables | 333,108 | 4,448,266 | 177,429 | 177,429 |
| Deposits | 1,883 | 1,883 | - | - |
| Accruals | 270,580 | 244,080 | 153,250 | 152,200 |
| | 605,571 | 4,694,229 | 330,679 | 329,629 |

In the previous financial years, included in other payables of the Group is deposit received from a third party amounting to RM4,100,000 for the disposal of a former subsidiary, Radiant Response Sdn. Bhd. together with the leasehold plantation land.

## 21. PROVISIONS

| Group | Retirement gratuity RM | Unutilised leave RM | Legal fee RM | Legal claims RM | Total RM |
|---|---|---|---|---|---|
| At 1 July 2016 | 1,456,839 | 253,866 | 1,943,962 | - | 3,654,667 |
| Additions | 97,672 | 47,933 | 500,000 | 31,375,678 | 32,021,283 |
| Utilisation | - | (44,698) | (450,473) | - | (495,171) |
| At 30 June 2017 | 1,554,511 | 257,101 | 1,993,489 | 31,375,678 | 35,180,779 |
| At 1 January 2015 | 1,306,737 | 241,524 | 2,254,300 | - | 3,802,561 |
| Additions | 150,102 | 78,899 | 400,000 | - | 629,001 |
| Utilisation | - | (66,557) | (710,338) | - | (776,895) |
| At 30 June 2016 | 1,456,839 | 253,866 | 1,943,962 | - | 3,654,667 |

Provisions as at reporting date are shown as follows:

| Group | 2017 RM | 2016 RM |
|---|---|---|
| Non-current | 327,988 | 295,716 |
| Current | 34,852,791 | 3,358,951 |
| | 35,180,779 | 3,654,667 |

## 21. PROVISIONS (CONT'D)

| Company | Retirement gratuity RM | Unutilised leave RM | Legal fee RM | Total RM |
|---|---|---|---|---|
| At 1 July 2016 | 1,301,820 | 225,257 | - | 1,527,077 |
| Additions | 79,234 | 31,846 | 300,000 | 411,080 |
| Utilisation | - | (28,407) | - | (28,407) |
| At 30 June 2017 | 1,381,054 | 228,696 | 300,000 | 1,909,750 |
| At 1 January 2015 | 1,209,635 | 219,760 | - | 1,429,395 |
| Additions | 92,185 | 55,856 | - | 148,041 |
| Utilisation | - | (50,359) | - | (50,359) |
| At 30 June 2016 | 1,301,820 | 225,257 | - | 1,527,077 |

Provisions as at reporting date are shown as follows:

| Company | 2017 RM | 2016 RM |
|---|---|---|
| Non-current | 187,616 | 171,757 |
| Current | 1,722,134 | 1,355,320 |
| | 1,909,750 | 1,527,077 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 21. PROVISIONS (CONT'D)

### (a) Retirement gratuity

Provision for retirement gratuity are for eligible employees and directors. The details of the retirement gratuity scheme is disclosed in Note 3(c)(iii). The provision is discounted at rates ranging from 3.44% to 4.06% (2016: 4.27% to 5.48%).

The amounts recognised in profit or loss are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM | Financial year ended 30.6.2017 RM | Period from 1.1.2015 to 30.6.2016 RM |
| Current service costs | 84,434 | 121,738 | 71,651 | 76,341 |
| Interest on obligation (Note 4) | 13,238 | 28,364 | 7,583 | 15,844 |
| | 97,672 | 150,102 | 79,234 | 92,185 |

### (b) Unutilised leave

The provision for unutilised leave is made based on the employees' salaries over the past years and the unutilised leave at the end of the financial year and will be reversed once the leave is utilised.

### (c) Legal fee

The provision is made for legal services in respect of the Group's litigation case 1, 2 and 3 as mentioned in Note 30. The amount of provision is determined using the best estimate of the management based on their past experience on similar cases.

### (d) Legal claims

The provision is made for damages in respect of the Group's litigation case 3 as mentioned in Note 30. The amount of provision is determined based on the High Court's decision on 31 May 2017.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 22. RELATED PARTY DISCLOSURES

### (a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Company have a related party relationship with its subsidiaries and key management personnel.

### (b) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, either directly or indirectly, including any directors of the Group.

The remuneration of the key management personnel are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **Financial year ended 30.6.2017 RM** | **Period from 1.1.2015 to 30.6.2016 RM** | **Financial year ended 30.6.2017 RM** | **Period from 1.1.2015 to 30.6.2016 RM** |
| Salaries and other emoluments | 1,065,930 | 1,464,580 | 919,930 | 1,324,580 |
| Directors' fees | 60,000 | 90,000 | 60,000 | 90,000 |
| Retirement gratuity benefits | 68,781 | 110,250 | 68,781 | 110,250 |
| Estimated monetary value of benefits-in-kind | 65,500 | 98,250 | - | - |
| | 1,260,211 | 1,763,080 | 1,048,711 | 1,524,830 |

Included in compensation of key management personnel of the Group and of the Company are directors' remuneration as disclosed in Note 6.

