



**ASTINO BERHAD**  
(523085-X)



**UNFOLDING  
OPPORTUNITIES,  
REALISING IDEAS**

Annual Report 2018

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## Unfolding Opportunities, Realising Ideas

For nearly two decades in the metal, PVC, and agro-house multi system industries, Astino Berhad's unwavering determination on enhancing the quality improvements towards professionalism in their products, as well as the constant force of creativity to stay on par with the rapid growth of technologies have laid a solid foundation for the Company to expand further in the international market. Understanding the opportunities and factors to remain competitive in the international market, Astino Berhad's strength in market expansion continues to grow prosperously.



# CORPORATE INFORMATION

## BOARD OF DIRECTOR

### NG BACK TENG

*Executive Chairman*

### NG HUNG SEH

*Chief Executive Officer*

### NG HUNG WENG

*Executive Director*

### DR. CHEAH SOO JIN

*Senior Independent Non-Executive Director*

### DATO' HAJI MOHTAR BIN NONG

*Independent Non-Executive Director*

## AUDIT COMMITTEE

### DR. CHEAH SOO JIN

*Chairman –  
Senior Independent Non-Executive Director*

### DATO' HAJI MOHTAR BIN NONG

*Member –  
Independent Non-Executive Director*

## COMPANY'S SECRETARY

### CH'NG LAY HOON

(MAICSA 0818580)

## BUSINESS OFFICE

1218, Mukim 12, Jalan Serunai,  
Kawasan Perindustrian Valdor,  
14200 Sungai Bakap,  
Seberang Perai Selatan,  
Penang

## REGISTERED OFFICE

Suite 12-A, Level 12,  
Menara Northam,  
No. 55, Jalan Sultan Ahmad Shah,  
10050 Georgetown Penang  
Telephone No.: 04-228 0511  
Facsimile No.: 04-228 0518

## SHARE REGISTRAR

TRICOR INVESTOR & ISSUING  
HOUSE SERVICE SDN BHD  
(11324-H)

Office:  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur  
Telephone No.: 03-2783 9299  
Facsimile No.: 03-2783 9222

Customer Service Centre  
Unit G-3, Ground Floor,  
Vertical Podium,  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur

## AUDITORS

Messrs Crowe Malaysia  
Chartered Accountants

## BANKERS

Malayan Banking Berhad  
United Overseas Bank (Malaysia) Bhd  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
OCBC Bank (M) Berhad  
CIMB Bank Berhad  
Citibank Berhad

## STOCK EXCHANGE

Main Market of the Bursa Malaysia  
Securities Berhad

## WEBSITE

[www.astino.com.my](http://www.astino.com.my)

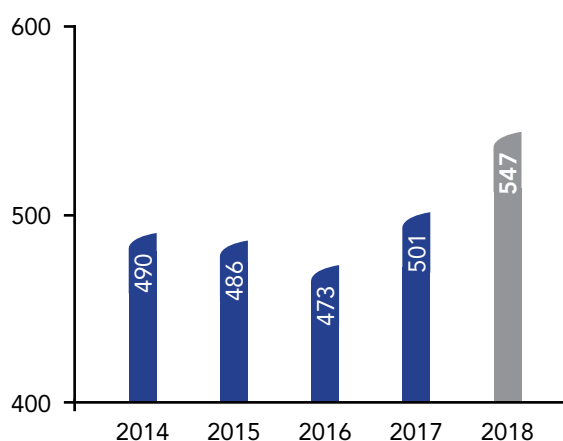


# GROUP FINANCIAL HIGHLIGHTS

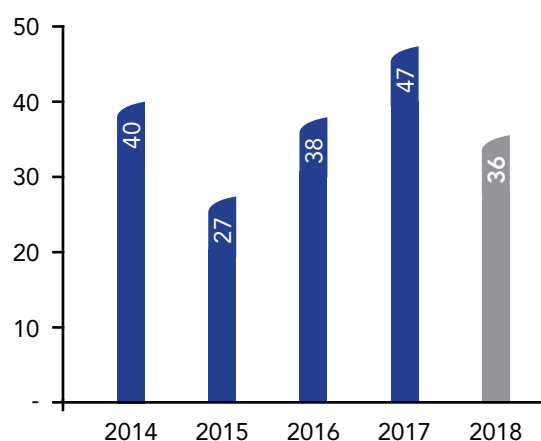


| Year<br>(RM million)                | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Turnover                            | 490     | 486     | 473     | 501     | 547     |
| Profit Before Taxation              | 40      | 27      | 38      | 47      | 36      |
| Shareholders' Fund                  | 266     | 281     | 305     | 337     | 362     |
| Net Earnings Per Share (SEN)        | 10.68   | 7.22    | 11.08   | 12.60   | 10.56   |
| Net Dividend Per Share (SEN)        | 2.91    | 1.95    | -       | 2.00    | -       |
| Net Tangible Assets Per Share (SEN) | 98      | 102     | 111     | 123     | 133     |
| Debt to Equity Ratio                | 0.44    | 0.43    | 0.28    | 0.14    | 0.24    |

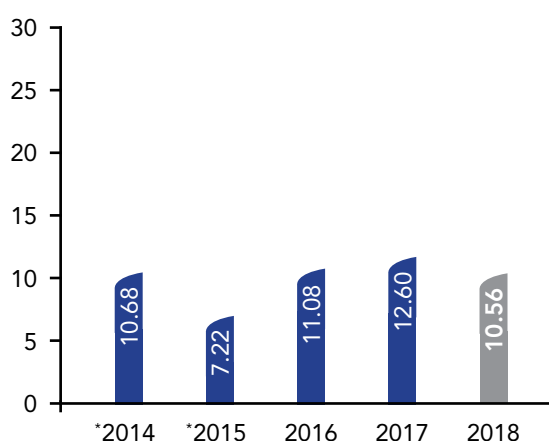
TURNOVER (RM million)



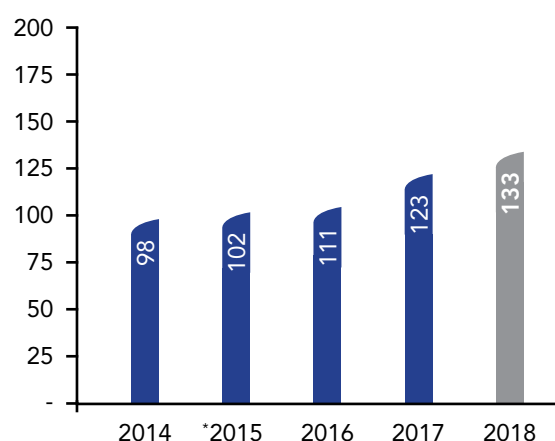
PROFIT BEFORE TAXATION (RM million)



NET EARNING PER SHARE (SEN)



NET TANGIBLE ASSETS PER SHARE (SEN)



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF BUSINESS AND OPERATIONS

The Group is involved in the manufacturing and sales of metal building materials including metal roofing, c-purlin, small c-purlin, truss and batten, piping, scaffolding, slitting and levelling coil, agro facilities and its related products.

The Group consists of ten subsidiaries and one associate company. The principal activities of the subsidiaries and associate company are disclosed in pages 60 and 61.

The Group's products are sold principally through its network of dealers in Peninsular Malaysia, Sabah and Asia Countries. The Group's products are mostly sold domestically (90%) where exports merely contribute 10% to the Group's revenue.

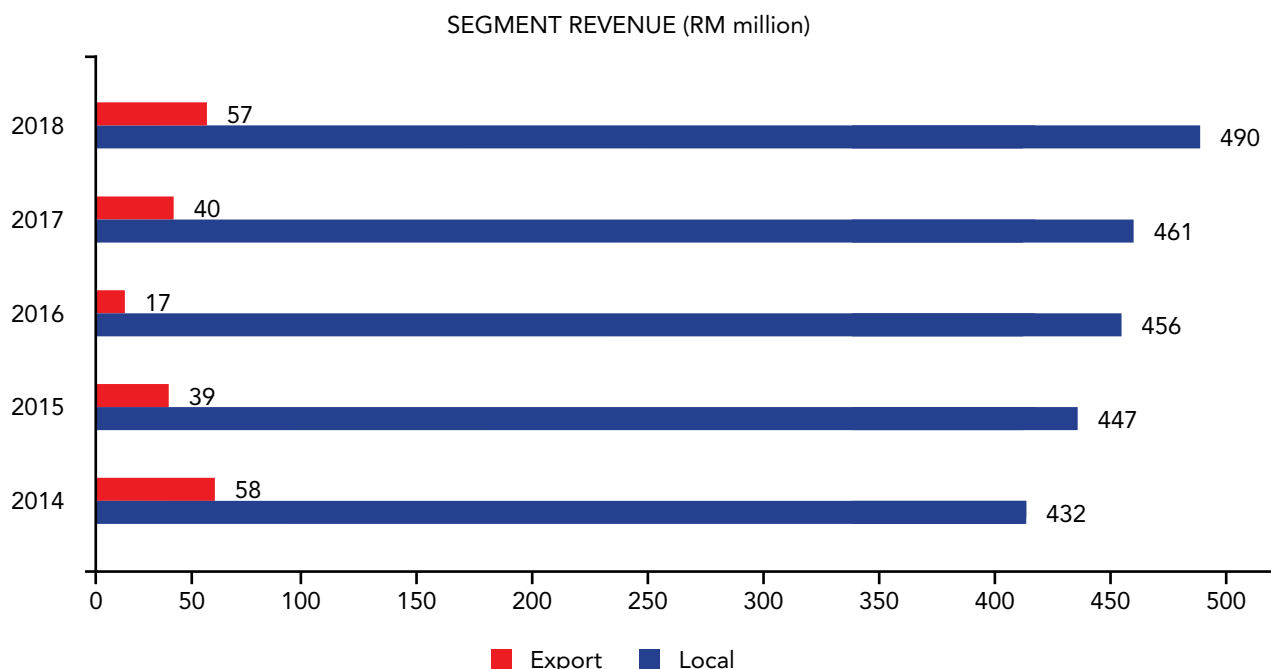
The Group's mission is to supply our customers with Top Quality and Innovative Products at reasonable cost, in line with the nation's aspiration of zero inflation and satisfying customer requirements through personalized, efficient and reliable services, and establishing a mutually rewarding relationship. Thus, the Group has set-up seven manufacturing plants to better service the increasing customer base. The plants are set up strategically at Sungai Bakap, Bukit Beruntung, Melaka and Temerloh to provide services for customers at different locations. The various plants also enable cost savings in transportation, effectively reducing cost of sales.

## PERFORMANCE REVIEW

For the financial year 2018, the Group achieved higher revenue of RM547 million with a lower profit before tax ("PBT") of RM36 million as compared to RM501 million turnover and RM47 million PBT achieved in financial year 2017.

### (a) Revenue

For the financial year ended 2018, the Group achieved a total revenue of RM547 million which was increased by 9.2% as compared to RM501 million recorded in the previous financial year, mainly attributed to higher average selling price and increase of overseas sales.





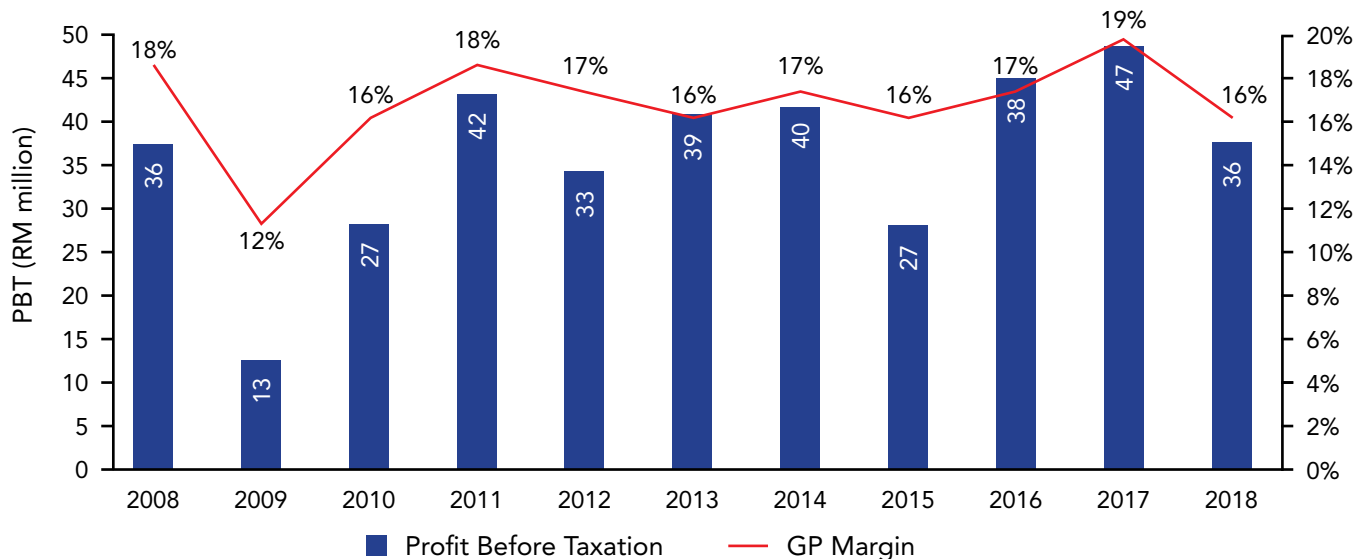


## PERFORMANCE REVIEW (Cont'd)

### (b) Profit before Taxation

The Group's PBT decreased by 22.9% from RM46.7 million to RM36.0 million in the current financial year mainly due to margins reduction. The decrease in the Group's overall margin was mainly attributable to the increase of material cost more than the increase in selling price, higher proportion of export resulted in higher distribution cost and losses incurred in associated company.

PROFIT BEFORE TAX (PBT) AND GROSS PROFIT MARGIN (GP MARGIN)

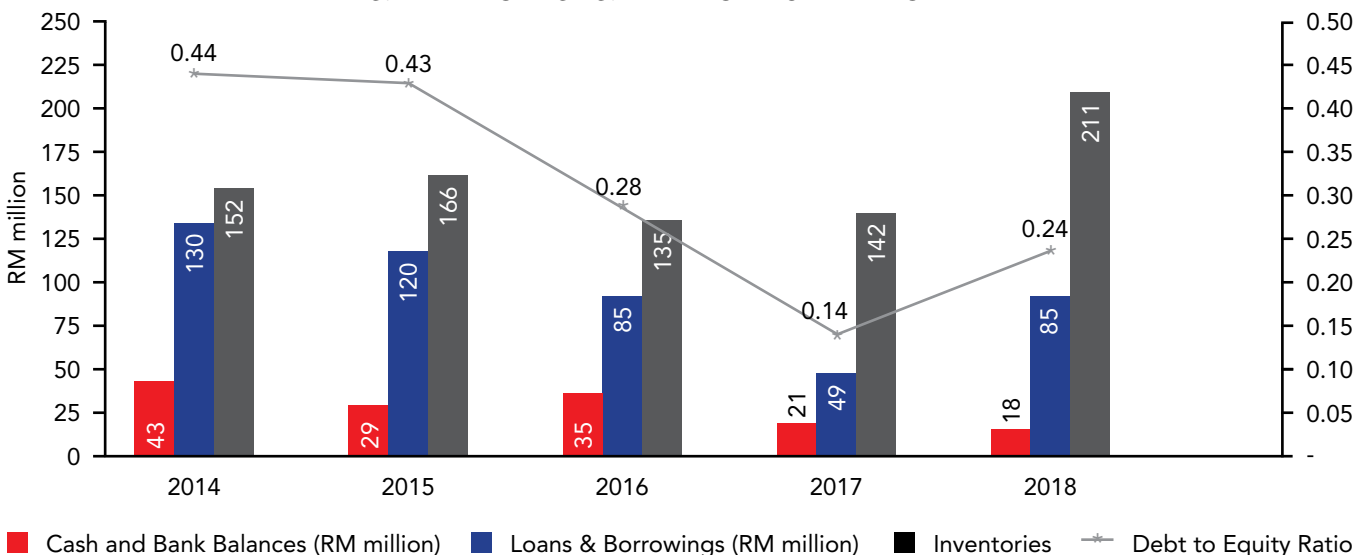


### (c) Cash Flows And Liquidity

The Group's cash & bank balances had decreased by RM3.1 million and bank borrowings were increased by RM36.8 million as compared with financial year 2017 mainly due to increase in inventories which was increased by RM68.8 million as compared with previous financial year. The increase in inventories was mainly due to enhancement of the material price by approximately 12% as compared with previous financial year.