### (c) Related party balances

Information regarding outstanding balances arising from related party transactions as at 30 June 2017 is disclosed in Note 14.

## 23. COMMITMENTS

### (a) Operating lease commitments – as lessee

In addition to the prepaid land lease payments disclosed in Note 11 the Group have entered into non-cancellable operating lease arrangements for the use of buildings. These leases have an average tenure of between 1 and 3 years with option of renewal included in the contracts. There are no restrictions placed upon the Group and the Company by entering into these leases.

Minimum lease payments, including amortisation of prepaid lease payments recognised in profit or loss for the financial period ended 30 June 2017 for the Group and the Company amounted to RM1,868,402 (2016: RM2,800,497) and RM205,301 (2016: RM305,046).

Future minimum rentals payable under non-cancellable operating leases (excluding prepaid lease payments) at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Not later than 1 year | 39,480 | 46,680 | 32,280 | 32,280 |
| Later than 1 year and not later than 5 years | - | 7,200 | - | - |
| | 39,480 | 53,880 | 32,280 | 32,280 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

### 24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| **Group** | | |
| **Financial assets** | | |
| **Loans and receivables** | | |
| Receivables and deposits | 49,709,546 | 682,109 |
| Deposits, cash and bank balances | 357,574 | 452,143 |
| **Fair value through profit or loss** | | |
| Other investments | 21,464,289 | 17,793,431 |
| Short term cash investments | 88,650,090 | 87,767,202 |
| **Available-for-sale financial assets** | | |
| Other investments | 2,000,000 | 2,100,000 |
| | 162,181,499 | 108,794,885 |
| **Financial liabilities** | | |
| **Financial liabilities at amortised cost** | | |
| Payables, deposits and accruals | 605,571 | 4,694,229 |
| **Company** | | |
| **Financial assets** | | |
| **Loans and receivables** | | |
| Receivables and deposits | 464,649 | 441,137 |
| Deposits, cash and bank balances | 101,438 | 259,756 |
| **Fair value through profit or loss** | | |
| Short term cash investments | 41,714,555 | 42,093,148 |
| | 42,280,642 | 42,794,041 |
| **Financial liabilities** | | |
| **Financial liabilities at amortised cost** | | |
| Payables, deposits and accruals | 330,679 | 329,629 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to determine the fair value of the following classes of financial assets and liabilities are as follows:

### (a) Deposits, cash and bank balances, trade and other receivables and payables

The carrying amounts of deposits, cash and bank balances, trade and other receivables and payables are reasonable approximation of fair values due to short term nature of these financial instruments.

### (b) Quoted equity and debt instruments and short term cash investments

The fair value of these financial assets is determined by reference to the quoted closing bid price or redemption price at the reporting date.

## 26. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's and of the Company's assets and liabilities:

| | | Fair value measurement using | | |
|---|---|---|---|---|
| | Total RM | Level 1 RM | Level 2 RM | Level 3 RM |
| **Group** | | | | |
| **Assets measured at fair value** | | | | |
| **2017** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Quoted equity and debt instruments | 21,464,289 | 21,464,289 | - | - |
| - Cash management fund with investment management companies | 88,650,090 | 88,650,090 | - | - |
| **2016** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Quoted equity and debt instruments | 17,793,431 | 17,793,431 | - | - |
| - Cash management fund with investment management companies | 87,767,202 | 87,767,202 | - | - |
| **Assets for which fair value is disclosed (Note 10)** | | | | |
| **2017** | | | | |
| Investment properties | 1,538,000 | - | 1,538,000 | - |
| **2016** | | | | |
| Investment properties | 1,525,000 | - | 1,525,000 | - |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 26. FAIR VALUE HIERARCHY (CONT'D)

The following table provides the fair value measurement hierarchy of the Group's and of the Company's assets and liabilities: (cont'd)

| | | Fair value measurement using | | |
|---|---|---|---|---|
| | Total RM | Level 1 RM | Level 2 RM | Level 3 RM |
| **Company** | | | | |
| **Assets measured at fair value** | | | | |
| **2017** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Cash management fund with investment management companies | 41,714,555 | 41,714,555 | - | - |
| **2016** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Cash management fund with investment management companies | 42,093,148 | 42,093,148 | - | - |

During the financial year/period ended 30 June 2017 and 30 June 2016 there was no transfer between Level 1 and Level 2 of the fair value measurement hierarchy.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, credit and market rate risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the financial year/period under review, the Group's policy that no trading in derivative financial instruments shall be undertaken. The Group and the Company do not apply hedge accounting.

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

### (a) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from interest bearing financial assets which are deposits placed with licensed banks. The deposits placed with licensed banks are short term in nature and are not held for speculation purpose but are placed to earn better yield than cash at banks. The deposits at fixed rate expose the Group and the Company to fair value interest rate risk.

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

### (b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the statements of financial position. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company do not have any significant exposure to any individual customer at the reporting date.

### (c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. 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 objective is to maintain continuity of funding so as to ensure that all repayment and funding needs are met. As part of its liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

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

### (d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market prices. The Group and the Company are exposed to market price risk arising from its investment in quoted shares amounting to RM15,690,928 (2016: RM12,688,029). These instruments are classified financial assets at FVTPL. The Group and the Company do not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

<u>Sensitivity analysis for market price risk</u>
At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the Group's loss net of tax would have been RM880,128 (2016: RM569,771) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

## 28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or obtaining borrowings.

No changes were made in the objectives, policies or processes during the financial year/ period ended 30 June 2017 and 30 June 2016.

There were no bank borrowings for the current and previous financial year/period. Accordingly calculation of gross debt equity ratio is not meaningful to the Group and the Company.

The Group and the Company are not subject to any externally imposed capital requirements.

## 29. SEGMENT INFORMATION

The segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in the products and services produced. The operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

The Group comprises the following business segments:

(i) Investment holding
(ii) Oil palm plantation

## 29. SEGMENT INFORMATION (CONT'D)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

| | Investment holding RM | Oil palm plantation RM | Total RM |
|---|---|---|---|
| **2017** | | | |
| **Results:** | | | |
| Loss before tax | (1,737,251) | (1,776,957) | (3,514,208) |
| Income tax expense | | | (257) |
| Loss, net of tax | | | (3,514,465) |
| **Assets:** | | | |
| Segment assets | 218,837,773 | - | 218,837,773 |
| Unallocated assets | | | 15,364 |
| Total assets | | | 218,853,137 |
| **Liabilities:** | | | |
| Segment liabilities | 2,417,183 | 33,369,167 | 35,786,350 |
| **Other segment information:** | | | |
| Depreciation and amortisation | 329,700 | 1,776,957 | 2,106,657 |
| Provision for legal claims | - | 31,375,678 | 31,375,678 |
| Provision for legal fee | - | 500,000 | 500,000 |
| **2016** | | | |
| **Results:** | | | |
| Loss before tax | (2,514,928) | (2,867,604) | (5,382,532) |
| Income tax expense | | | 176,660 |
| Profit, net of tax | | | (5,205,872) |
| **Assets:** | | | |
| Segment assets | 165,783,290 | 29,130,151 | 194,913,441 |
| Unallocated assets | | | 16,707 |
| Total assets | | | 194,930,148 |
| **Liabilities:** | | | |
| Segment liabilities | 2,304,934 | 6,043,962 | 8,348,896 |
| **Other segment information:** | | | |
| Additions to non-current assets (excluding deferred tax assets and financial instruments) | 123,150 | - | 123,150 |
| Depreciation and amortisation | 549,575 | 2,867,604 | 3,417,179 |
| Provision for legal fee | - | 400,000 | 400,000 |

* The Group had suspended recognition of income from oil palm plantation and lease rental from oil mill with effect from 1 July 2011 as mentioned in Note 2(c).

<u>Geographical information</u>
The Group's operations are located only in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 30. MATERIAL LITIGATION

Suit 109 ("Case 1")
On 5 April 2002, a wholly-owned subsidiary of the Company, Malpac Capital Sdn. Bhd. ("MCSB") entered into a Conditional Sale and Purchase Agreement ("the Agreement") to dispose of its subsidiary, Radiant Responses Sdn. Bhd. ("RRSB") together with 2 parcels of leasehold land to Yong Toi Mee and Cheang Kim Leong ("the Purchasers") for a consideration of RM2 and the repayment by the Purchasers of the shareholder's loan of RRSB of RM30,600,000 ("Original Proposed Disposal of RRSB"), as part of a composite transaction and encompassing the palm oil mill situated on part of the plantation and owned by a third party lessee for a total consideration of RM53,000,002.

On 20 June 2002, the Company obtained its shareholders' approval for the Original Proposed Disposal of RRSB.

On 15 November 2002, a Subsequent Letter Agreement was executed by both parties recognising the Agreement had lapsed as not all approvals from the relevant authorities had been obtained and also negotiations to acquire the palm oil mill sited on the subject plantation had not been successful.

On 5 August 2003, the 2 parcels of plantation lands in Teluk Intan were transferred to RRSB (acting as nominee for MCSB) at a transfer price of RM47.40 million (after a revaluation was done at the request of the Securities Commission).

On 28 April 2004, an oil palm mill was bought and injected into RRSB (as a nominee of MCSB).

On 4 February 2005, the paid up capital of RRSB was raised to RM100,000 through the issuance of 99,998 new shares of RM1.00 each.