The Group's debt to equity ratio still maintain at a manageable level of 0.24 times at the end of the current financial year despite the increase in borrowings. The Group's strategy is to maintain a low gearing ratio via strict and cautious control over its capital resources in order to achieve long term business objectives and to maximise shareholders' value.

CASH & BANK BALANCES VS. LOANS & BORROWINGS VS. INVENTORIES VS. DEBT TO EQUITY RATIO



# MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

## OPERATION REVIEW

Throughout the fiscal year, the Group faced challenges in the market uncertainties. Weak market conditions and stronger competition in the construction sector which affected the demand and profit margin of the Group's products.

Due to unforeseen circumstances, the construction of our new factory in Changkat, Penang which is expected to start operation in the third quarter of last financial year had been delayed to second quarter of this financial year. Total capital expenditure incurred on the new factory as at financial year end was approximately RM44.5 million, the same was financed by internally generated funds.

## BUSINESS RISKS

The Group's main material is steel and due to the global consumption and production of steel, the prices of steel are susceptible to factors like distraction in supply chain, changes in economy and fluctuation of foreign exchange rates. The fluctuation of steel prices will affect the Group's profit margin. The Group is constantly monitoring the price movement of steel and will adjust the selling price accordingly.

The Group business is in a very keen competitive environment and faces stiff competition from other local manufacturers and cheap imports from low cost producing countries. In dealing with market competition, the Group has adopted approach by expanding capacities and upgrading of facilities to ensure the delivery of quality products and provision of the expected services to our ever-discerning customers. The Group is also actively managing the costs of production as well as improving efficiency and recovery to maintain our margins.

## FUTURE PROSPECT

Moving forward into FY2019, the key focus of the Group is to continue to strengthen our market position through new product development, innovation and adoption of new technologies to enhance operational processes.



## DIVIDEND

In line with the Group's performance and as recognition of your continuous support, a final single tier dividend of 1 sen per share in respect of the financial year ended 31 July 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

The dividend recommendation is consistent with our policy of building up reserves for expansion plans while at the same time giving reasonable return to our shareholders.

## DIRECTORS' PROFILE



### NG BACK TENG

Executive Chairman, a Malaysian, aged 71, male, was appointed to the Board on 16 February 2003 as the Executive Chairman & Managing Director, re-designated as the Executive Chairman & Chief Executive Officer on 8 March 2010 and currently the Executive Chairman of the Company, a position he held since 17 June 2016.

Mr. Ng Back Teng completed his upper secondary education in 1967. He has a total of 25 years of overseas working experience as a Mining Supervisor in British Phosphate Co. Ltd in Christmas Island, Australia and as a Production Executive for Elson Engineering Company. He is responsible for the growth of the Group's metal roofing and awning products.



### NG HUNG SEH



Chief Executive Officer, a Malaysian, aged 52, male, was appointed to the Board on 16 February 2003 as the Executive Director, re-designated as the Chief Operating Officer on 8 March 2010 and subsequently holding the position as Chief Executive Officer, a position he held since 17 June 2016.

Mr. Ng Hung Seh completed his lower secondary education in 1986. He is responsible for the marketing and sales of metal roofing and awning products for the Group. He has more than 20 years experience and expertise in the building related materials business.

### NG HUNG WENG

Executive Director, a Malaysian, aged 54, male, was appointed to the Board on 16 February 2003 as a Non-Independent Non-Executive Director and was re-designated as the Executive Director of the Company on 8 March 2010.

Mr. Ng Hung Weng has more than 20 years of experience and expertise in both the PVC door and metal roofing industries. He was instrumental in building up the Group to become one of the major suppliers of PVC doors in the country. He was previously in-charge of research and development for the Group's products and had successfully introduced many new products to the market.





### DR. CHEAH SOO JIN

Senior Independent Non-Executive Director, a Malaysian, aged 74, male, was appointed to the Board on 30 September 2008.

Dr. Cheah Soo Jin earned his Doctor of Philosophy degree in management accounting from the Universiti Sains Malaysia in September 2012 and his Master of Business Administration from the Universiti Utara Malaysia in 2007. In addition, he is a Fellow of the Chartered Institute of Management Accountants (U.K.), a Chartered Accountant of the Malaysian Institute of Accountants, and an Associate of the Chartered Tax Institute of Malaysia.

He was a teacher in accounting for about 14 years prior to joining the private sector in 1983. Since then, he has been involved in financial management, corporate management and advisory services, having been appointed as company director in several companies both in Malaysia and abroad.

Dr. Cheah serves as a Chairman of both the Company's Audit Committee and the Remuneration Committee. He is also a member of the Nomination Committee.



### DATO' HAJI MOHTAR BIN NONG

Independent Non-Executive Director, a Malaysian, aged 65, male, was appointed to the Board on 16 January 2006 and re-designated as the Independent Non-Executive Director of the Company on 17 June 2016.

Dato' Haji Mohtar holds an honours Bachelor Degree in Economics from Universiti Kebangsaan Malaysia (1978) and a Master Degree in Business Administration from Dubuque, Iowa, USA (1994).

Dato' Haji Mohtar joined the Terengganu State Civil Service in 1978 and retired on 15 August 2010. During his tenure with the Terengganu State, he has held various important posts such as District Officer of Setiu, Besut and Kuala Terengganu (1996 – 1999), General Manager for Yayasan Pembangunan Usahawan Terengganu (2000), President of Majlis Perbandaran Kuala Terengganu (2001- 2002) and the State Secretary of Terengganu (2007 - 2010).

Dato' Haji Mohtar currently sits as a director on the Board of Wellcall Holdings Bhd and various private companies.

Dato' serves as the Chairman of the Nominating Committee and also a member of the Company's Audit Committee and the Remuneration Committee.

Save as disclosed below, there is no other family relationship with any other Directors or major shareholders of the Group and none of the Directors have any conflict of interest with the Company and have any conviction for offences within past ten years other than traffic offences, if any: -

Ng Back Teng, Ng Hung Seh and Ng Hung Weng are brothers. They are also the brothers of Ng Bak Seng, the major shareholder of the Company.

# SENIOR MANAGEMENT PROFILE



## **Mr. Ng Back Teng** Executive Chairman

The Profile of Mr. Ng Back Teng is listed in the Directors Profile on page 7.

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## **Mr. Ng Hung Seh** Chief Executive Officer

The Profile of Mr. Ng Hung Seh is listed in the Directors Profile on page 7.

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## **Mr. Ng Hung Weng** Executive Director

The Profile of Mr. Ng Hung Weng is listed in the Directors Profile on page 7.

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## **Mr. Ng Bak Seng**

A Malaysian, male, aged 62, the current Executive Director of Astino Southern Sdn. Bhd. and responsible for the daily operations of Astino Southern Sdn. Bhd. (Temerloh Branch), the wholly owned subsidiary of the Company.

He joined the Group more than 20 years and has held various position in the Group.

In 2000, Mr. Ng had assisted the Group in setting up Astino Southern Sdn Bhd, the manufacturing plant in Malacca.

Mr. Ng is the brother of Mr. Ng Bak Teng (Executive Chairman), Mr. Ng Hung Seh (Chief Executive Officer), Mr. Ng Hung Weng (Executive Director) and Mr. Ng Bak Hiong.

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## **Mr. Ng Bak Hiong**

A Malaysian, male, aged 59, the current Executive Director of Astino (M) Colour Steel Sheet Sdn. Bhd. and responsible for the daily operations of Astino (M) Colour Steel Sheet Sdn. Bhd. (KL Branch), the wholly owned subsidiary of the Company. He joined the Group in 2010.

Mr. Ng is the brother of Mr. Ng Bak Teng (Executive Chairman), Mr. Ng Hung Seh (Chief Executive Officer), Mr. Ng Hung Weng (Executive Director) and Mr. Ng Bak Seng.

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## **Mr. Khoo Eng Seng**

A Malaysian, male, aged 58, the current Executive Director of Astino Southern Sdn. Bhd. and responsible for the daily operations of Astino Southern Sdn. Bhd. (Melaka Branch), the wholly owned subsidiary of the Company.

Mr. Khoo joined the Group in 2003 and has held various positions within the Group.

He has more than 30 years of hands-on experiences in building material businesses.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 18<sup>th</sup> Annual General Meeting (“AGM”) of ASTINO BERHAD (“the Company”) will be held at Melati Room, Safira Country Club, Lot 2769, Mk 1, Jalan Todak, Bandar Seberang Jaya, 13700 Seberang Jaya Tengah, Penang on Friday, 18 January 2019 at 10.30 a.m. for the following purposes:-

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 July 2018 and Reports of the Directors and Auditors thereon.
2. To approve the payment of a first and final single tier dividend of 1 sen per ordinary share in respect of financial year ended 31 July 2018. (Resolution 1)
3. To re-elect the following Directors who retire in accordance with Article 95(1) of the Company's Constitution, and being eligible have offered themselves for re-election: -
  - 3.1 Mr. Ng Back Teng (Resolution 2)
  - 3.2 Mr. Ng Hung Weng (Resolution 3)
4. To approve the payment of Directors' Fees amounting to RM96,000 for the financial year ended 31<sup>st</sup> July 2018. (Resolution 4)
5. To approve the payment of Directors' Other Benefits up to RM29,000 from 19 January 2019 to 31 January 2020. (Resolution 5)
6. To re-appoint Messrs Crowe Malaysia, the retiring Auditors, and to authorise the Directors to fix their remuneration. (Resolution 6)

### SPECIAL BUSINESS:- Ordinary Resolutions

To consider and if thought fit, to pass (with or without modification) the following Ordinary Resolutions:-

7. **Authority to issue shares pursuant to Section 75 of the Companies Act 2016 (the “Act”)** (Resolution 7)

“THAT subject always to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company's Constitution and approvals of any relevant governmental and/or any regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Section 75 of the Act, to issue and allot shares in the capital of the Company at any time upon such terms and conditions and for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit, provided and expedient in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed ten (10) per centum of the issued share capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued and THAT such authority shall continue in force until the conclusion of the next AGM of the Company.”

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



## 8. Proposed Renewal of Share Buy-Back Authority

(Resolution 8)

"THAT, subject to the provisions of the Act, rules, regulations, orders and guidelines made pursuant to the Act, provisions of the Company's Constitution, Bursa Securities' Main Market Listing Requirements and approvals of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised to utilize an amount not exceeding the Company's retained profits, to purchase such number of ordinary shares of the Company provided the ordinary shares so purchased shall [in aggregate with the treasury shares as defined under Section 127 of the Act ("Treasury Shares") then still held by the Company] not exceed ten (10) per centum of the total issued and paid-up share capital of the Company for the time being AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next AGM of the Company unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting AND THAT the Directors may cancel the ordinary shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or may resell same in a manner they deem fit and expedient as prescribed by the Act and the applicable regulations and guidelines of Bursa Securities and any other relevant authorities for the time being in force AND THAT authority be and is hereby given to the Directors to take such steps as are necessary or expedient to implement, finalise and to give effect to the aforesaid transactions with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things and upon such terms and conditions as the Directors may in their discretion deem fit and expedient in the best interest of the Company in accordance the Act, regulations and guidelines."

## 9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

(Resolution 9)

"THAT, subject always to the compliance with Bursa Securities' Main Market Listing Requirements, the Company's Constitution and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given to the Company and its subsidiaries ("Astino Group") to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Paragraph 2.4 of Part A of the Circular/Statement to Shareholders dated 30 November 2018 with the specific related parties mentioned therein ("Proposed Mandate") which are necessary for Astino Group's day-to-day operations on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the AGM, at which time the Proposed Mandate will lapse, unless by a resolution passed at the next AGM, the mandate is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting;
- whichever is the earlier.

THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions contemplated and/or authorised by this Ordinary Resolution."

## 10. Continuing Office As Independent Non-Executive Director

(Resolution 10)

"To retain Dr. Cheah Soo Jin, who has served for more than nine (9) years as Independent Non-Executive Director of the Company, pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance"

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

## **Special Resolution**

To consider and if thought fit, to pass (with or without modification) the following as a Special Resolution:-

**11. Proposed Adoption of New Constitution of the Company** (Resolution 11)

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part C of the Circular/Statement to Shareholders dated 30 November 2018 be and is hereby adopted as the Company's Constitution AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variation and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effects to the foregoing."

12. To transact any other ordinary business for which due notice has been given.

**NOTICE IS HEREBY GIVEN** that for purpose of determining a member who shall be entitled to attend this 18<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 11 January 2019. Only a depositor whose name appears on the Record of Depositors as at 11 January 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

## **NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS ALSO HEREBY GIVEN** that, subject to the approval of the shareholders at the 18<sup>th</sup> Annual General Meeting, a first and final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 July 2018 will be paid on 17 April 2019 respectively to depositors registered in the Records of Depositors on 8 March 2019.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 8 March 2019 in respect of transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

Ch'ng Lay Hoon  
MAICSA 0818580  
Company Secretary  
Penang

30 November 2018

## **NOTES:**

### **1. Proxy**

- 1.1 A member entitled to attend, speak and vote at the AGM is entitled to appoint proxy(ies) to attend, participate, speak and vote in his stead.
- 1.2 Where a member is an authorised nominee (AN) as defined under the Security Industry (Central Depository) Act 1991 (SICDA), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company.
- 1.3 Where a member of the Company is an exempt authorised nominee (EAN) as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), the EAN may appoint proxy(ies) in respect of each omnibus account it holds.
- 1.4 Where a member appoints more than one (1) Proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 1.5 The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, under its common seal or in such other manner approved by its directors. Any alteration to the instrument appointing a proxy must be initialed.
- 1.6 The instrument appointing a proxy must be deposited at the Company's registered office at Suite 12A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.
- 1.7 Pursuant to Paragraph 8.29A of the Bursa Securities Main Market Listing Requirements, all resolutions set out in the Notice of 18<sup>th</sup> AGM will be put vote on a poll.



# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



## NOTES: (Cont'd)

### 2. Audited Financial Statements for financial year ended 31 July 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the Act for discussion only under Agenda 1. They do not required shareholders' approval and hence, will not be put for voting.

### 3. Explanatory Notes On Special Business

#### Resolution 7: Authority to Issue Shares

The proposed Resolution 7, if passed, will give a renewed mandate to the Directors of the Company, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten (10) per centum of the issued share capital of the Company for the time being, for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors of the Company at the 17<sup>th</sup> AGM held on 19 January 2018. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company would make an announcement in respect of the purpose and utilization of the proceeds arising from such issue.

#### Resolution 8: Proposed Renewal of Share Buy-Back

The proposed Resolution 8, if passed, will provide the mandate for the Company to buy back its own shares up to a limit 10% of the total issued and paid-up share capital of the Company. The explanatory notes on Resolution 8 are set out in Part B of the Circular/Statement dated 30 November 2018 accompanying the Annual Report.

#### Resolution 9: Proposed Renewal Mandate for Recurrent Related Party Transactions

The proposed Resolution 9, if approved, will enable the Astino's Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in accordance with paragraph 10.09 of Bursa Securities' Main Market Listing Requirements. The explanatory notes on Resolution 9 are set out in Part A of the Circular/Statement to Shareholders dated 30 November 2018 accompanying the Annual Report.

#### Resolution 10: Continuing in office as Independent Non-Executive Director

The Board of Directors via the Nominating Committee assessed the independence of Dr. Cheah Soo Jin, who has served on the Board as Independent Non-Executive Director of the Company for a cumulative of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Dr. Cheah Soo Jin as an Independent Non-Executive Director, based on the following justifications:-

- (a) He has met the criteria the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and therefore able to give independent opinion to the Board;
- (b) Being director for more than nine (9) years have enabled him to contribute positively during deliberations/discussions at meetings as he is familiar with the operations of the Company and possess tremendous knowledge of the Company's operations;
- (c) He has the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and
- (d) He has contributed sufficient time and exercised due care during his tenure as Independent Non-Executive Director and carried out his fiduciary duties in the interest of the Company and minority shareholders.

#### Resolution 11: Proposed Adoption of New Constitution of the Company

The proposed adoption of new Constitution of the Company are mainly for the following purposes: -

- (a) To provide clarity and consistency with the amendments that arise from the Act effective 31 January 2017;
- (b) To ensure compliance with the amended Bursa Securities' Main Market Listing Requirements which was issued on 29 November 2017;

Under Article 178 of the existing Constitution of the Company, amendments to the Constitution can be made if duly passed by a Special Resolution. In view of the substantial amount of Proposed Amendments to the Constitution, the Board proposed that the existing Constitution be revoked in its entirety by the replacement thereof with the Proposed New Constitution as set out in Part C of the Circular/Statement to Shareholders dated 30 November 2018.