On 21 April 2007, the Purchasers had filed a writ of summons and statements of claim against MCSB and RRSB seeking for specific performance of the Agreement.

On 5 May 2011, the Ipoh High Court ("High Court") delivered an oral judgement in favour of the Purchasers and ordered specific performance of the Agreement whereby MCSB and RRSB were required to complete the sale within three months from the date of receipt of the balance purchase price. Costs were ordered against the defendants.

Effective 1 July 2011, MCSB had suspended recognition of income from oil palm plantation and palm oil mill since no income had been received from the oil palm plantation following the High Court's decision given in favour of the Purchasers in the Civil Suit.

The Court of Appeal had on 17 January 2012 made a unanimous decision in MCSB's and RRSB's favour. The Court concurrently ordered that MCSB's counter claim be remitted back to the High Court for a decision.

On 4 September 2013, the Federal Court allowed the Purchasers' appeal, set aside the decision of the Court of Appeal and affirmed the decision of the High Court.

On 4 March 2014, the Federal Court dismissed the Company's application for a judicial review.

On 31 July 2014, the Board convened an Extraordinary General Meeting to seek shareholders' approval for the disposal of the additional 99,998 shares in RRSB issued in February 2005 and the Mill. The proposal was rejected by the shareholders. The Group was served a copy of an Application for Supplementary Orders on 3 July 2014 by the Purchasers for the completion of the sale of the plantation and palm oil mill. On 17 February 2015, the High Court allowed the Purchasers' application for supplementary orders and declined and dismissed MCSB's cross application to determine certain threshold and/or related questions (including the payment by the Purchasers of the Plantation profits of RM36.7 million as at June 2014 as well as the implication of Section 132C of the Companies Act, 1965 in Malaysia).

## 30. MATERIAL LITIGATION (CONT'D)

Suit 109 ("Case 1") (cont'd)
On 15 September 2015, the Court of Appeal dismissed MCSB's and RRSB's appeals against the decision of the High Court.

Subsequently, the Group's solicitors had filed applications to the Federal Court for leave to appeal against the Court of Appeal's decision.

On 13 February 2017, the Federal Court dismissed our applications for leave to appeal against the Court of Appeal's decision.

Suit 145 ("Case 2")
On 15 April 2016, the Company ("the Plaintiff") filed a civil suit at the Kuala Lumpur High Court against MCSB ("the 1st Defendant"), Yong Toi Mee ("the 2nd Defendant"), Cheang Kim Leong ("the 3rd Defendant") and RRSB ("the 4th Defendant") seeking the following declarations and/or orders ("Case 2"):

(a) A declaration that the resolution of the Plaintiff's shareholders dated 20.6.2002 for, inter alia, the Proposed Disposal of 2 RRSB Shares comprising 2 ordinary shares of RM1.00 each in RRSB held by MCSB to the 2nd and 3rd Defendants ("Purchasers") and the repayment by the Purchasers of the Shareholders' Loan of RM30,600,000 ("the 2002 Plaintiff's Shareholders' Resolution") has lapsed and is of no further legal effect;

(b) Alternatively, a declaration that the Sale and Purchase Agreement between the 1st, 2nd and 3rd Defendants dated 5 April 2002 and the 2002 Plaintiff's Shareholders' Resolution does not cover or apply to the increase of 99,998 new ordinary shares of RM1.00 each in the 4th Defendant dated 7 February 2005 ("the Impugned Shares") and the oil palm mill and plant and machines situated on HS(D) 13127 Lot No. 11644, Mukim Durian Sebatang, Daerah Hilir Perak ("the Mill");

(c) A declaration that the 1st Defendant has no lawful authority to dispose of or transfer the Impugned Shares and the Mill to the 2nd and 3rd Defendants or their nominees;

(d) A declaration that any transfer of the Impugned Shares and the Mill by the 1st Defendant to the 2nd and 3rd Defendants shall be in contravention of Section 132C of the Companies Act 1965, in Malaysia and accordingly null and void;

(e) Alternatively, in the event the 1st Defendant is liable to transfer the Impugned Shares and the Mill to the 2nd and 3rd Defendants notwithstanding Section 132C of the Companies Act 1965, in Malaysia, a declaration that the Plaintiff and its directors shall be relieved of any liability whatsoever under Section 132 of the Companies Act 1965, in Malaysia and/or at law arising or incurred in respect of or attributable to such transfer;

(f) An order that the 1st Defendant is restrained from transferring and delivering to the 2nd and 3rd Defendants the legal and beneficial ownership of the Impugned Shares and the Mill;

(g) An order that the 2nd and 3rd Defendants are restrained from receiving the transfer of the legal and beneficial ownership of the Impugned Shares and the Mill;

(h) A declaration that the appointment of the 2nd and 3rd Defendants as directors of the 4th Defendant is null and void;

(i) A declaration that all acts purportedly done by the 2nd and 3rd Defendants as directors of the 4th Defendant prior to the date of this Judgement are null and void;

(j) An order that the 2nd and 3rd Defendants be removed and restrained from acting as directors of the 4th Defendant;

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

## 30. MATERIAL LITIGATION (CONT'D)

Suit 145 ("Case 2") (cont'd)

(k) An order that the Plaintiff shall be at liberty to apply;

(l) Costs; and

(m) Such further orders and/or relief as this Honorable Court deems fit and proper.