In view of the above, the shareholders' approval is sought by the Company to revoke the existing Constitution by the replacement thereof with the proposed new Constitution as per Part C of the Circular/Statement to Shareholders dated 30 November 2018 in accordance with Section 36(1) of the Act, Part C of the Circular/Statement to Shareholders dated 30 November 2018 on the proposed New Constitution of the Company, which is circulated together with the Notice of 18<sup>th</sup> AGM dated 30 November 2018 shall take effect once the proposed Resolution 10 (Special Resolution) has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or proxy at the 18<sup>th</sup> AGM.

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Board of Directors (“Board”) of Astino Berhad is fully committed to the principles and recommendations of the Malaysia Code on Corporate Governance 2017 (“the Code”). This ensures that the best practices of corporate governance including accountability and transparency is adhered to within the Group for the long term success and sustaining shareholders’ value.

The Board recognizes that the principles of integrity, transparency and accountability are key components for the Group’s continued growth and success.

The Statement in the ensuing paragraphs describes how the Group has applied the principles and recommendations of the Code throughout the financial year ended 31 July 2018. The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year under review unless otherwise stated.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### A.1 Board Leadership

#### *Clear Functions of the Board and Management*

The Board’s role is to provide stewardship of the Company and direction for management, it is collectively responsible and accountable to the Company’s shareholders for the long term success of the Group. The Board is guided by its Charter, Code of Ethics which outlines the duties and responsibilities of the Board, matters that are specifically reserved for the Board, as well as those which the Board may delegate to the relevant Board Committees.

The Board also delegated the authority and responsibility for managing the day-to-day business affairs of the Group to the Chief Executive Officer who is responsible for overseeing the business development, implementation of the corporate strategies and business plans, policies and controls. The responsibilities of the senior management team are clearly defined.

#### *Clear Roles and Responsibilities of the Board*

The Group is led by effective Board comprising members of high caliber. The Directors comprise of individuals from varied professional background with wide range of relevant business and financial experience who contribute independent judgement on issues pertaining to the strategy, risks, management performance, compliance and resources affecting the Group.

The role of the Board is to provide overall strategic guidance, effective oversight on the governance and management of the business affairs of the Company for the benefit of the stakeholders. Responsibilities of the Board includes:-

- Reviewing, adopting and monitoring the Company’s major strategies, financial performance in respect of objectives and plans set;
- Decision making regarding matters of sensitive, extraordinary or strategic nature;
- Monitoring capital management and major expenditure;
- Approving the Group’s annual budget, quarterly financial results and carrying out periodic review of the achievements by the various operating divisions against their respective business targets;
- Ensuring that the operating infrastructure, systems of control, system for risk identification, financial and operational controls are in place and properly implemented;
- Undertaking succession planning to identify suitable candidates for senior managerial positions to ensure continuity of key positions;
- Reporting to shareholders;
- Evaluation of Board processes and performance;
- Declaring dividends payment.

The Board also reviews the principal risks arising from all aspects of the Company’s business that have significant impact on the Group’s operations to ensure that there are systems in place to effectively monitor and manage these risks.



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.1 Board Leadership (Cont'd)

#### *Clear Roles and Responsibilities of the Board (Cont'd)*

In discharging its fiduciary duties, Board Committees are formed to assist in the effective functioning of the Board. The Board delegated specific responsibilities to three (3) Committees, namely:-

- A. Nominating Committee,
- B. Audit Committee, and
- C. Remuneration Committee.

The Board Committees are guided and operate within clearly defined terms of reference. All these Committee are mainly lead by Independent Non- Executive Directors of the Board. Management and third party are invited to attend or co-opted to such Committees as and when required.

#### *Code of Conduct and implementation*

The Board of Directors is guided by the Code of Ethics established by the Companies Commission of Malaysia for Company Directors. The Code of Ethics sets out the principles in relation to sincerity, integrity, responsibility and corporate social responsibility. The code is formulated to enhance the standard of corporate governance and corporate behavior of directors based on trustworthiness and values that can be accepted, and to uphold the spirit of responsibility and social responsibility in line with legislation, regulations and guidelines for administering the Company.

In adhering to good corporate governance practices and with the introduction of the Whistleblower Protection Act 2010, the Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements without fear of reprisal.

The detail of Whistleblowing Policy is available for reference at the Company's website [www.astino.com.my](http://www.astino.com.my).

#### *Board Charter*

The Board has adopted a Board Charter which sets out the principal functions, composition, roles and responsibilities of the Board. The Board Charter is a source reference and primary induction literature, providing insights to respective Board members and Senior Management. Therefore, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness. A summary of the current Board Charter is published on our website, [www.astino.com.my](http://www.astino.com.my).

#### *Access to Information and Advice*

The Board will be provided with an agenda and a set of Board papers containing information relevant to the business on a timely manner prior to the scheduled Board/Board Committees meeting. This is to enable the Directors to look at both qualitative and quantitative factors so that informed decisions are made.

The Board papers are circulated to Director at least seven (7) days in advance. This is to accord sufficient time for the Directors to peruse through the Board papers to enable them to effectively discharge their duties and responsibilities. All proceedings of Board Meetings are minuted and signed by the Chairman of the Meeting in accordance with the provision of the Companies Act, 2016 ("the Act"). Minutes of meeting of each Committee are also circulated to the Board Members for review.

The Directors have unrestricted access to the advice and services of the Company Secretary on compliance with the new statutory and regulatory requirements. The Board of Directors, whether as a full Board in their individual capacity, may upon approval of the Board of Directors, seek independent advice if required, in furtherance of their duties, at the Company's expense.

# CORPORATE GOVERNANCE STATEMENT (Cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.1 Board Leadership (Cont'd)

#### *The Role of Chairman and CEO*

There is a clear and distinct division of responsibilities between the Chairman and the CEO to ensure that there is an appropriate balance of power and role, responsibility and accountability at Board level.

The Code recommends that the Chairman must be of a non-executive member of the Board. However, the Nominating Committee has assessed, reviewed and determined that the chairmanship of Mr. Ng Back Teng remains based on the following justifications and aspects contributed by Mr. Ng Back Teng, as a member of the Board:-

- His vast experience in managing the operations of the Group's enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group;
- He has exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company; and
- He has provided objectivity in decision making and ensured effective check and balance in the proceedings of the Board.

The Board unanimously appointed Dr. Cheah Soo Jin, the Independent Non-Executive Director, to be the senior member to address the shareholders concern, if any.

#### *Qualified and Competent Company Secretaries*

The Company Secretary, who is qualified, experienced and competent, will advise the Board on any new statutory requirements, guidelines and listing rules.

The Company Secretary or their representatives attend all the Board and Board Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The Company Secretary also facilitates timely communication of decisions made by the Board at Board Meetings, to the Senior Management Team for action. The Company Secretary work closely with the Senior Management Team to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

### A.2 Board Composition

The Board currently has five (5) members, comprising two (2) Independent Non-Executive Directors, and three (3) Executive Directors (including the Chairman). The composition of the Board complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") to have at least one third (1/3) of the Board consisting of independent director. A brief description of the background of each Director is presented on pages 7 to 8.

The Board is well balanced with the presence of Independent Non-Executive Directors of caliber and collectively possesses sufficient experience and expertise in objective and independent decisions making. Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executives management are fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts business.

#### *Board Committees*

Board Committees are formed to assist in the effective functioning of the Board. The Board delegate specific responsibilities to three (3) Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, which operates within clearly defined terms of reference and are consistent with the recommendations of the Code. The Chairman of the various committees will report to the Board on matters deliberated at the committee meetings and such reports are incorporated in the minutes of the Board meetings. The Term of Reference ("TOR") of each Committee is published on our website, [www.astino.com.my](http://www.astino.com.my).



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.2 Board Composition (Cont'd)

#### *Board Committees (Cont'd)*

##### (A) Audit Committee

The Audit Committee of the Board comprises two (2) Independent Non-Executive Directors. The composition of the Audit Committee is in the compliance with the Listing Requirements and the Code which require all the Audit Committee members to be Non-Executive Directors with a majority of them being Independent Directors. Further detail of the Audit Committee are outlined on pages 26 to 27 of this Annual Report.

##### (B) Nominating Committee

The Nominating Committee for the financial year ended 31<sup>st</sup> July 2018, which comprises three (3) Independent Non-Executive Directors and they are as follows:-

Dato' Haji Mohtar Bin Nong (*Chairman – Independent Non-Executive Director*)

Dr. Cheah Soo Jin (*Member – Senior Independent Non-Executive Director*)

Khong Kam Hou (*Member – Independent Non-Executive Director*) (*Resigned on 10 October 2018*)

The Nominating Committee met twice during the financial year where the Committee considered the Directors who were due for retirement and re-election at the Annual General Meeting. The Nominating Committee continuously reviews and evaluates its requirements for an appropriate mix of skills and core competencies to discharge its duties effectively. The Committee confirms that the present size and composition of the Board is appropriate to oversee the overall business of the Group.

##### (B.1) *Appointment and Re-election to the Board*

The Nominating Committee is empowered to identify and recommend to the Board for assessment and endorsement of candidates for new appointments to the Board. In this process, the Nominating Committee shall take into cognizance the following criteria:-

- Size, composition, mix of skills, experience, competencies and other qualities of the existing Board members, level of commitment, resources and time that the recommended candidate can contribute to the Board and Group;
- The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence as defined in the Listing Requirements – for the purpose to bring about independence and objectivity in judgement on issues considered and thence, the ability to discharge responsibilities as expected from an Independent Non-Executive Director,
- The candidate's understanding of the Group business; production and marketing activities; and factors that promote boardroom diversity, including gender diversity and other qualities of the Board

In accordance with the Company's Articles of Association, any additional Director appointed shall hold office only until the next following Annual General Meeting ("AGM") and shall then be eligible for re-election. The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM and all the Directors shall retire from office once in each three years but shall be eligible for re-election.

##### (B.2) *Gender Diversity Policy*

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Nevertheless, the Board will only set specific targets in relation to gender diversity if the situation so requires and if it is in the best interest of the Company to do so.



# CORPORATE GOVERNANCE STATEMENT (Cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.2 Board Composition (Cont'd)

#### Board Committees (Cont'd)

#### (B) Nominating Committee (Cont'd)

##### (B.3) Annual Assessment

The Nominating Committee meets at least once a year and during the meeting which was held on 28 September 2018, the Nominating Committee conducted the Board Performance Evaluation via questionnaires which covers Board and Board Committees effectiveness assessment together with Directors' self and peer assessment. The Nominating Committee assessed the effectiveness of the Board and Board Committee in terms of composition, conduct, accountability, and responsibility of the Board and Board Committees in terms of reference. The Directors self and peer assessment was conducted to evaluate the mix of skills, experience and the individual's Directors ability to contribute and exercise independent judgement towards the effective functioning of the Board. The Nominating Committee also evaluates the independence of the Independent Directors based on the criteria of "Independence" as prescribed in the Listing Requirements.

The Nominating Committee, pursuant to the annual review that was carried out, was satisfied that the size of the Board is optimum, well-balanced with the appropriate mix of skills and experience in the composition of the Board and its Committees.

#### (C) Remuneration Committee

The Remuneration Committee met three times during the year where the Committee deliberated on the Directors' fees of the Non-Executive Directors, the remuneration package and bonus of the Executive Directors.

The members of the Remuneration Committee are:-

Dr. Cheah Soo Jin (*Chairman – Senior Independent Non-Executive Director*)

Dato' Haji Mohtar Bin Nong (*Member – Independent Non-Executive Director*)

Ng Back Teng (*Member – Executive Chairman*) (*Resigned on 2 November 2017*)

Khong Kam Hou (*Member – Independent Non-Executive Director*) (*Resigned on 10 October 2018*)

#### Directors Remuneration

The Remuneration Committee of the Company recommends to the Board the policy framework of the Executives Directors' remuneration, and the remuneration package for each Executive Director in accordance with performance, service seniority, experience and scope of responsibilities. The Group performance and the country inflation rate are taken into consideration in determining the remuneration packages for Executive Directors.

The determination of the remuneration and entitlement of Non-Executive Directors will be a matter to be decided by the Board as a whole with the Directors concern abstaining from deliberations and voting on decision in respect of his individual remuneration.

The remuneration of Directors is set at level which would enable the Group to attract and retain Directors with relevant expertise and the experience necessary to run the Group effectively. Directors' fees are to be approved by the shareholders at the AGM.



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.2 Board Composition (Cont'd)

#### Board Committees (Cont'd)

#### (C) Remuneration Committee (Cont'd)

##### Directors Remuneration (Cont'd)

In compliance with the Listing Requirements on disclosure of Directors' remuneration, details of the Directors' remuneration for the financial year ended 31<sup>st</sup> July 2018 are as follows:

|                            | Salaries<br>RM'000 | Bonuses<br>RM'000 | Allowances<br>RM'000 | Benefits-in-kind<br>RM'000 | Fees<br>RM'000 |
|----------------------------|--------------------|-------------------|----------------------|----------------------------|----------------|
| Executive Directors        |                    |                   |                      |                            |                |
| Ng Back Teng               | 991                | 633               | 150                  | 28                         |                |
| Ng Hung Seh                | 939                | 661               | 129                  | 25                         |                |
| Ng Hung Weng               | 648                | 80                | 27                   |                            |                |
| Non-Executive Directors    |                    |                   |                      |                            |                |
| Dato' Haji Mohtar Bin Nong |                    |                   | 8                    |                            | 32             |
| Dr. Cheah Soo Jin          |                    |                   | 8                    |                            | 32             |
| Khong Kam Hou              |                    |                   | 6                    |                            | 32             |

The number of Senior Management whose remuneration falls into the following bands comprises:

| Remuneration bands         | No of Senior Management |
|----------------------------|-------------------------|
| Below RM50,000             | -                       |
| RM650,000 to RM700,000     | 1                       |
| RM750,000 to RM800,000     | 2                       |
| RM1,350,000 to RM1,400,000 | 1                       |
| RM1,750,000 to RM1,800,000 | 1                       |
| RM1,800,000 to RM1,850,000 | 1                       |

#### Directors Training

At the date of this Statement, all Directors have successfully attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Directors are mindful that they should receive continuous training to broaden their perspectives and keep abreast with the new statutory and regulatory requirements, and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties. The Directors are empowered by the Board to evaluate and assess his own individual training needs and are encouraged to attend seminars and/or conferences to further enhance their business acumen and professionalism in discharging their duties effectively.

# CORPORATE GOVERNANCE STATEMENT (Cont'd)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.2 Board Composition (Cont'd)

#### Board Committees (Cont'd)

##### (C) Remuneration Committee (Cont'd)

#### Directors Training (Cont'd)

Throughout the year, the Directors have received updates from time to time on relevant new laws and regulations. The Company Secretary circulated the latest relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

During the financial year, the training programmes and seminars attended by the Directors are as follows:-

#### Training Programmes & Seminars

- Corporate Seminar 2017- Global Market Outlook;
- Introduction And Internal Audit - ISO 9001 2015
- ISO 9001 : 2015 Internal Audit Training;
- Maybank Economic Outlook 2018
- MIA ACCA Train The Trainers Workshop
- Developing Your Ability To Make Accounting Judgement

#### Board Meetings

An effective Board leads and controls the Group. The Board is responsible for the overall performance of the Group and focuses mainly on the strategies, performance, standards of conduct and critical business issues.

The Board meets quarterly to review its quarterly performances and discuss new policies and strategies with additional meetings as and when necessary. A total of five (5) Board meetings were held for the last financial year ended 31<sup>st</sup> July 2018. All Directors fulfilled the requirement of the Listing Requirements of having attended at least 50% of the Board meetings held by the Company during the financial year. The attendance record of each Director for the last financial year ended 2018 is as follows:-

| Name of Directors          | Attendance |
|----------------------------|------------|
| Ng Back Teng               | 5/5        |
| Ng Hung Seh                | 5/5        |
| Ng Hung Weng               | 5/5        |
| Dato' Haji Mohtar Bin Nong | 5/5        |
| Dr. Cheah Soo Jin          | 5/5        |
| Khong Kam Hou              | 4/5        |

#### Annual Assessment of Independent Directors

The criteria for Independence set out in the Listing Requirements form the basis for evaluation of independence of non-executive director. The Board and its Nominating Committee in their annual assessment concluded that each of the Independent Non-Executive Directors continuous to demonstrate conduct and behavior that are essential indicators of independence. Each of them continuous to fulfill the definition and criteria of independence as set out in Listing Requirements.



## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### A.2 Board Composition (Cont'd)

#### *Board Committees (Cont'd)*

#### (C) Remuneration Committee (Cont'd)

##### *Tenure of Independence Directors and Shareholders' Approval for Re-Appointment of Independent Directors*

The Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. An Independent Non-Executive Director may continue to serve on the Board subject to re-designation of the Independent Non-Executive Director to Non-Independent Non-Executive Director. In the event the Board intends to retain the Independent after service a cumulative term of nine (9) years, the Board must seek the approval of the shareholders in the Annual General Meeting. As at the date of this Annual Report, Dr. Cheah Soo Jin has served the Company for a tenure of nine (9) years and above. The Nominating Committee have assessed the independence of Dr. Cheah Soo Jin and satisfied that:-

- (a) He has met the criteria the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and therefore able to give independent opinion to the Board;
- (b) Being director for more than nine (9) years have enabled him to contribute positively during deliberations/discussions at meetings as he is familiar with the operations of the Company and possess tremendous knowledge of the Company's operations;
- (c) He has the caliber, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and
- (d) He has contributed sufficient time and exercised due care during his tenure as Independent Non-Executive Director and carried out his fiduciary duties in the interest of the Company and minority shareholders.

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### *Sound Risk Management Framework*

The Board assumes responsibility for the effective stewardship and management of the Company with the strategic objective to build and deliver long term shareholder value whilst meeting the interests of shareholders and stakeholders. The Board provides strategic direction and formulates appropriate corporate policies to ensure the Group's resources and profitability is optimized. The Board is also responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's internal control and risk management processes.

### *Internal Audit Function*

The Board recognizes the importance of risk management and internal controls in the overall management process. The Group's Statement on Risk Management and Internal Control which provides an overview of the Group's risk management and state of internal controls is set out on pages 28 and 29 of the Annual Report.

### *Financial Reporting*

In presenting annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and comprehensive assessment of the Group's financial position and prospects. The Audit Committee assists the Board in ensuring the accuracy, adequacy and completeness of information for disclosure.

### *Statement of Directors' Responsibility for Preparing the Financial Statements*

The Board is required by the Act to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flow for the year then ended.

The Board considers that in preparing the financial statements for the year ended 31 July 2018, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Board has responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group which enable them to ensure that the financial statements comply with the Act.

# CORPORATE GOVERNANCE STATEMENT (Cont'd)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

### *Statement of Directors' Responsibility for Preparing the Financial Statements (Cont'd)*

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

### *Suitability and Independence of External Auditors*

The Board through the Audit Committee maintains a transparent and professional relationship with the Group's external auditors. The Audit Committee meets with the external auditor to discuss their audit plan and audit findings in relation to the Group's financial results. The Audit Committee will have a private session with the External Auditors without the presence of Executive Director and management, where necessary, to discuss the audit findings and any other observations they may have during the audit process. An assurance is provided by the External Auditors via their report to the Audit Committee, confirming their independence through the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirement.

The External Auditors are invited to the AGM of the Company and are available to answer shareholders' queries on the conduct of the statutory audit. In addition, the External Auditors are also invited to attend the internal audit exit meeting to receive the internal audit report.

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's TOR.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND STAKEHOLDER ENGAGEMENT

ASTINO values good communications with shareholders and investors. Its commitment, both in principle and practice, is to maximize transparency consistent with good governance, except where commercial confidentiality dictates otherwise.

### *Annual General Meetings*

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board Members, Senior Management and the Group's External Auditors are in attendance to respond to shareholders' enquiries. At the AGM, the Board presents the performance of the Group as contained in the Annual Report and shareholders present are given the opportunity to present their views or to seek more information. Resolutions tabled and passed at the Meeting are released to Bursa Securities on the same day.

### *Annual Report*

The Company has consistently published its Annual Report in a timely manner that enables the shareholders to review it prior to AGM. The Notice of AGM with a softcopy of the Annual Report (CD-ROM) which contains comprehensive reports on Group's financial performance, insights, outlooks and directions is circulated at least twenty-one (21) days prior to the AGM. The full version of the Annual Report is available online at the Group's website, [www.astino.com.my](http://www.astino.com.my) and a printed full version will be provided to shareholders upon request within four (4) market days.

### *Investor Relations*

The Board recognizes the importance of keeping shareholders and investors informed of the Group's businesses and corporate developments. The Board's primary contact with shareholders is via the Executive Chairman, who have regular dialogue with institutional investors.

The Group's website, [www.astino.com.my](http://www.astino.com.my) also serves as a forum to communicate with shareholders and investors and to provide information on the Group's business activities. Information such as disclosures made to Bursa Securities (including interim and full year financial results, Annual Report and other announcements on relevant transactions undertaken by the Group) and the Group's business activities can be obtained from the website. Requests for information on the Company can be forwarded to the same website.

Announcements made by the Company to Bursa Securities are also accessible from [www.bursamalaysia.com](http://www.bursamalaysia.com). As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dr. Cheah Soo Jin as the Independent Non-Executive Director to whom concerns may be directed. At all times, investors and shareholders may contact the Company Secretary for information on the Company.



# CORPORATE GOVERNANCE STATEMENT (Cont'd)



## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND STAKEHOLDER ENGAGEMENT (Cont'd)

### *Corporate Disclosure Policy*

The Company is committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the Corporate Disclosure Guide and Best Practices as proposed by Bursa Securities.

Material information will in all cases be disseminated broadly and publicly via Bursa Securities, and other means. Copies of the full announcement are supplied to the shareholders and members of the public upon request. Interested parties can also obtain the full financial results and the Company's announcements from the Company's website at [www.astino.com.my](http://www.astino.com.my) and also the Bursa Securities' website.

### *Sustainability Strategies*

The Group is committed towards building an enduring business model that take into consideration the environment, community, workplace, marketplace and balance between business opportunity and risks in order to deliver lasting value for the shareholders and stakeholders. Details of the day-to-day business activities is disclosed in the Sustainability Statement in this Annual Report.

## COMPLIANCE WITH THE CODE

The Board has taken necessary practical and appropriate steps to comply with the requirements of Listing Requirements in relation to applications of principles and adoption of best practices of good corporate governance principles and recommendations in its pursuit of achieving the highest level of transparency, accountability and integrity.

# SUSTAINABILITY STATEMENT

The Board of Directors (“Board”) recognizes that sustainability is the key driver to innovation and value creation for the Group, employees, customers, shareholders and the communities as a whole.

In line with Bursa Malaysia Securities Berhad’s Sustainability Reporting Guide, the Group’s sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behavior to be judged and measured by the public.

## ECONOMIC

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

By working closely with both customers and suppliers, the Group gains mutual understanding and develops ways to continuously improve and create value for the business, consequently maximising shareholders’ interest.

### (i) Investors

The Group strives to enhance corporate value by maintaining a stable and long-term growth strategy for the benefit of its shareholders. The Group continues its efforts to engage with its shareholders through the following initiatives:

- Maximises shareholders’ wealth through continuous efforts to achieve operational excellence and sustainable growth.
- Discloses and disseminates all material information in a timely, open, fair and transparent manner.
- Engages with its shareholders and investors through various channels of communication such as general meetings of shareholders, press releases and Company’s website.

### (ii) Customers

In line with the Group’s quality policy is “To Supply Quality Products and Services Through Continual Improvement on Quality Management System”. The Group strives to create value for its customers through competitive pricing without compromising the interest of other stakeholders. In achieving this, the Group initiates the following:

- Enhances customers’ satisfaction and confidence by providing quality products through stringent quality control from the sourcing of raw materials to the prompt delivery of our products and after-sales service to our customers.
- We have in place ISO 9001 certification, environmental management system, testing and calibration laboratories system and waste management system.
- Every customer is important to us and every feedback is valuable towards building a more sustainable business. All compliments, complaints as well as constructive feedbacks are communicated to our internal departments and action plans are developed where improvements are required. Our Sales and Marketing Team maintains regular contacts with our customers to ensure that all issues are addressed on a timely basis.
- Continue to introduce new technologies and products to the customers with the objective to create a win-win situation for both the Company and the customers.

### (iii) Suppliers

The Group respects its suppliers and works closely with them through long-term relationships to realise mutual growth based on mutual trust. In this aspect, the Group engages its suppliers through the following manners:

- We are ISO 9001 certified. All our suppliers must be strictly compliance with local laws and regulations. As part of our assessment process, we evaluate their financial performance to determine the viability of the supplies. Biannual evaluation is conducted for selected key suppliers to ensure that the bulk of our supplies remain optimal.
- Engages in ethical procurement practices by adopting standard and equitable procedures in vendors’ qualification.
- Ensures the products supplied are in accordance to the Group’s materials requirements.

## ENVIRONMENTAL

### The Board of Directors

The Group is committed in minimizing the potential impact of its operations on the environment by adopting and applying environmentally responsible practices in achieving long term sustainability growth.

The Group has considered safety and environmental factors in all its operating decisions and explores possible opportunities to minimize any adverse impact from manufacturing operations, waste disposal and energy consumption.

As part of in-house fleet management, the vehicles are subjected to scheduled maintenance, testing and repair works at external workshops on a periodic basis.

# SUSTAINABILITY STATEMENT (Cont'd)



## ENVIRONMENTAL (Cont'd)

### The Board of Directors (Cont'd)

Within the working environment, in the face of growing demand for energy and depleting natural resources, employees are encouraged to reduce the use of paper, recycle any recyclable items and reduce wastages. Efforts have also been made to conserve energy by ensuring that lights and air-conditioning are operating only when the need arises.

We promote water saving practices among employees and adopt water efficient technologies and equipment wherever possible. We have taken small steps to control the water usage to be in line with the sustainability efforts, which includes:

- Seeking out any water leakages
- Conducting checks and fixing leaks immediately, where possible

## SOCIAL

The Group evaluates social sustainability from two aspects:-

### a) Employees

The Group strives to continue providing and maintaining a safe and healthy workplace for all its employees, contractors and visitors. To achieve this, steps were taken to ensure that equipment and building safety systems were functioning properly and well maintained.

To increase the safety awareness among the employees, several health and safety programs had been initiated. Among them were safety awareness training, fire drill practices, enforcing regulation requiring employees (at certain units) to wear personal protective equipment, setting up of Emergency Response Team, compliance with occupational health and safety regulations and regular inspection on machines and building structures.

The Group acknowledges that the sustainability of the Group is highly dependent on a strong human capital. As part of its human capital development, various in-house programmes and job skill related trainings were conducted to equip the employees with improved skills and knowledge. The Group also sponsored employees to attend external seminars and workshops to keep them abreast of new developments in their respective field of expertise.

### b) Community

The Group continues to play active role being a socially responsible corporate citizen in the community through various activities held with the aim of caring for the well-being of the society at large.

During the year, the Group continued to involve in various community activities, amongst others:-

- i) Donation in monies and in-kind to schools and non-profitable organisation; and
- ii) Various types of sponsorships extended to school and non-profitable organisation.

In addition, the Group has also taken initiative to hire handicapped employees who are keen to seek employment to sustain their livings.

Programmes like these keep us moving and motivated and we are proud to be part of these social activities and will continue to be supportive in these charitable deeds.

# AUDIT COMMITTEE REPORT

The Board of Directors of the Company is pleased to present the Report of the Audit Committee for the financial year ended 31 July 2018

## PURPOSE

The Audit Committee assists the Board in carrying out its responsibilities and meeting the Corporate Governance requirements. It reviews the quarterly financial information before recommending to the Board for adoption and release to Bursa Malaysia Securities Berhad, the Securities Commission and shareholders. In addition to this, the Audit Committee reviews the system of internal controls which management and the Board of Directors have established, and makes recommendations to the management on actions to be taken, if any, based on the reports of the independent Internal and External Auditors.

## MEMBERS

The members of the Audit Committee for the financial year ended 31 July 2018 comprise:

|   |  |
|---|--|
| Dr. Cheah Soo Jin                           | <i>Chairman, Senior Independent Non-Executive Director</i> |
| Dato' Haji Mohtar Bin Nong                  | <i>Member, Independent Non-Executive Director</i>          |
| Khong Kam Hou (Resigned on 10 October 2018) | <i>Member, Independent Non-Executive Director</i>          |

## ATTENDANCE OF MEETINGS

During the financial year ended 31 July 2018, the Audit Committee held five (5) meetings to discuss matters relating to the accounting and reporting practices of the Group and the Company. Details of attendance of each Audit Committee member are as follows: -

| Name of Directors                           | Attendance |
|---|------------|
| Dr. Cheah Soo Jin                           | 5/5        |
| Dato' Haji Mohtar Bin Nong                  | 5/5        |
| Khong Kam Hou (Resigned on 10 October 2018) | 4/5        |

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 July 2018, the Audit Committee had discharged its functions and carried out its duties as set out in Term of Reference which is published on our website, [www.astino.com.my](http://www.astino.com.my).

The Audit Committee had also met up the External Auditors without the presence of all the Executive Directors of the Company during the financial year.

The following activities were undertaken by the Audit Committee for the financial year ended 31 July 2018:-

- Reviewed the unaudited quarterly results of the Group focusing particularly on the significant and unusual events before recommending them for approval by the Board of Directors for announcement to Bursa Malaysia Securities Berhad;
- Reviewed the audited financial statements of the Company together with the external auditors report and their audit findings prior to tabling to the Board for approval.

In the review of the annual audited financial statements, the Audit Committee had discussed with Management and the External Auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit.

- Reviewed with the External Auditors their audit plan and scope of work prior to commencement of audit;
- Reviewed the recurrent related party transactions on quarterly basis and considered conflict of interest situations that may arise within the Group;

# AUDIT COMMITTEE REPORT (Cont'd)



## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

- e) Reviewed the following in respect of Internal Audit:
  - adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work
  - internal audit programme
  - the major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the internal audit function
  - assessed the performance of the internal audit function
- f) Considered the adequacy of management actions taken on internal and external audit reports;
- g) Considered the appointment of External Auditors and their request for increase in audit fees.

## INTERNAL AUDIT FUNCTION

During the financial year ended 31 July 2018, the internal audit function was outsourced and carried out by an independent professional consulting firm, Messrs. Axcelasia Columbus Sdn. Bhd. The internal audit function of the Group was carried out by the appointed internal auditors in order to assist the Committee in discharging its duties and responsibilities. The internal audit activities were carried out in accordance with the internal audit plan which comprises the following:

- Reviewed internal controls systems and ascertain the extent of compliance with the established policies, procedures and statutory requirements, and
- Identified areas to improve controls of operations and processes in the Group.

The findings by the internal audit function have been presented to the Committee who has taken steps to ensure that appropriate actions are being taken to improve the current internal control systems.

The cost incurred in maintaining the outsourced internal audit function for the financial year is RM67,181.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MAIN Market and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors ("the Board") of Astino Berhad is pleased to include a statement on the state of the Group's system of risk management and internal control in this annual report.

## BOARD'S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges that its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such systems put into effect by Management are designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement, error or loss.

The Group's system of risk management and internal control applies principally to the Group and its subsidiaries but do not apply to the associate. The Group's interest in the associate is served through Board representation. This representation also provides the Board with timely information on the financial performance of the associate.

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

### 1. Risk Management System

The Board is dedicated to strengthen the Group's risk management by managing its key business risks within the Group and to implement appropriate controls to manage these risks. During the year, Senior Management reviews the existence of new risks and assesses the relevance of the Group's existing risk profile. Significant risks that may affect the Group's business objectives have been continually monitored and any new significant risk identified are subsequently evaluated and managed.

Whilst the Board maintains ultimate control over risk and control issues, it has been delegated to Executive Management the implementation of the system of risk management and internal control within an established framework. Key management staff and heads of department are delegated with the responsibility to manage identified risks within defined parameters and standards.

During the financial year ended 31 July 2018, the Risk Management Committee ("RMC"), which consist of the heads of department and key management staff, had conducted formal RMC meetings on 28 July 2017, 25 May 2018 and 13 July 2018 to discuss key risks, the appropriate mitigating controls and the status of its implementation. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings, if any.

The abovementioned risk management process has been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report.

### 2. Internal Control System

- (i) A well-defined organisational structure with clear delegation of responsibilities and accountability provide a sound framework within the Group and its subsidiaries in facilitating check and balances for proper decision making at the appropriate authority levels, including matters that require the Board's approval.
- (ii) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of Management involved including matters that require the Board's approval.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)



## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (Cont'd)

### 2. Internal Control System (Cont'd)

- (iii) The Board of Directors and Audit Committee meet at least on a quarterly basis to review and deliberate financial reports, annual financial statements and internal audit reports. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control issues identified. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.
- (iv) The Executive Directors are involved in the running of business and operations of the Group and they report to the Board on significant changes in the business and external environment, which affects the operations of the Group at large.
- (v) The Group has a budgeting process which establishes plans and targets for performances to be measured on an on-going basis. Budget variances are analyzed and reported internally, and, on a quarterly basis variances are reported to the Board.
- (vi) Internal policies and procedures had been established for key business units with the Group. Certain subsidiaries within the Group adhered to and applied ISO Quality Policies and Procedures and other programs implemented through its ISO accreditation programme.