On 11 April 2017, the High Court dismissed the Company's claim with cost.

The High Court in its summary of grounds of decision expressed the view that the Sale and Purchase Agreement between the 1st Defendant MCSB and the 2nd and 3rd Defendants Yong Toi Mee and Cheang Kim Leong ("the Purchasers") dated 5.4.2002 was for the sale of the entire paid-up capital of the 4th Defendant RRSB, regardless of the subsequent increase in the paid-up capital of RRSB.

The High Court further observed that although the Company as a public-listed company has the legal standing to seek redress based on section 132C of the Companies Act 1965 in respect of a disposal by its subsidiary of a substantial portion of the Company's undertaking or property, the High Court expressed the view that in the present case the issue of section 132C of the Companies Act 1965 had been determined by the courts in Ipoh High Court Suit No. 22-109-2007 during the Purchasers' application for supplementary orders and MCSB's cross-application to determine threshold legal issues therein, and therefore the Company was prevented from raising the same issue in the present case.

The Company had filed an appeal to the Court of Appeal against the High Court's decision. The Court has fixed 20 November 2017 for final case management and hearing on 4 December 2017.

Suit 326 ("Case 3")

On 4 August 2016, Yong Toi Mee and Cheang Kim Leong ("the Purchasers") filed a civil suit against the Company, its Board of Directors, its Chief Executive Officer and MCSB. In the said suit, the Purchasers are suing against the defendants purportedly based on ("Case 3"):

(a) Alleged abuse of process; and

(b) Alleged conspiracy to injure the Purchasers by lawful and unlawful means.

On 31 May 2017, the High Court dismissed MCSB's counterclaim, allowed the Purchasers' claim and awarded them the following:

1. Special damages of RM29,235,678.38;
2. General damages of RM1,000,000.00;
3. Exemplary damages of RM250,000.00; and
4. Post-judgment interest at 5% per annum and costs.

The High Court in its summary of grounds of decision expressed the view that the filing of the Federal Court Review application and Enclosure 69 by MCSB in Ipoh High Court Suit No. 22-109-2007 and the filing of KL High Court Suit No. WA-22NCC-145-04/2016 by MHB amounted not only to the tort of abuse of process, but also the tort of conspiracy to injure.

The Company and MCSB had filed appeals to the Court of Appeal against the High Court decision on 31 May 2017. The hearing date has yet to be fixed by the Court.

During the financial year, the Group recognised the disposal of its other investments, prepaid lease payments and plant and machinery relating to Case 1 as mentioned above and recognised a gain on disposal of RM25,646,787.

The Group also recognised a provision for legal claims of RM31,375,678 in relation to Case 3 mentioned above.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 JUNE 2017

### 31. CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Approved and contracted for: | | |
| - Investment properties | 6,009,016 | 6,138,219 |

### 32. COMPARATIVE FIGURES

The comparative figures covered a period of 18 months from 1 January 2015 to 30 June 2016 whilst the figures of the current year's financial statements covered a period of 12 months from 1 July 2016 to 30 June 2017. As such, the statements of profit or loss and other comprehensive income, statements of cash flows and certain notes to the financial statements are not of comparable periods.

### 33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 27 September 2017, a wholly-owned subsidiary of the Company, Malpac Capital Sdn. Bhd. ("MCSB") acquired an 100% controlling interest in the equity shares of Popular Sphere Sdn. Bhd. and Titanium Highland Sdn. Bhd. for a total purchase consideration of RM4.

# 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 Malaysia") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at reporting date are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Total retained earnings of the subsidiaries: | | | | |
| - realised | 81,886 | 86,657 | 107,673 | 108,581 |
| - unrealised | 1,479 | 218 | - | - |
| | 83,365 | 86,875 | 107,673 | 108,581 |
| Add: Consolidation adjustments | 335 | 340 | - | - |
| Total retained earnings | 83,700 | 87,215 | 107,673 | 108,581 |

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

# STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the directors of Malpac Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 38 to 94, are drawn up in accordance with the 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 cash flows for the financial period then ended.

The supplementary information set out on page 95 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

**TAN CHON SING @ TAN KIM TIENG**
Director

**GAN TECK CHONG @ GAN KWAN CHONG**
Director

Date: 4 October 2017

# STATUTORY DECLARATION

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

I, Tan Chon Sing @ Tan Kim Tieng, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 38 to 94 and the supplementary information set out on page 95, 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.

**TAN CHON SING @ TAN KIM TIENG**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 4 October 2017

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALPAC HOLDINGS BERHAD (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Malpac Holdings Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 94.

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 the 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 are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

#### Disposal of property, plant and equipment, prepaid land lease payment and other investment (Note 2(c)(v), 9, 11, 13 and 30)

During the financial year, the Group recognised the disposal of its property, plant and equipment, prepaid land lease payment and other investment.

We focused on this area because significant judgements are made by the directors of the Company in determining whether significant risks and rewards of ownership of the said assets has been transferred and that the Group has lost control over the assets.

Our audit procedures included, among others:

- obtaining and reading legal opinion provided by the Group's solicitors;
- discussing with the management; and
- reviewing the accounting entries relating to the disposal of the other investment, plantation land and palm oil mill and the recognition of the related gain arising from the disposal in the financial statements of the Group.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALPAC HOLDINGS BERHAD (Incorporated in Malaysia) (Continued)

## Report on the Audit of the Financial Statements

### Key Audit Matters (cont'd)

### Provision for legal claims (Note 2(c)(x), 21 and 30)

During the financial year, the Group made a provision for legal claims of RM31,375,678.

We focused on this area because significant judgements are made by the directors of the Company in estimating the possibility of an outflow of resources embodying economic benefits and the amount required to settle the obligation.

**Our audit response:**

Our audit procedures included, among others:

- obtaining and reading legal opinion provided by the Group's solicitors;
- discussing with the management; and
- testing the mathematical calculation of the estimated provision amount.

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

### Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 have no realistic alternative but to do so.

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALPAC HOLDINGS BERHAD (Incorporated in Malaysia) (Continued)

## Report on the Audit of the Financial Statements

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALPAC HOLDINGS BERHAD (Incorporated in Malaysia) (Continued)

## Report on the Audit of the Financial Statements

### Other Reporting Responsibilities

The supplementary information set out on page 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

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

**Baker Tilly Monteiro Heng**
No. AF 0117
Chartered Accountants

**Lee Kong Weng**
No. 02967/07/2019 J
Chartered Accountant

Kuala Lumpur
4 October 2017

# LIST OF PROPERTIES HELD

as at 30 JUNE 2017

| Location | Description (Building Age)/ Existing Use | Tenure | Land Area/ Built-up Area | Net Book Value (RM'000) | Date of Acquisition |
|---|---|---|---|---|---|
| Lot P.T.65571<br>Mukim Tebrau<br>Daerah Johor Bahru<br>Johor Darul Takzim | Vacant commercial land | Freehold | 6.74 hectares | 37,364 | 9.9.2003 |
| PTD 58152-58177<br>HS(D) 216990-217015<br>PTD 58179-58211<br>HS(D) 217016-217048<br>PTD 58213-58331<br>HS(D) 217049-217167<br>Mukim of Tebrau<br>Daerah of Johor Bahru<br>Johor Darul Takzim | 178 vacant bungalow lots | Freehold | 113,369.85 sq. metres | 15,118 | 9.9.2003 |
| Lot 491<br>Mukim & Daerah Seremban<br>Negeri Sembilan Darul Khusus | Vacant land | Freehold | 6.481 acres | 679 | 5.10.2004 |
| Lot 5142<br>Bandar & Daerah Seremban<br>Negeri Sembilan Darul Khusus | Vacant land | Freehold | 34.50 poles | 206 | 5.10.2004 |
| B-6-10, B-9-10, B-12-3A<br>West Wing<br>10 Semantan<br>No. 10 Jalan Semantan<br>50490 Kuala Lumpur | 3 units of 2-bedroom condominium (8 years)/ Vacant | Leasehold (expiring 3.6.2108) | 980 sq. feet per unit | 1,112 | 27.6.2008 |
| No.16-01<br>PT No. 200, Seksyen 1<br>Bandar Tanjong Tokong<br>Daerah Timur Laut<br>Pulau Pinang | A 4-bedroom Condominium (7 years)/ for own use | Freehold | 6300 sq.feet | 1,891 | 11.2.2009 |

# FINANCIAL CALENDAR

Financial Year From 1 July 2016 to 30 June 2017

| RESULTS | | |
|---|---|---|
| First Quarter ended 30 September 2016 | Announced On | 16 November 2016 |
| Second Quarter ended 31 December 2016 | Announced On | 15 February 2017 |
| Third Quarter ended 31 March 2017 | Announced On | 17 May 2017 |
| Fourth Quarter ended 30 June 2017 | Announced On | 29 August 2017 |
| **NOTICE OF ANNUAL GENERAL MEETING** | | **24 October 2017** |
| **TWENTY-SEVENTH ANNUAL GENERAL MEETING** | | **22 November 2017** |