The Audit Committee and Board currently obtains periodic assurance on the adequacy and effectiveness of the internal control system through independent reviews performed by the internal audit function, which is outsourced to a professional services firm. The outsourced internal audit function reports directly to the Audit Committee. Further details of the Internal Audit Function are set out in the Audit Committee Report on pages 26 to 27 of this Annual Report."

During the financial year ended 31 July 2018, the outsourced internal audit function conducted reviews in accordance with the risk-based internal audit plan reviewed and approved by the Audit Committee. The entities and business processes reviewed are as follows:

| Entity   | Business Processes Reviewed  |
|--|--|
| Ooi Joo Kee & Brothers Sdn Bhd                           | <ul style="list-style-type: none"> <li>• Production</li> <li>• Fleet Management</li> </ul>           |
| Astino Berhad – Group Wide Processes                     | <ul style="list-style-type: none"> <li>• Procurement</li> <li>• Human Resource Management</li> </ul> |
| Astino (Malaysia) Colour Steel Sheet Sdn Bhd (KL Branch) | <ul style="list-style-type: none"> <li>• Sales and Marketing</li> <li>• Fleet Management</li> </ul>  |

Based on the internal audit reviews carried out, the findings of the internal audit, including the recommended corrective actions, were discussed with Senior Management and subsequently presented to the Audit Committee.

In addition, follow up reviews were conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

## CONCLUSION

The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group system of internal control and risk management framework.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report in the financial year ended 31 July 2018 pursuant to Recommended Practice Guide 5 (revised) issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Statement intended to be included in the annual report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed issuers and Practices 9.1 and 9.2 of Malaysian Code on Corporate Governance 2017 to be set out, nor is the Statement on Risk Management and Internal Control factually inaccurate.

This statement was approved by the Board of Directors on 3 November 2018.

# ADDITIONAL CORPORATE INFORMATION

## 1. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## 2. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

Details of the recurrent related party transactions of revenue nature have been duly disclosed in Note 24 of the Notes to the Financial Statements for the financial year ended 31 July 2018.

The Company is proposing to seek a renewal shareholders' mandate at its forthcoming Annual General Meeting pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements for recurrent related party transactions of a revenue or trading nature. Details of the proposal are being disclosed in the Circular/Statement to Shareholders dated 30 November 2018.

## 3. AUDIT AND NON-AUDIT FEES

During the financial year, the audit fees and non-audit fees paid/payable to the Company's external auditors or its affiliates by the Company and by the Group incurred for services rendered are as follows:-

| Type of Fees   | Company (RM) | Group (RM) |
|----------------|--------------|------------|
| Audit Fees     | 28,000       | 131,333    |
| Non-Audit Fees | 3,300        | 25,700     |

## 4. INTERNAL AUDIT FUNCTION

The internal audit function was outsourced and the cost incurred for the internal audit function in respect of the financial year ended was RM67,181.

# DIRECTORS' REPORT



The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 July 2018.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities and other details of the subsidiaries are disclosed in Note 6 to the financial statements.

## RESULTS

|                               | The Group<br>RM   | The Company<br>RM |
|-------------------------------|-------------------|-------------------|
| Profit for the financial year | <u>28,835,983</u> | <u>3,248,071</u>  |

## DIVIDENDS

During the financial year, the Company paid a final single tier dividend of 1 sen per share amounting to RM2,730,241 in respect of the financial year ended 31 July 2017.

A final single tier dividend of 1 sen per share in respect of the financial year ended 31 July 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES OR DEBENTURES

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

## SHARE OPTIONS

The Company did not grant any share options during the financial year.

## BAD AND DOUBTFUL DEBTS

Before the financial statements 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 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 for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements 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 the value of current assets as shown in the accounting records have been written down to an amount which the current assets 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 current assets in the financial statements misleading.

# DIRECTORS' REPORT (Cont'd)

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or 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 the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations 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 which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

## DIRECTORS

The directors in office since the beginning of the financial year are:-

### Directors of the Company

Ng Back Teng  
Ng Hung Seh  
Ng Hung Weng  
Dato' Haji Mohtar Bin Nong  
Dr. Cheah Soo Jin  
Khong Kam Hou (Resigned on 10.10.2018)

### Directors of Subsidiaries (Other than Directors of the Company)

Ng Bak Seng  
Ng Bak Hiong  
Khoo Eng Seng

# DIRECTORS' REPORT (Cont'd)



## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

| Name of Director  | Number of Ordinary Shares |         |        |                         |                          |                          |
|-------------------|---------------------------|---------|--------|-------------------------|--------------------------|--------------------------|
|                   | Direct Interest           |         |        | Deemed Interest         |                          |                          |
|                   | Balance at<br>1.8.2017    | Bought  | (Sold) | Balance at<br>31.7.2018 | Balance at<br>1.8.2017   | Balance at<br>31.7.2018  |
| Ng Back Teng      | 20,738,036                | 170,000 | 0      | 20,908,036              | <sup>(a)</sup> 30,000    | <sup>(a)</sup> 30,000    |
| Ng Hung Seh       | 14,245,806                | 0       | 0      | 14,245,806              | <sup>(a)</sup> 2,626,532 | <sup>(a)</sup> 2,626,532 |
| Ng Hung Weng      | 2,085,000                 | 0       | 0      | 2,085,000               | 0                        | 0                        |
| Dr. Cheah Soo Jin | 1,472,858                 | 0       | 0      | 1,472,858               | 0                        | 0                        |

<sup>(a)</sup> Deemed interest by virtue of shares held by spouse

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 19 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 except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 24 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement 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 AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

## AUDITORS

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 18 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

## SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED

Ng Back Teng

Ng Hung Seh

## STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 39 to 77 give a true and fair view of the financial position of the Group and the Company as at 31 July 2018 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 5 NOVEMBER 2018**

Ng Back Teng

Ng Hung Seh

## STATUTORY DECLARATION

I, Chua Phaik See (MIA membership no.: 18687), being the officer primarily responsible for the financial management of Astino Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 77 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Chua Phaik See at  
Georgetown in the State of Penang  
on this 5 November 2018

Chua Phaik See

Before me

**Mok Cheng Yoon, PJK**  
No: P140  
Commissioner for Oaths



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ASTINO BERHAD



## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Astino Berhad, which comprise the statements of financial position as at 31 July 2018 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and 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 39 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 July 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for Opinion*

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

### *Independence and Other Ethical Responsibilities*

We are independent of the Group and 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.

### *Key Audit Matters*

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

| <i>Key audit matter</i>  | <i>How our audit addressed the key audit matter</i>  |
|--|--|
| <p><u>Valuation of inventories (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant inventories. Management periodically reviews the inventories for potential write-downs by considering their aging profile, estimation of market price fluctuations and net realisable value. These reviews involve judgements and estimation uncertainty in forming expectations about future consumptions, sales and demands.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of:-<ul style="list-style-type: none"><li>• the Group's inventory management process;</li><li>• how the Group identifies and assesses inventory write-downs; and</li><li>• how the Group makes the accounting estimates for inventory write-downs.</li></ul></li><li>• Reviewing the ageing analysis of inventories and testing the reliability thereof.</li><li>• Examining the perpetual records for inventory movements and to identify slow moving aged items.</li><li>• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.</li><li>• Reviewing the net realisable value of major inventories.</li><li>• Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.</li></ul> |

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ASTINO BERHAD (Cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

### Key Audit Matters (Cont'd)

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><u>Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposures. The assessment of recoverability of receivables involves judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of:-<ul style="list-style-type: none"><li>• the Group's control over the receivable collection process;</li><li>• how the Group identifies and assesses the impairment of receivables; and</li><li>• how the Group makes the accounting estimates for impairment.</li></ul></li><li>• Reviewing the ageing analysis of receivables and testing the reliability thereof.</li><li>• Reviewing subsequent cash collections for major receivables and overdue amounts.</li><li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li><li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li><li>• Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.</li><li>• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.</li></ul> |

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

### 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 directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ASTINO BERHAD (Cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

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

In preparing the financial statements of the Group and 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.

### *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 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 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 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 the Company, including the disclosures, and whether the financial statements of the Group and 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ASTINO BERHAD (Cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period 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.

## 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 content of this report.

**Crowe Malaysia**

Firm No.: AF 1018

Chartered Accountants

Date: 5 November 2018

Penang

**Chan Kheng Hoe**

Approval No.: 02979/03/2020 J

Chartered Accountant

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018



|  | Note | 2018<br>RM         | 2017<br>RM         |
|--|------|--------------------|--------------------|
| <b>NON-CURRENT ASSETS</b>                                  |      |                    |                    |
| Property, plant and equipment                              | 4    | 178,945,083        | 157,997,436        |
| Investment properties                                      | 5    | 19,237,941         | 15,162,687         |
| Investment in associate                                    | 7    | 2,250,782          | 2,877,904          |
| Available-for-sale financial assets                        | 8    | 199,500            | 255,000            |
| Deferred tax assets  | 9    | 765,000            | 395,000            |
|  |      | <b>201,398,306</b> | <b>176,688,027</b> |
| <b>CURRENT ASSETS</b>                                      |      |                    |                    |
| Inventories  | 10   | 210,848,496        | 141,982,480        |
| Receivables  | 11   | 78,700,151         | 77,908,551         |
| Prepayments  |      | 6,585,690          | 8,131,475          |
| Current tax assets   |      | 1,342,195          | 158,718            |
| Cash and bank balances                                     | 12   | 17,789,751         | 20,921,434         |
|  |      | <b>315,266,283</b> | <b>249,102,658</b> |
| <b>CURRENT LIABILITIES</b>                                 |      |                    |                    |
| Payables   | 13   | 57,588,575         | 25,096,660         |
| Loans and borrowings                                       | 14   | 79,612,551         | 37,723,267         |
| Financial liabilities at fair value through profit or loss | 15   | 4,030              | 0                  |
| Advance payments from customers                            |      | 7,448,908          | 8,796,209          |
| Current tax liabilities                                    |      | 916,668            | 2,773,201          |
|  |      | <b>145,570,732</b> | <b>74,389,337</b>  |
| <b>NET CURRENT ASSETS</b>                                  |      | <b>169,695,551</b> | <b>174,713,321</b> |
| <b>NON-CURRENT LIABILITIES</b>                             |      |                    |                    |
| Deferred tax liabilities                                   | 9    | 3,141,500          | 3,732,500          |
| Loans and borrowings                                       | 14   | 5,692,589          | 10,812,629         |
|  |      | <b>8,834,089</b>   | <b>14,545,129</b>  |
| <b>NET ASSETS</b>  |      | <b>362,259,768</b> | <b>336,856,219</b> |
| <b>EQUITY</b>  |      |                    |                    |
| Share capital  | 16   | 138,273,954        | 138,273,954        |
| Treasury shares  | 16   | (1,172,049)        | (525,356)          |
| Capital reserve  |      | 411,206            | 0                  |
| Fair value reserve   |      | 22,500             | 78,000             |
| Retained profits   |      | 224,724,157        | 199,029,621        |
| <b>TOTAL EQUITY</b>  |      | <b>362,259,768</b> | <b>336,856,219</b> |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

|   | Note | 2018<br>RM        | 2017<br>RM        |
|---|------|-------------------|-------------------|
| Revenue   | 17   | 546,601,388       | 500,590,133       |
| Cost of sales   |      | (458,968,134)     | (407,812,852)     |
| Gross profit  |      | <u>87,633,254</u> | <u>92,777,281</u> |
| Other income  |      | 1,437,309         | 2,734,380         |
| Administrative and general expenses                                   |      | (32,657,224)      | (30,655,797)      |
| Selling and distribution expenses                                     |      | (16,844,417)      | (15,392,274)      |
| Finance costs   |      | (2,765,782)       | (2,714,018)       |
| Share of associate's (loss)/profit                                    |      | (827,122)         | 4,448             |
| Profit before tax   | 18   | <u>35,976,018</u> | <u>46,754,020</u> |
| Tax expense   | 20   | (7,140,035)       | (12,308,690)      |
| Profit for the financial year   |      | <u>28,835,983</u> | <u>34,445,330</u> |
| Other comprehensive income:-  |      |                   |                   |
| <i>Item that may be reclassified subsequently to profit or loss:-</i> |      |                   |                   |
| (Loss)/Gain on available-for-sale financial assets                    |      | (55,500)          | 49,500            |
| Other comprehensive income for the financial year                     |      | <u>(55,500)</u>   | <u>49,500</u>     |
| Total comprehensive income for the financial year                     |      | <u>28,780,483</u> | <u>34,494,830</u> |
| Earnings per share:-  | 21   |                   |                   |
| - Basic (sen)   |      | <u>10.56</u>      | <u>12.60</u>      |
| - Diluted (sen)   |      | <u>10.56</u>      | <u>12.60</u>      |

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018



|  | Non-distributable |                    |                  |                    | Distributable         |                     | Total equity RM |
|--|-------------------|--------------------|------------------|--------------------|-----------------------|---------------------|-----------------|
|  | Share capital RM  | Treasury shares RM | Share premium RM | Capital reserve RM | Fair value reserve RM | Retained profits RM |                 |
| Balance at 1 August 2016   | 137,058,982       | (392,711)          | 1,214,972        | 0                  | 28,500                | 167,318,902         | 305,228,645     |
| Transfer of share premium  | 1,214,972         | 0                  | (1,214,972)      | 0                  | 0                     | 0                   | 0               |
| Purchase of own shares   | 0                 | (132,645)          | 0                | 0                  | 0                     | 0                   | (132,645)       |
| Dividend (Note 22)   | 0                 | 0                  | 0                | 0                  | 0                     | (2,734,611)         | (2,734,611)     |
| Total transactions with owners   | 0                 | (132,645)          | 0                | 0                  | 0                     | (2,734,611)         | (2,867,256)     |
| Profit for the financial year  | 0                 | 0                  | 0                | 0                  | 0                     | 34,445,330          | 34,445,330      |
| Gain on available-for-sale financial assets (representing other comprehensive income for the financial year) | 0                 | 0                  | 0                | 0                  | 49,500                | 0                   | 49,500          |
| Total comprehensive income for the financial year  | 0                 | 0                  | 0                | 0                  | 49,500                | 34,445,330          | 34,494,830      |
| Balance at 31 July 2017  | 138,273,954       | (525,356)          | 0                | 0                  | 78,000                | 199,029,621         | 336,856,219     |
| Redemption of preference shares by subsidiaries  | 0                 | 0                  | 0                | 411,206            | 0                     | (411,206)           | 0               |
| Purchase of own shares   | 0                 | (646,693)          | 0                | 0                  | 0                     | 0                   | (646,693)       |
| Dividend (Note 22)   | 0                 | 0                  | 0                | 0                  | 0                     | (2,730,241)         | (2,730,241)     |
| Total transactions with owners   | 0                 | (646,693)          | 0                | 0                  | 0                     | (2,730,241)         | (3,376,934)     |
| Profit for the financial year  | 0                 | 0                  | 0                | 0                  | 0                     | 28,835,983          | 28,835,983      |
| Loss on available-for-sale financial assets (representing other comprehensive income for the financial year) | 0                 | 0                  | 0                | 0                  | (55,500)              | 0                   | (55,500)        |
| Total comprehensive income for the financial year  | 0                 | 0                  | 0                | 0                  | (55,500)              | 28,835,983          | 28,780,483      |
| Balance at 31 July 2018  | 138,273,954       | (1,172,049)        | 0                | 411,206            | 22,500                | 224,724,157         | 362,259,768     |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

|   | Note | 2018<br>RM   | 2017<br>RM   |
|---|------|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |      |              |              |
| Profit before tax   |      | 35,976,018   | 46,754,020   |
| Adjustments for:-   |      |              |              |
| Depreciation of investment properties   |      | 17,344       | 4,107        |
| Depreciation of property, plant and equipment                                 |      | 8,714,031    | 9,388,464    |
| Dividend income   |      | (7,500)      | (21,000)     |
| Gain on disposal of property, plant and equipment                             |      | (38,104)     | (201,469)    |
| Impairment loss on receivables  |      | 754,425      | 384,353      |
| Interest expense  |      | 2,765,782    | 2,714,018    |
| Interest income   |      | (354,536)    | (494,413)    |
| Inventories written down  |      | 14,788,743   | 12,708,465   |
| Property, plant and equipment written off                                     |      | 24,873       | 147,741      |
| Reversal of impairment loss on receivables                                    |      | (617,769)    | (1,347,709)  |
| Share of associate's loss/(profit)  |      | 827,122      | (4,448)      |
| Unrealised (gain)/loss on foreign exchange                                    |      | (79,196)     | 38,249       |
| Unrealised loss on financial instruments at fair value through profit or loss |      | 4,030        | 0            |
| Operating profit before working capital changes                               |      | 62,775,263   | 70,070,378   |
| Changes in:-  |      |              |              |
| Inventories   |      | (83,654,759) | (20,110,411) |
| Receivables and prepayments   |      | 644,452      | (4,833,796)  |
| Payables and advance payments from customers                                  |      | 31,131,672   | 17,249,349   |
| Cash generated from operations  |      | 10,896,628   | 62,375,520   |
| Tax paid  |      | (11,845,061) | (11,325,143) |
| Tax refunded  |      | 704,016      | 80,331       |
| Net cash (used in)/from operating activities                                  |      | (244,417)    | 51,130,708   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |      |              |              |
| Dividend received   |      | 7,500        | 21,000       |
| Interest received   |      | 354,536      | 494,413      |
| Proceeds from disposal of property, plant and equipment                       |      | 55,263       | 222,092      |
| Purchase of investment properties   |      | (4,092,598)  | 0            |
| Purchase of property, plant and equipment                                     |      | (29,703,710) | (23,048,103) |
| Subscription for shares in associate  |      | (200,000)    | (400,000)    |
| Net cash used in investing activities   |      | (33,579,009) | (22,710,598) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |      |              |              |
| Dividend paid   |      | (2,730,241)  | (2,734,611)  |
| Increase/(Decrease) in short-term loans and borrowings (net)                  | 23   | 41,624,007   | (35,395,238) |
| Interest paid   |      | (2,500,505)  | (3,168,250)  |
| Purchase of own shares  |      | (646,693)    | (132,645)    |
| Repayment of term loans   | 23   | (5,120,040)  | (6,255,693)  |
| Term loan raised  | 23   | 0            | 5,204,429    |
| Net cash from/(used in) financing activities                                  |      | 30,626,528   | (42,482,008) |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



|   | Note | 2018<br>RM        | 2017<br>RM        |
|---|------|-------------------|-------------------|
| Effects of exchange rate changes on cash and cash equivalents |      | 65,215            | (21,963)          |
| Net decrease in cash and cash equivalents                     |      | (3,131,683)       | (14,083,861)      |
| Cash and cash equivalents brought forward                     |      | 20,921,434        | 35,005,295        |
| Cash and cash equivalents carried forward                     |      | <u>17,789,751</u> | <u>20,921,434</u> |