# ANALYSIS OF SHAREHOLDINGS

as at 26 SEPTEMBER 2017

## Share Capital

| | | |
|---|---|---|
| Issued and paid-up capital | : | RM75,000,000.00 |
| Class of shares | : | Ordinary shares of RM1.00 each |
| Voting rights | : | 1 vote per ordinary share |
| No. of shareholders | : | 1,671 |

## Directors' and Chief Executive Officer's Shareholdings

| Name of Directors | Direct Interest | % of Issued Shares | Indirect Interest | % of Issued Shares |
|---|---|---|---|---|
| Lim Hong Liang | 14,359,008 | 19.15 | 3,691,900* | 4.92 |
| Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | 13.75 | 2,209,300** | 2.95 |
| Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | 5.22 | 4,460,800** | 5.95 |
| Chew Loy Chee | 3,152,188 | 4.20 | 360,000** | 0.48 |
| Kan Ah Chun | 2,279,960 | 3.04 | - | - |
| Muhayuddin Bin Musa | - | - | - | - |
| Johari Low Bin Abdullah | - | - | - | - |
| Ang Poo Guan*** | - | - | 168,500** | 0.22 |

*Notes:*

* *Deemed indirect interest by virtue of him being a director and shareholder in Wawasan Lembaran Sdn Bhd which in turn holds 4.92% in Malpac Holdings Berhad.*

** *Indirect interest through family members.*

*** *Chief Executive Officer.*

## Size of Shareholdings

| Size of Holdings | No. of Holders | % of Holders | No. of Shares Held | % of Issued Shares |
|---|---|---|---|---|
| Less than 100 | 12 | 0.72 | 361 | 0.00 |
| 100 - 1,000 | 597 | 35.73 | 579,087 | 0.77 |
| 1,001 - 10,000 | 919 | 55.00 | 3,433,600 | 4.58 |
| 10,001 - 100,000 | 107 | 6.40 | 3,168,100 | 4.22 |
| 100,001 - 3,749,999* | 31 | 1.85 | 26,728,848 | 35.64 |
| 3,750,000 and above** | 5 | 0.30 | 41,090,004 | 54.79 |
| | **1,671** | **100** | **75,000,000** | **100** |

* *Less than 5% of issued shares.*

** *5% and above of issued shares.*

## ANALYSIS OF SHAREHOLDINGS (Continued)

as at 26 SEPTEMBER 2017

### Substantial Shareholders

| Name of Substantial Shareholders | Direct Interest | % of Issued Shares | Indirect Interest | % of Issued Shares |
|---|---|---|---|---|
| Lim Hong Liang | 14,359,008 | 19.15 | 3,691,900* | 4.92 |
| Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | 13.75 | 2,209,300** | 2.95 |
| Advance Synergy Capital Sdn Bhd (ASCSB) | 8,037,500 | 10.72 | - | - |
| Advance Synergy Berhad (ASB) | - | - | 8,037,500^ | 10.72 |
| Dato' Ahmad Sebi Bakar | - | - | 8,037,500+ | 10.72 |
| Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | 5.22 | 4,460,800** | 5.95 |

*Notes:*
- * *Deemed indirect interest by virtue of him being a director and shareholder in Wawasan Lembaran Sdn Bhd which in turn holds 4.92% in Malpac Holdings Berhad.*
- ** *Indirect interest through family members.*
- ^ *Deemed interested by virtue of its interest in ASCSB, a wholly-owned subsidiary.*
- \+ *Deemed interested by virtue of his substantial shareholdings in ASB.*

### 30 Largest Shareholders

| No. | Name of Shareholders | No. Of Shares Held | % of Issued Shares |
|---|---|---|---|
| 1. | Lim Hong Liang | 14,359,008 | 19.15 |
| 2. | Tan Chon Sing @ Tan Kim Tieng | 10,315,393 | 13.75 |
| 3. | Advance Synergy Capital Sdn Bhd | 8,037,500 | 10.72 |
| 4. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Mary Tan @ Tan Hui Ngoh (STF) | 4,460,800 | 5.95 |
| 5. | Gan Teck Chong @ Gan Kwan Chong | 3,917,303 | 5.22 |
| 6. | Wawasan Lembaran Sdn Bhd | 3,691,900 | 4.92 |
| 7. | Chew Loy Chee | 3,152,188 | 4.20 |
| 8. | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Teo Kwee Hock (STA 1) | 3,059,800 | 4.08 |
| 9. | Teo Siew Lai | 3,000,000 | 4.00 |
| 10. | Kan Ah Chun | 2,279,960 | 3.04 |

## ANALYSIS OF SHAREHOLDINGS (Continued)

as at 26 SEPTEMBER 2017

### 30 Largest Shareholders (cont'd)

| No. | Name of Shareholders | No. Of Shares Held | % of Issued Shares |
|---|---|---|---|
| 11. | Ng Faai @ Ng Yoke Pei | 2,209,300 | 2.95 |
| 12. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Garth Kevin Albuquerque | 2,001,000 | 2.67 |
| 13. | Loh Siew Hooi | 1,561,900 | 2.08 |
| 14. | Goh Siang Kuan | 1,068,400 | 1.42 |
| 15. | Lee Chin Hwa | 387,000 | 0.52 |
| 16. | Chin Kian Fong | 380,000 | 0.51 |
| 17. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Soh Chee Wen | 365,000 | 0.49 |
| 18. | Yap Ah Ngah @ Yap Neo Nya | 360,000 | 0.48 |
| 19. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Chin Kiam Hsung | 344,000 | 0.46 |
| 20. | Goh Ah Peng | 289,600 | 0.39 |
| 21. | Tong Seow Mei | 225,000 | 0.30 |
| 22. | Law Chee Pei | 209,000 | 0.28 |
| 23. | Tan Akuan | 203,000 | 0.27 |
| 24. | Tan Kim Tee | 202,700 | 0.27 |
| 25. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Chin Kiam Hsung | 199,000 | 0.26 |
| 26. | Lim Yee Lin | 175,000 | 0.23 |
| 27. | Yeap Lean Khim | 168,500 | 0.22 |
| 28. | RHB Nominees (Tempatan) Sdn Bhd<br>RHB Investment Bank Berhad For Omega Securities Sdn Bhd<br>(Unpaid Shares) | 158,000 | 0.21 |
| 29. | Chin Kiam Hsung | 150,000 | 0.20 |
| 30. | Siew Tong Chee | 150,000 | 0.20 |
| | **Total** | **67,080,252** | **89.44** |

# PROXY FORM

**MALPAC HOLDINGS BERHAD** (197424-V)
(Incorporated in Malaysia)

| Number of shares held | CDS Account No. |
|---|---|
| | |

I/ We.....................................................................................................................................
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No. ................................................ of ............................................................

.................................................................................................................................................
(FULL ADDRESS)

being a *Member / Members of **MALPAC HOLDINGS BERHAD** hereby appoint:

(1) ......................................................................................... NRIC No. ...............................................
(FULL NAME OF PROXY IN BLOCK LETTERS)

of .......................................................................................................................................
(FULL ADDRESS) (NO. SHARES REPRESENTED)

or failing him (2) ............................................................. NRIC No. ..................................................
(FULL NAME OF PROXY IN BLOCK LETTERS)

of .......................................................................................................................................
(FULL ADDRESS) (NO. SHARES REPRESENTED)

or failing *him/her, the *Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf, at the Twenty-Seventh Annual General Meeting of the Company to be held at Dewan Tuanku Ja'afar, Royal Sungei Ujong Club, 2A, Jalan Dato' Kelana Ma'amor, 70000 Seremban, Negeri Sembilan Darul Khusus on Wednesday, 22 November 2017 at 10.00 a.m. and at any adjournment thereof.

| No. | Resolutions | FOR | AGAINTS |
|---|---|---|---|
| 1. | **To approve the payment of Directors' Fees of RM60,000.00 for the financial year ended 30 June 2017.** | | |
| 2. | **To approve the payment of Directors' Benefits of up to RM690,000.00 for the period from 31 January 2017 till the next Annual General Meeting of the Company.** | | |
| 3. | **To re-elect Mr Lim Hong Liang as Director.** | | |
| 4. | **To re-elect Encik Muhayuddin Bin Musa as Director.** | | |
| 5. | **To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.** | | |
| 6. | **To re-appoint Mr Chew Loy Chee as Director.** | | |
| 7. | **To re-appoint Mr Tan Chon Sing @ Tan Kim Tieng as Director.** | | |
| 8. | **To grant authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.** | | |
| 9. | **To approve the Proposed Renewal of Authority for the Company to purchase its own shares.** | | |
| 10. | **To approve Encik Johari Low Bin Abdullah to continue to act as an Independent Non-Executive Director.** | | |
| 11. | **To approve Encik Muhayuddin Bin Musa to continue to act as an Independent Non-Executive Director.** | | |

*(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)*
** Strike out whichever not applicable*

As witness my/our hand(s) this……………….....day of………………….2017

.........................................................................................
Signature of Member(s) /Common Seal

Contact Number:

**Notes:**

(a) A proxy need not be a member of the Company.
(b) To be valid, the form of proxy, duly completed must be deposited at the Registered Office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.
(c) A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, in which event it may appoint not more than two(2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
(e) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proxies shall not be valid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
(f) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
(g) Only members whose names appear in the Record of Depositors as at 14 November 2017 will be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend, vote and speak on their behalf.

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STAMP

THE COMPANY SECRETARY
**MALPAC HOLDINGS BERHAD**
(197424-V)
Unit 30-01, Level 30, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No.8 Jalan Kerinchi,
59200 Kuala Lumpur

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**Malpac Holdings Berhad**
(197424-V)

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