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018

|                             | Note | 2018<br>RM         | 2017<br>RM         |
|-----------------------------|------|--------------------|--------------------|
| <b>NON-CURRENT ASSETS</b>   |      |                    |                    |
| Investments in subsidiaries | 6    | 141,766,124        | 140,466,124        |
| <b>CURRENT ASSETS</b>       |      |                    |                    |
| Receivables                 | 11   | 5,214,291          | 5,606,792          |
| Prepayments                 |      | 43,931             | 32,929             |
| Cash and bank balances      | 12   | 4,767              | 99,700             |
|                             |      | <b>5,262,989</b>   | <b>5,739,421</b>   |
| <b>CURRENT LIABILITIES</b>  |      |                    |                    |
| Payables                    | 13   | 2,865,160          | 1,912,729          |
|                             |      | <b>2,865,160</b>   | <b>1,912,729</b>   |
| <b>NET CURRENT ASSETS</b>   |      | <b>2,397,829</b>   | <b>3,826,692</b>   |
| <b>NET ASSETS</b>           |      | <b>144,163,953</b> | <b>144,292,816</b> |
| <b>EQUITY</b>               |      |                    |                    |
| Share capital               | 16   | 138,273,954        | 138,273,954        |
| Treasury shares             | 16   | (1,172,049)        | (525,356)          |
| Retained profits            |      | 7,062,048          | 6,544,218          |
| <b>TOTAL EQUITY</b>         |      | <b>144,163,953</b> | <b>144,292,816</b> |

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018



|   | Note | 2018<br>RM       | 2017<br>RM       |
|---|------|------------------|------------------|
| Revenue   | 17   | 7,349,930        | 8,483,520        |
| Other income                                      |      | 5,459            | 7,791            |
| Administrative and general expenses               |      | (4,124,785)      | (6,547,441)      |
| Profit before tax                                 | 18   | <u>3,230,604</u> | <u>1,943,870</u> |
| Tax income/(expense)                              | 20   | 17,467           | (85,321)         |
| Profit for the financial year                     |      | <u>3,248,071</u> | <u>1,858,549</u> |
| Other comprehensive income for the financial year |      | 0                | 0                |
| Total comprehensive income for the financial year |      | <u>3,248,071</u> | <u>1,858,549</u> |

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

|   | Share capital<br>RM | Treasury shares<br>RM | Non-distributable<br>Share premium<br>RM | Distributable<br>Retained profits<br>RM | Total equity<br>RM |
|---|---------------------|-----------------------|--|---|--------------------|
| Balance at 1 August 2016  | 137,058,982         | (392,711)             | 1,214,972                                | 7,420,280                               | 145,301,523        |
| Transfer of share premium   | 1,214,972           | 0                     | (1,214,972)                              | 0                                       | 0                  |
| Purchase of own shares  | 0                   | (132,645)             | 0  | 0                                       | (132,645)          |
| Dividend (Note 22)  | 0                   | 0                     | 0  | (2,734,611)                             | (2,734,611)        |
| Total transactions with owners  | 0                   | (132,645)             | 0  | (2,734,611)                             | (2,867,256)        |
| Profit (representing total comprehensive income) for the financial year | 0                   | 0                     | 0  | 1,858,549                               | 1,858,549          |
| Balance at 31 July 2017   | 138,273,954         | (525,356)             | 0  | 6,544,218                               | 144,292,816        |
| Purchase of own shares  | 0                   | (646,693)             | 0  | 0                                       | (646,693)          |
| Dividend (Note 22)  | 0                   | 0                     | 0  | (2,730,241)                             | (2,730,241)        |
| Total transactions with owners  | 0                   | (646,693)             | 0  | (2,730,241)                             | (3,376,934)        |
| Profit (representing total comprehensive income) for the financial year | 0                   | 0                     | 0  | 3,248,071                               | 3,248,071          |
| Balance at 31 July 2018   | <b>138,273,954</b>  | <b>(1,172,049)</b>    | <b>0</b>                                 | <b>7,062,048</b>                        | <b>144,163,953</b> |

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



# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018



|  | 2018<br>RM   | 2017<br>RM    |
|--|--------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |              |               |
| Profit before tax                                    | 3,230,604    | 1,943,870     |
| Adjustments for:-                                    |              |               |
| Dividend income                                      | (3,600,000)  | (5,250,000)   |
| Impairment loss on investments in subsidiaries       | 0            | 3,100,000     |
| Interest income                                      | (5,459)      | (7,791)       |
| Operating loss before working capital changes        | (374,855)    | (213,921)     |
| Changes in:-   |              |               |
| Receivables and prepayments                          | (3,618,501)  | 4,778,055     |
| Payables   | 952,431      | (6,688,846)   |
| Cash absorbed by operations                          | (3,040,925)  | (2,124,712)   |
| Tax paid   | (20,065)     | (85,335)      |
| Tax refunded   | 37,532       | 53,942        |
| Net cash used in operating activities                | (3,023,458)  | (2,156,105)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |              |               |
| Dividends received                                   | 7,600,000    | 1,250,000     |
| Interest received                                    | 5,459        | 7,791         |
| Redemption of shares from subsidiaries               | 23,300,000   | 22,570,000    |
| Subscription for shares in subsidiary                | (24,600,000) | (18,800,000)  |
| Net cash from investing activities                   | 6,305,459    | 5,027,791     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |              |               |
| Dividend paid  | (2,730,241)  | (2,734,611)   |
| Purchase of own shares                               | (646,693)    | (132,645)     |
| Net cash used in financing activities                | (3,376,934)  | (2,867,256)   |
| Net (decrease)/increase in cash and cash equivalents | (94,933)     | 4,430         |
| Cash and cash equivalents brought forward            | 99,700       | 95,270        |
| Cash and cash equivalents carried forward            | <u>4,767</u> | <u>99,700</u> |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

## 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at Suite 12-A, Level 12, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang and its principal place of business is located at Lot 1218, Mukim 12, Jalan Serunai, Kawasan Perindustrian Valdor, 14200 Sungai Bakap, Seberang Perai Selatan, Penang.

The consolidated financial statements set out on pages 39 to 43 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 44 to 47 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 5 November 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

| MFRS  | Effective for annual periods beginning on or after |
|---|--|
| Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 - 2016 Cycle) | 1 January 2017                                     |
| Amendments to MFRS 107 Disclosure Initiative  | 1 January 2017                                     |
| Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses   | 1 January 2017                                     |

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

| MFRS (Issued as at the end of the reporting period)   | Effective for annual periods beginning on or after |
|---|--|
| MFRS 9 <i>Financial Instruments</i>   | 1 January 2018                                     |
| MFRS 15 <i>Revenue from Contracts with Customers</i>  | 1 January 2018                                     |
| MFRS 16 <i>Leases</i>   | 1 January 2019                                     |
| MFRS 17 <i>Insurance Contracts</i>  | 1 January 2021                                     |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>   | 1 January 2018                                     |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>  | 1 January 2019                                     |
| Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>                      | 1 January 2018                                     |
| Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>  | 1 January 2018                                     |
| Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>                                       | 1 January 2019                                     |
| Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>   | 1 January 2018                                     |
| Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>  | 1 January 2019                                     |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>   | Deferred   |
| Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>                                      | 1 January 2019                                     |
| Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>  | 1 January 2018                                     |
| Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i> | 1 January 2019                                     |
| Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>   | 1 January 2019                                     |
| Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>                                       | 1 January 2019                                     |
| Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>                                      | 1 January 2018                                     |
| Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>  | 1 January 2019                                     |
| Amendments to MFRS 140 <i>Transfers of Investment Property</i>  | 1 January 2018                                     |
| Amendments to References to the Conceptual Framework in MFRS Standards  | 1 January 2020                                     |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

Management foresees that the initial application of the above MFRSs will not result in any significant changes in the accounting policies of the Group and the Company except as follows:-

#### MFRS 9 Financial Instruments

MFRS 9, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under MFRS 9:-

- (i) Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Based on management's assessment, the adoption of the new guidance will not significantly affect the existing classification and measurement of financial assets of the Group and the Company.
- (ii) Impairment loss on financial assets is recognised using a new "expected credit loss" model as opposed to the "incurred credit loss" model currently used in MFRS 139. Under the new model, expected credit losses are recognised for financial assets using reasonable and supportable historical and forward-looking information even before a loss event occurs. Based on management's assessment, any additional impairment losses to be recognised using the new impairment model are not expected to be material to the Group and the Company.

The Group and the Company will apply the new requirements of MFRS 9 from 1 August 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 139.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15, which replaces MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and other related interpretations, establishes a single comprehensive model for revenue recognition. Under MFRS 15, revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised either over time or at a point in time depending on the timing of transfer of control. Based on management's assessment, the adoption of the new revenue recognition model will not significantly affect the following current practices of recognising revenue:-

- (i) Revenue from the sale of goods is currently recognised based on the transfer of risks and rewards which generally coincides with the transfer of control at a point in time.
- (ii) Revenue from the rendering of services is currently recognised when the services are performed as the customer simultaneously receives and consumes the benefits from the performance of services over time.

The Group and the Company will apply the new requirements of MFRS 15 from 1 August 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 118.

#### MFRS 16 Leases

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group and the Company will apply the new requirements of MFRS 16 from 1 August 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

### 2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated on a straight-line basis over the lease term of 83 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

|  |           |
|--|-----------|
| Buildings                                | 2% - 3%   |
| Plant, machinery, tools and equipment    | 10%       |
| Furniture, fittings and office equipment | 10% - 33% |
| Motor vehicles                           | 20%       |

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.4 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Freehold land is not depreciated. Buildings are depreciated on a straight-line basis over their estimated useful lives of 50 years.

### 2.5 Investments in Subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

### 2.6 Investment in Associate

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

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the carrying amount of the investment is subject to further impairment assessment. The impairment policy is disclosed in Note 2.7.

### 2.7 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and deferred tax assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

### 2.8 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.9 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables, derivatives and cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.9 Financial Assets (Cont'd)

#### Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

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

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

#### (ii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

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

All investments in equity instruments (other than interests in subsidiaries and associates) are classified under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value, except for impairment loss, is recognised in other comprehensive income and accumulated in equity as fair value reserve until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

#### Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as follows:-

#### (i) Financial assets carried at amortised cost

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, 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 increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

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

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Such cumulative loss reclassified from equity to profit or loss represents an impairment loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. The impairment loss is not reversed through profit or loss in any subsequent period.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.10 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

#### Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

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

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

#### (ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

### 2.11 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

### 2.12 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.13 Fair Value Measurement

Fair value is 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 Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

#### Non-financial Assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

#### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of quoted investment is directly measured using its unadjusted closing price in an active market (i.e. Level 1).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).

The fair value of financial guarantee contract is estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors (i.e. Level 3).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.14 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the rendering of services is recognised when the services are performed.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

### 2.15 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

### 2.16 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.17 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.18 Cash and Cash Equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 10.

#### Impairment of receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of receivables. Allowance is applied to receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of receivables as disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

The Group

|                                    | Freehold land<br>RM | Leasehold land<br>RM | Buildings<br>RM   | Plant, machinery, tools and equipment<br>RM | Furniture, fittings and office equipment<br>RM | Motor vehicles<br>RM | Capital work-in-progress<br>RM | Total<br>RM        |
|------------------------------------|---------------------|----------------------|-------------------|---|--|----------------------|--------------------------------|--------------------|
| <u>Cost</u>                        |                     |                      |                   |   |  |                      |                                |                    |
| Balance at 1 August 2016           | 65,943,276          | 1,172,944            | 51,865,309        | 66,784,387                                  | 11,105,859                                     | 23,101,421           | 3,849,057                      | 223,822,253        |
| Additions                          | 0                   | 0                    | 0                 | 1,988,167                                   | 127,361  | 2,125,472            | 18,807,103                     | 23,048,103         |
| Disposals/Write-offs               | 0                   | 0                    | 0                 | (435,633)                                   | (843,680)                                      | (887,908)            | 0                              | (2,167,221)        |
| Reclassifications                  | 829,981             | 0                    | 722,000           | 1,723,377                                   | 0  | 0                    | (3,275,358)                    | 0                  |
| Transfers to investment properties | (1,555,555)         | 0                    | (722,000)         | 0   | 0  | 0                    | 0                              | (2,277,555)        |
| Balance at 31 July 2017            | 65,217,702          | 1,172,944            | 51,865,309        | 70,060,298                                  | 10,389,540                                     | 24,338,985           | 19,380,802                     | 242,425,580        |
| Additions                          | 0                   | 0                    | 12,648            | 822,252                                     | 347,617  | 2,599,535            | 25,921,658                     | 29,703,710         |
| Disposals/Write-offs               | 0                   | 0                    | 0                 | (494,261)                                   | (27,184)                                       | (109,150)            | (500)                          | (631,095)          |
| Reclassifications                  | 0                   | 89,990               | 0                 | 137,212                                     | 0  | 0                    | (227,202)                      | 0                  |
| Balance at 31 July 2018            | <b>65,217,702</b>   | <b>1,262,934</b>     | <b>51,877,957</b> | <b>70,525,501</b>                           | <b>10,709,973</b>                              | <b>26,829,370</b>    | <b>45,074,758</b>              | <b>271,498,195</b> |
| <u>Accumulated Depreciation</u>    |                     |                      |                   |   |  |                      |                                |                    |
| Balance at 1 August 2016           | 0                   | 91,070               | 6,748,202         | 45,110,399                                  | 9,032,578                                      | 16,056,288           | 0                              | 77,038,537         |
| Depreciation                       | 0                   | 14,193               | 1,081,807         | 4,513,424                                   | 906,386  | 2,872,654            | 0                              | 9,388,464          |
| Disposals/Write-offs               | 0                   | 0                    | 0                 | (419,220)                                   | (834,309)                                      | (745,328)            | 0                              | (1,998,857)        |
| Balance at 31 July 2017            | 0                   | 105,263              | 7,830,009         | 49,204,603                                  | 9,104,655                                      | 18,183,614           | 0                              | 84,428,144         |
| Depreciation                       | 0                   | 14,193               | 1,081,997         | 4,264,638                                   | 509,199  | 2,844,004            | 0                              | 8,714,031          |
| Disposals/Write-offs               | 0                   | 0                    | 0                 | (461,969)                                   | (17,946)                                       | (109,148)            | 0                              | (589,063)          |
| Balance at 31 July 2018            | <b>0</b>            | <b>119,456</b>       | <b>8,912,006</b>  | <b>53,007,272</b>                           | <b>9,595,908</b>                               | <b>20,918,470</b>    | <b>0</b>                       | <b>92,553,112</b>  |
| <u>Carrying Amount</u>             |                     |                      |                   |   |  |                      |                                |                    |
| Balance at 1 August 2016           | 65,943,276          | 1,081,874            | 45,117,107        | 21,673,988                                  | 2,073,281                                      | 7,045,133            | 3,849,057                      | 146,783,716        |
| Balance at 31 July 2017            | 65,217,702          | 1,067,681            | 44,035,300        | 20,855,695                                  | 1,284,885                                      | 6,155,371            | 19,380,802                     | 157,997,436        |
| Balance at 31 July 2018            | <b>65,217,702</b>   | <b>1,143,478</b>     | <b>42,965,951</b> | <b>17,518,229</b>                           | <b>1,114,065</b>                               | <b>5,910,900</b>     | <b>45,074,758</b>              | <b>178,945,083</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 5. INVESTMENT PROPERTIES

The Group

|  | Freehold<br>land<br>RM | Buildings<br>RM  | Total<br>RM       |
|--|------------------------|------------------|-------------------|
| <u>Cost</u>                                  |                        |                  |                   |
| Balance at 1 August 2016                     | 12,793,755             | 110,000          | 12,903,755        |
| Transfers from property, plant and equipment | 1,555,555              | 722,000          | 2,277,555         |
| Balance at 31 July 2017                      | 14,349,310             | 832,000          | 15,181,310        |
| Additions                                    | 4,092,598              | 0                | 4,092,598         |
| Balance at 31 July 2018                      | <b>18,441,908</b>      | <b>832,000</b>   | <b>19,273,908</b> |
| <u>Accumulated Depreciation</u>              |                        |                  |                   |
| Balance at 1 August 2016                     | 0                      | 14,516           | 14,516            |
| Depreciation                                 | 0                      | 4,107            | 4,107             |
| Balance at 31 July 2017                      | 0                      | 18,623           | 18,623            |
| Depreciation                                 | 0                      | 17,344           | 17,344            |
| Balance at 31 July 2018                      | <b>0</b>               | <b>35,967</b>    | <b>35,967</b>     |
| <u>Carrying Amount</u>                       |                        |                  |                   |
| Balance at 1 August 2016                     | 12,793,755             | 95,484           | 12,889,239        |
| Balance at 31 July 2017                      | 14,349,310             | 813,377          | 15,162,687        |
| Balance at 31 July 2018                      | <b>18,441,908</b>      | <b>796,033</b>   | <b>19,237,941</b> |
| <u>Fair Value</u>                            |                        |                  |                   |
| Estimated fair value at 31 July 2017         | 22,090,000             | 895,000          | 22,985,000        |
| Estimated fair value at 31 July 2018         | <b>34,565,000</b>      | <b>1,025,000</b> | <b>35,590,000</b> |

The fair values of investment properties, other than those purchased during the financial year, were measured based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). For investment properties purchased during the financial year, the arm's length costs were reasonable approximations of fair values.

## 6. INVESTMENTS IN SUBSIDIARIES

The Company

|                          | 2018<br>RM         | 2017<br>RM         |
|--------------------------|--------------------|--------------------|
| Unquoted shares, at cost | 144,866,124        | 143,566,124        |
| Impairment losses        | (3,100,000)        | (3,100,000)        |
|                          | <b>141,766,124</b> | <b>140,466,124</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries are as follows:-

| Name of Subsidiary                             | Principal Place of Business/Country of Incorporation | Effective Ownership Interest |      | Principal Activity   |
|--|--|------------------------------|------|--|
|  |  | 2018                         | 2017 |  |
| Ooi Joo Kee & Brothers Sdn. Bhd.               | Malaysia   | 100%                         | 100% | Manufacture and sale of metal roof sheets and other building related products                                      |
| Astino (Malaysia) Colour Steel Sheet Sdn. Bhd. | Malaysia   | 100%                         | 100% | Manufacture and sale of metal roof sheets and other building related products                                      |
| Astino Southern Sdn. Bhd.                      | Malaysia   | 100%                         | 100% | Manufacture and sale of metal roof sheets and other building related products                                      |
| Astino Netting Sdn. Bhd.                       | Malaysia   | 100%                         | 100% | Manufacture and sale of insect screen and trading of PVC panels, doors, frames and other building related products |
| Astino Metal Industries Sdn. Bhd.              | Malaysia   | 100%                         | 100% | Manufacture and sale of building related products  |
| Astino Scaffolding Sdn. Bhd.                   | Malaysia   | 100%                         | 100% | Manufacture and sale of scaffolding  |
| Astino Agro-House Multi System Sdn. Bhd.       | Malaysia   | 100%                         | 100% | Design, construction, manufacture and sale of poultry house and equipment system                                   |
| Astino Agro Equipment Sdn. Bhd.                | Malaysia   | 100%                         | 100% | Dormant  |
| Astino Marketing Sdn. Bhd.                     | Malaysia   | 100%                         | 100% | In the process of members' voluntary winding-up  |
| Astino Plantations & Properties Sdn. Bhd.      | Malaysia   | 100%                         | 100% | In the process of members' voluntary winding-up  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 7. INVESTMENT IN ASSOCIATE

The Group

|   | 2018<br>RM       | 2017<br>RM       |
|---|------------------|------------------|
| Unquoted shares, at cost                        | 3,120,000        | 2,920,000        |
| Share of post-acquisition changes in net assets | <u>(869,218)</u> | <u>(42,096)</u>  |
|   | <u>2,250,782</u> | <u>2,877,904</u> |

The details of the associate are as follows:-

| Name of Associate          | Principal Place of Business/Country of Incorporation | Effective Ownership Interest |      | Principal Activity |
|----------------------------|--|------------------------------|------|--------------------|
|                            |  | 2018                         | 2017 |                    |
| Richhill Capital Sdn. Bhd. | Malaysia   | 50%                          | 50%  | Investment holding |

The summarised financial information of the associate is as follows:-

|   | 2018<br>RM         | 2017<br>RM   |
|---|--------------------|--------------|
| Non-current assets                                      | 8,081,632          | 9,331,812    |
| Current assets  | 102,354            | 6,392        |
| Current liabilities                                     | (3,682,422)        | (3,582,397)  |
| Net assets  | 4,501,564          | 5,755,807    |
| (Loss)/Profit (representing total comprehensive income) | <u>(1,654,243)</u> | <u>8,896</u> |

The reconciliation of the above summarised financial information to the carrying amount of the investment in associate is as follows:-

|                              | 2018<br>RM       | 2017<br>RM       |
|------------------------------|------------------|------------------|
| Net assets                   | 4,501,564        | 5,755,807        |
| Effective ownership interest | 50%              | 50%              |
| Carrying amount              | <u>2,250,782</u> | <u>2,877,904</u> |

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

|                              | 2018<br>RM     | 2017<br>RM     |
|------------------------------|----------------|----------------|
| Quoted shares, at fair value | <u>199,500</u> | <u>255,000</u> |

The fair values of quoted investments are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 9. DEFERRED TAX ASSETS/(LIABILITIES)

The Group

|   | 2018<br>RM         | 2017<br>RM         |
|---|--------------------|--------------------|
| Balance at 1 August   | (3,337,500)        | (4,768,000)        |
| Deferred tax income relating to origination and reversal of temporary differences | 837,500            | 981,500            |
| Deferred tax assets under recognised in prior year                                | 117,000            | 30,000             |
| Deferred tax liabilities over provided in prior year                              | 6,500              | 419,000            |
| Balance at 31 July  | <u>(2,376,500)</u> | <u>(3,337,500)</u> |
| Disclosed as:-  |                    |                    |
| - Deferred tax assets   | 765,000            | 395,000            |
| - Deferred tax liabilities  | <u>(3,141,500)</u> | <u>(3,732,500)</u> |
|   | <u>(2,376,500)</u> | <u>(3,337,500)</u> |
| In respect of:-   |                    |                    |
| - Deductible/(Taxable) temporary differences of:-                                 |                    |                    |
| - Inventories   | 3,729,000          | 3,113,000          |
| - Financial instruments   | 1,005,000          | 865,000            |
| - Property, plant and equipment   | (7,069,500)        | (7,239,500)        |
| - Investment properties   | (76,000)           | (76,000)           |
| - Unused capital allowances   | 31,000             | 0                  |
| - Unused tax losses   | 4,000              | 0                  |
|   | <u>(2,376,500)</u> | <u>(3,337,500)</u> |

## 10. INVENTORIES

The Group

|                | 2018<br>RM         | 2017<br>RM         |
|----------------|--------------------|--------------------|
| Raw materials  | 186,320,424        | 117,287,870        |
| Finished goods | <u>24,528,072</u>  | <u>24,694,610</u>  |
|                | <u>210,848,496</u> | <u>141,982,480</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 11. RECEIVABLES

|                                  | The Group         |                   | The Company      |                  |
|----------------------------------|-------------------|-------------------|------------------|------------------|
|                                  | 2018              | 2017              | 2018             | 2017             |
|                                  | RM                | RM                | RM               | RM               |
| Trade receivables:-              |                   |                   |                  |                  |
| - Related party <sup>(a)</sup>   | 36,174            | 32,652            | 0                | 0                |
| - Related parties <sup>(b)</sup> | 209,365           | 224,290           | 0                | 0                |
| - Unrelated parties              | 76,872,313        | 78,427,902        | 0                | 0                |
| - Allowance for impairment       | (1,816,619)       | (1,714,070)       | 0                | 0                |
|                                  | <u>75,055,694</u> | <u>76,713,832</u> | <u>0</u>         | <u>0</u>         |
|                                  | <u>75,301,233</u> | <u>76,970,774</u> | <u>0</u>         | <u>0</u>         |
| Other receivables:-              |                   |                   |                  |                  |
| - Subsidiaries                   | 0                 | 0                 | 2,381,531        | 1,599,806        |
| - Dividend receivable            | 0                 | 0                 | 0                | 4,000,000        |
| - Unrelated parties              | 3,854,382         | 1,392,071         | 2,832,760        | 6,986            |
| - Allowance for impairment       | (455,464)         | (454,294)         | 0                | 0                |
|                                  | <u>3,398,918</u>  | <u>937,777</u>    | <u>2,832,760</u> | <u>6,986</u>     |
|                                  | <u>3,398,918</u>  | <u>937,777</u>    | <u>5,214,291</u> | <u>5,606,792</u> |
|                                  | <u>78,700,151</u> | <u>77,908,551</u> | <u>5,214,291</u> | <u>5,606,792</u> |

<sup>(a)</sup> Being a company in which a director has substantial financial interest

<sup>(b)</sup> Being companies in which close family members of certain directors have substantial financial interests

The currency profile of receivables is as follows:-

|                  | The Group         |                   | The Company      |                  |
|------------------|-------------------|-------------------|------------------|------------------|
|                  | 2018              | 2017              | 2018             | 2017             |
|                  | RM                | RM                | RM               | RM               |
| Ringgit Malaysia | 77,046,989        | 74,691,475        | 5,214,291        | 5,606,792        |
| US Dollar        | 1,653,162         | 3,217,076         | 0                | 0                |
|                  | <u>78,700,151</u> | <u>77,908,551</u> | <u>5,214,291</u> | <u>5,606,792</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 11. RECEIVABLES (Cont'd)

### Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

The movements in allowance for impairment are as follows:-

|                             | The Group        |                  |
|-----------------------------|------------------|------------------|
|                             | 2018             | 2017             |
|                             | RM               | RM               |
| Balance at 1 August         | 1,714,070        | 2,702,415        |
| Impairment loss recognised  | 752,255          | 380,532          |
| Impairment loss reversed    | (616,769)        | (1,347,709)      |
| Impairment loss written off | (32,937)         | (21,168)         |
| Balance at 31 July          | <u>1,816,619</u> | <u>1,714,070</u> |

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

|                             | The Group         |                   |
|-----------------------------|-------------------|-------------------|
|                             | 2018              | 2017              |
|                             | RM                | RM                |
| Not past due                | 72,047,687        | 72,706,662        |
| Past due 1 to 30 days       | 2,285,160         | 3,016,967         |
| Past due 31 to 120 days     | 932,404           | 1,240,846         |
| Past due more than 120 days | 35,982            | 6,299             |
|                             | <u>75,301,233</u> | <u>76,970,774</u> |

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 July 2018, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables is as follows:-

|             | The Group         |                   |
|-------------|-------------------|-------------------|
|             | 2018              | 2017              |
|             | RM                | RM                |
| Malaysia    | 73,648,071        | 73,747,816        |
| Bangladesh  | 861,048           | 0                 |
| Indonesia   | 0                 | 1,651,170         |
| Philippines | 710,708           | 1,571,788         |
| Others      | 81,406            | 0                 |
|             | <u>75,301,233</u> | <u>76,970,774</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 11. RECEIVABLES (Cont'd)

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of refundable deposits and GST which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

|                            | The Group      |                |
|----------------------------|----------------|----------------|
|                            | 2018           | 2017           |
|                            | RM             | RM             |
| Balance at 1 August        | 454,294        | 450,473        |
| Impairment loss recognised | 2,170          | 3,821          |
| Impairment loss reversed   | (1,000)        | 0              |
| Balance at 31 July         | <u>455,464</u> | <u>454,294</u> |

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

## 12. CASH AND BANK BALANCES

|                               | The Group         |                   | The Company  |               |
|-------------------------------|-------------------|-------------------|--------------|---------------|
|                               | 2018              | 2017              | 2018         | 2017          |
|                               | RM                | RM                | RM           | RM            |
| Interest earning (fixed rate) | 16,585,502        | 14,559,456        | 4,767        | 99,700        |
| Non-interest earning          | 1,204,249         | 6,361,978         | 0            | 0             |
|                               | <u>17,789,751</u> | <u>20,921,434</u> | <u>4,767</u> | <u>99,700</u> |

The effective interest rates of interest earning bank balances as at 31 July 2018 ranged from 1.00% to 2.75% (2017:1.75% to 3.25%) per annum.

The currency profile of cash and bank balances is as follows:-

|                  | The Group         |                   | The Company  |               |
|------------------|-------------------|-------------------|--------------|---------------|
|                  | 2018              | 2017              | 2018         | 2017          |
|                  | RM                | RM                | RM           | RM            |
| Ringgit Malaysia | 6,477,087         | 15,021,449        | 4,767        | 99,700        |
| US Dollar        | 11,300,406        | 5,884,958         | 0            | 0             |
| Others           | 12,258            | 15,027            | 0            | 0             |
|                  | <u>17,789,751</u> | <u>20,921,434</u> | <u>4,767</u> | <u>99,700</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 13. PAYABLES

|                                      | The Group         |                   | The Company      |                  |
|--------------------------------------|-------------------|-------------------|------------------|------------------|
|                                      | 2018<br>RM        | 2017<br>RM        | 2018<br>RM       | 2017<br>RM       |
| Trade payables                       | 49,242,355        | 17,007,249        | 0                | 0                |
| Other payables:-                     |                   |                   |                  |                  |
| - Subsidiaries                       | 0                 | 0                 | 2,288,909        | 1,358,640        |
| - Other related party <sup>(a)</sup> | 15,000            | 15,000            | 0                | 0                |
| - Other related party <sup>(b)</sup> | 6,698             | 0                 | 0                | 0                |
| - Unrelated parties                  | 8,324,522         | 8,074,411         | 576,251          | 554,089          |
|                                      | <u>8,346,220</u>  | <u>8,089,411</u>  | <u>2,865,160</u> | <u>1,912,729</u> |
|                                      | <u>57,588,575</u> | <u>25,096,660</u> | <u>2,865,160</u> | <u>1,912,729</u> |

<sup>(a)</sup> Being a company in which certain directors have substantial financial interests

<sup>(b)</sup> Being a company in which close family members of certain directors have substantial financial interests

The currency profile of payables is as follows:-

|                  | The Group         |                   | The Company      |                  |
|------------------|-------------------|-------------------|------------------|------------------|
|                  | 2018<br>RM        | 2017<br>RM        | 2018<br>RM       | 2017<br>RM       |
| Ringgit Malaysia | 51,446,617        | 23,859,766        | 2,865,160        | 1,912,729        |
| US Dollar        | <u>6,141,958</u>  | <u>1,236,894</u>  | <u>0</u>         | <u>0</u>         |
|                  | <u>57,588,575</u> | <u>25,096,660</u> | <u>2,865,160</u> | <u>1,912,729</u> |

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 15 to 60 day terms.

### Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiaries are repayable on demand. The amounts owing to other related parties and unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 60 days.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 14. LOANS AND BORROWINGS

The Group

|                                 | 2018<br>RM        | 2017<br>RM        |
|---------------------------------|-------------------|-------------------|
| <u>Unsecured</u>                |                   |                   |
| Banker acceptances (fixed rate) | 74,492,511        | 32,603,227        |
| Term loans (floating rate)      | 10,812,629        | 15,932,669        |
|                                 | <u>85,305,140</u> | <u>48,535,896</u> |
| Disclosed as:-                  |                   |                   |
| - Current liabilities           | 79,612,551        | 37,723,267        |
| - Non-current liabilities       | 5,692,589         | 10,812,629        |
|                                 | <u>85,305,140</u> | <u>48,535,896</u> |

The effective interest rates of loans and borrowings as at 31 July 2018 ranged from 3.94% to 5.11% (2017:3.65% to 4.88%) per annum.

Banker acceptances are generally short-term in nature and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Term loans are repayable over 5 years. The repayment analysis is as follows:-

|   | 2018<br>RM        | 2017<br>RM        |
|---|-------------------|-------------------|
| Gross loan instalments:-                        |                   |                   |
| - Within 1 year                                 | 5,540,037         | 5,761,741         |
| - Later than 1 year and not later than 2 years  | 5,021,030         | 5,520,082         |
| - Later than 2 years and not later than 5 years | 849,456           | 5,862,159         |
| Total contractual undiscounted cash flows       | 11,410,523        | 17,143,982        |
| Future finance charges                          | (597,894)         | (1,211,313)       |
| Present value of term loans:-                   |                   |                   |
| - Within 1 year                                 | 5,120,040         | 5,120,040         |
| - Later than 1 year and not later than 2 years  | 4,853,160         | 5,120,040         |
| - Later than 2 years and not later than 5 years | 839,429           | 5,692,589         |
|   | <u>10,812,629</u> | <u>15,932,669</u> |

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

|   | 2018         | 2017     |
|---|--------------|----------|
|   | RM           | RM       |
| Derivatives classified as held for trading, at fair value | <u>4,030</u> | <u>0</u> |

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 July 2018, the Group had contracts with financial institutions due within 1 year to buy RM403,600 (2017:NIL) and sell USD100,000 (2017:NIL) at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

## 16. SHARE CAPITAL

|   | No. of ordinary shares | RM                   |
|---|------------------------|----------------------|
| <u>Authorised</u>   |                        |                      |
| Balance at 1 August 2016 <sup>(a)</sup>                             | 400,000,000            | 200,000,000          |
| Cancellation upon abolition of par value                            | <u>(400,000,000)</u>   | <u>(200,000,000)</u> |
| Balance at 31 July 2017/31 July 2018                                | <u>0</u>               | <u>0</u>             |
| <u>Issued and fully paid</u>  |                        |                      |
| Balance at 1 August 2016 <sup>(a)</sup>                             | 274,117,963            | 137,058,982          |
| Transfer from share premium upon abolition of par value             | <u>0</u>               | <u>1,214,972</u>     |
| Balance at 31 July 2017 <sup>(b)</sup> /31 July 2018 <sup>(b)</sup> | <u>274,117,963</u>     | <u>138,273,954</u>   |

<sup>(a)</sup> Ordinary shares of RM0.50 each

<sup>(b)</sup> Ordinary shares with no par value

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value. Accordingly, the amount standing to the credit of share premium has been transferred to share capital.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 16. SHARE CAPITAL (Cont'd)

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 28 January 2005, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

|                                     | 2018             |                  | 2017           |                |
|-------------------------------------|------------------|------------------|----------------|----------------|
|                                     | No. of shares    | Cost<br>RM       | No. of shares  | Cost<br>RM     |
| Balance at 1 August                 | 788,837          | 525,356          | 606,837        | 392,711        |
| Shares purchased                    | 735,700          | 646,693          | 182,000        | 132,645        |
| Balance at 31 July                  | <u>1,524,537</u> | <u>1,172,049</u> | <u>788,837</u> | <u>525,356</u> |
| Average unit cost for the year (RM) |                  | <u>0.879</u>     |                | <u>0.729</u>   |

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

|                     | 2018<br>No. of shares | 2017<br>No. of shares |
|---------------------|-----------------------|-----------------------|
| Balance at 1 August | 273,329,126           | 273,511,126           |
| Shares purchased    | (735,700)             | (182,000)             |
| Balance at 31 July  | <u>272,593,426</u>    | <u>273,329,126</u>    |

## 17. REVENUE

|                       | The Group          |                    | The Company      |                  |
|-----------------------|--------------------|--------------------|------------------|------------------|
|                       | 2018<br>RM         | 2017<br>RM         | 2018<br>RM       | 2017<br>RM       |
| Sale of goods         | 546,601,388        | 500,590,133        | 0                | 0                |
| Rendering of services | 0                  | 0                  | 3,749,930        | 3,233,520        |
| Dividend income       | 0                  | 0                  | 3,600,000        | 5,250,000        |
|                       | <u>546,601,388</u> | <u>500,590,133</u> | <u>7,349,930</u> | <u>8,483,520</u> |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 18. PROFIT BEFORE TAX

|   | The Group  |            | The Company |           |
|---|------------|------------|-------------|-----------|
|   | 2018       | 2017       | 2018        | 2017      |
|   | RM         | RM         | RM          | RM        |
| Profit before tax is arrived at after charging:-  |            |            |             |           |
| Auditors' remuneration:-  |            |            |             |           |
| - Current year  | 130,133    | 121,400    | 24,000      | 20,000    |
| - Prior year  | 1,200      | 18,100     | 4,000       | 3,500     |
| Depreciation of investment properties   | 17,344     | 4,107      | 0           | 0         |
| Depreciation of property, plant and equipment   | 8,714,031  | 9,388,464  | 0           | 0         |
| Employee benefits expense (including directors' remuneration) (Note 19)                             | 38,410,490 | 33,669,157 | 3,844,319   | 3,188,168 |
| Fee expense for financial instruments not at fair value through profit or loss                      | 325,772    | 213,234    | 1,172       | 1,205     |
| Impairment loss on investments in subsidiaries <sup>(a)</sup>                                       | 0          | 0          | 0           | 3,100,000 |
| Impairment loss on receivables  | 754,425    | 384,353    | 0           | 0         |
| Interest expense for financial liabilities not at fair value through profit or loss                 | 2,765,782  | 2,714,018  | 0           | 0         |
| Inventories written down  | 14,788,743 | 12,708,465 | 0           | 0         |
| Loss on financial instruments at fair value through profit or loss (classified as held for trading) | 24,017     | 233,618    | 0           | 0         |
| Loss on foreign exchange:-  |            |            |             |           |
| - Realised  | 801,336    | 0          | 0           | 0         |
| - Unrealised  | 0          | 38,249     | 0           | 0         |
| Property, plant and equipment written off   | 24,873     | 147,741    | 0           | 0         |
| Rental expense  | 1,359,290  | 1,301,760  | 0           | 0         |
| and crediting:-   |            |            |             |           |
| Dividend income   | 7,500      | 21,000     | 3,600,000   | 5,250,000 |
| Gain on disposal of property, plant and equipment   | 38,104     | 201,469    | 0           | 0         |
| Gain on foreign exchange:-  |            |            |             |           |
| - Realised  | 0          | 475,748    | 0           | 0         |
| - Unrealised  | 79,196     | 0          | 0           | 0         |
| Interest income for financial assets not at fair value through profit or loss                       | 354,536    | 494,413    | 5,459       | 7,791     |
| Rental income from investment properties  | 42,200     | 7,200      | 0           | 0         |
| Reversal of impairment loss on receivables  | 617,769    | 1,347,709  | 0           | 0         |

<sup>(a)</sup> Included in administrative and general expenses

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 19. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

|                                      | The Group         |                   | The Company      |                  |
|--------------------------------------|-------------------|-------------------|------------------|------------------|
|                                      | 2018              | 2017              | 2018             | 2017             |
|                                      | RM                | RM                | RM               | RM               |
| Directors of the Company:-           |                   |                   |                  |                  |
| - Fees                               | 96,000            | 96,000            | 96,000           | 96,000           |
| - Other short-term employee benefits | 3,632,598         | 3,168,619         | 32,000           | 28,300           |
| - Defined contribution plans         | 647,893           | 550,957           | 0                | 0                |
|                                      | <b>4,376,491</b>  | <b>3,815,576</b>  | <b>128,000</b>   | <b>124,300</b>   |
| Directors of subsidiaries:-          |                   |                   |                  |                  |
| - Short-term employee benefits       | 2,361,346         | 2,168,650         | 0                | 0                |
| - Defined contribution plans         | 421,794           | 385,042           | 0                | 0                |
|                                      | <b>2,783,140</b>  | <b>2,553,692</b>  | <b>0</b>         | <b>0</b>         |
| Other employees:-                    |                   |                   |                  |                  |
| - Short-term employee benefits       | 28,684,087        | 25,051,425        | 3,317,697        | 2,736,688        |
| - Defined contribution plans         | 2,566,772         | 2,248,464         | 398,622          | 327,180          |
|                                      | <b>31,250,859</b> | <b>27,299,889</b> | <b>3,716,319</b> | <b>3,063,868</b> |
|                                      | <b>38,410,490</b> | <b>33,669,157</b> | <b>3,844,319</b> | <b>3,188,168</b> |

The estimated money value of benefits received or receivable by certain directors otherwise than in cash is as follows:-

|                           | The Group     |               |
|---------------------------|---------------|---------------|
|                           | 2018          | 2017          |
|                           | RM            | RM            |
| Directors of the Company  | 53,330        | 41,325        |
| Directors of subsidiaries | 33,850        | 33,850        |
|                           | <b>87,180</b> | <b>75,175</b> |

## 20. TAX EXPENSE/(INCOME)

|   | The Group        |                   | The Company     |               |
|---|------------------|-------------------|-----------------|---------------|
|   | 2018             | 2017              | 2018            | 2017          |
|   | RM               | RM                | RM              | RM            |
| Tax based on results for the year:-       |                  |                   |                 |               |
| Current tax                               | 10,220,782       | 12,849,677        | 20,065          | 56,664        |
| Deferred tax                              | (837,500)        | (981,500)         | 0               | 0             |
|   | <b>9,383,282</b> | <b>11,868,177</b> | <b>20,065</b>   | <b>56,664</b> |
| Tax (over)/under provided in prior year:- |                  |                   |                 |               |
| Current tax                               | (2,119,747)      | 889,513           | (37,532)        | 28,657        |
| Deferred tax                              | (123,500)        | (449,000)         | 0               | 0             |
|   | <b>7,140,035</b> | <b>12,308,690</b> | <b>(17,467)</b> | <b>85,321</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 20. TAX EXPENSE/(INCOME) (Cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

|                            | The Group    |              | The Company |             |
|----------------------------|--------------|--------------|-------------|-------------|
|                            | 2018         | 2017         | 2018        | 2017        |
|                            | %            | %            | %           | %           |
| Applicable tax rate        | 24.00        | 24.00        | 24.00       | 24.00       |
| Non-deductible expenses    | 2.42         | 1.46         | 3.36        | 43.74       |
| Non-taxable income         | (0.01)       | (0.05)       | (26.74)     | (64.82)     |
| Tax incentives claimed     | (0.33)       | (0.03)       | 0.00        | 0.00        |
| Average effective tax rate | <u>26.08</u> | <u>25.38</u> | <u>0.62</u> | <u>2.92</u> |

## 21. EARNINGS PER SHARE

The Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

|  | 2018               | 2017               |
|--|--------------------|--------------------|
| Profit for the financial year (RM)         | <u>28,835,983</u>  | <u>34,445,330</u>  |
| Number of shares in issue at 1 August      | 273,329,126        | 273,511,126        |
| Effect of shares purchased                 | <u>(383,525)</u>   | <u>(84,167)</u>    |
| Weighted average number of shares in issue | <u>272,945,601</u> | <u>273,426,959</u> |
| Basic earnings per share (sen)             | <u>10.56</u>       | <u>12.60</u>       |

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

## 22. DIVIDENDS

The Group and the Company

|   | 2018             | 2017             |
|---|------------------|------------------|
|   | RM               | RM               |
| Interim single tier dividend of 1 sen per share in respect of financial year ended 31 July 2017 | 0                | 2,734,611        |
| Final single tier dividend of 1 sen per share in respect of financial year ended 31 July 2017   | <u>2,730,241</u> | <u>0</u>         |
|   | <u>2,730,241</u> | <u>2,734,611</u> |

A final single tier dividend of 1 sen per share in respect of the financial year ended 31 July 2018 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 23. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The Group

### Short-term Loans and Borrowings

|                              | 2018<br>RM        | 2017<br>RM        |
|------------------------------|-------------------|-------------------|
| Balance at 1 August          | 32,603,227        | 68,443,987        |
| Net cash flow changes        | 41,624,007        | (35,395,238)      |
| Other changes                | 265,277           | (445,522)         |
| Balance at 31 July (Note 14) | <u>74,492,511</u> | <u>32,603,227</u> |

### Term Loans

|                              | 2018<br>RM        | 2017<br>RM        |
|------------------------------|-------------------|-------------------|
| Balance at 1 August          | 15,932,669        | 16,992,643        |
| Drawdowns                    | 0                 | 5,204,429         |
| Repayments                   | (5,120,040)       | (6,255,693)       |
| Other changes                | 0                 | (8,710)           |
| Balance at 31 July (Note 14) | <u>10,812,629</u> | <u>15,932,669</u> |

## 24. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

|   | The Group        |                  | The Company       |                   |
|---|------------------|------------------|-------------------|-------------------|
|   | 2018<br>RM       | 2017<br>RM       | 2018<br>RM        | 2017<br>RM        |
| Key management personnel compensation:-                       |                  |                  |                   |                   |
| - Short-term employee benefits                                | 6,177,124        | 5,508,444        | 128,000           | 124,300           |
| - Defined contribution plans                                  | 1,069,687        | 935,999          | 0                 | 0                 |
|   | <b>7,246,811</b> | <b>6,444,443</b> | <b>128,000</b>    | <b>124,300</b>    |
| Dividends declared from subsidiaries                          | 0                | 0                | 3,600,000         | 5,250,000         |
| Management fees charged to subsidiaries                       | 0                | 0                | 3,749,930         | 3,233,520         |
| Receiving of services from other related party <sup>(a)</sup> | 0                | 18,000           | 0                 | 0                 |
| Receiving of services from other related party <sup>(b)</sup> | 76,588           | 59,797           | 0                 | 0                 |
| Redemption of shares from subsidiaries                        | 0                | 0                | 23,300,000        | 22,570,000        |
| Rental charged by director                                    | 72,000           | 72,000           | 0                 | 0                 |
| Rental charged by other related party <sup>(c)</sup>          | 180,000          | 180,000          | 0                 | 0                 |
| Rental charged by other related parties <sup>(d)</sup>        | 906,000          | 906,000          | 0                 | 0                 |
| Sale of goods to other related parties <sup>(b)</sup>         | 771,468          | 1,175,587        | 0                 | 0                 |
| Sale of goods to other related party <sup>(c)</sup>           | 459,230          | 429,464          | 0                 | 0                 |
| Subscription for shares in associate                          | 200,000          | 400,000          | 0                 | 0                 |
| Subscription for shares in subsidiary                         | 0                | 0                | 24,600,000        | 18,800,000        |
|   | <u>0</u>         | <u>0</u>         | <u>24,600,000</u> | <u>18,800,000</u> |

<sup>(a)</sup> Being a close family member of certain directors

<sup>(b)</sup> Being companies in which close family members of certain directors have substantial financial interests

<sup>(c)</sup> Being companies in which certain directors have substantial financial interests

<sup>(d)</sup> Being key management personnel of the Group who are also close family members of certain directors

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 25. SEGMENT REPORTING

The Group

### Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture and sale of metal building related products.

### Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

|             | External Revenue   |                    | Non-current Assets |                    |
|-------------|--------------------|--------------------|--------------------|--------------------|
|             | 2018               | 2017               | 2018               | 2017               |
|             | RM                 | RM                 | RM                 | RM                 |
| Malaysia    | 490,172,631        | 460,545,326        | 198,183,024        | 173,160,123        |
| Bangladesh  | 13,608,869         | 8,396,953          | 0                  | 0                  |
| Indonesia   | 12,974,197         | 14,845,426         | 0                  | 0                  |
| Philippines | 17,545,010         | 9,606,154          | 0                  | 0                  |
| Others      | 12,300,681         | 7,196,274          | 0                  | 0                  |
|             | <u>546,601,388</u> | <u>500,590,133</u> | <u>198,183,024</u> | <u>173,160,123</u> |

### Major Customers

The Group did not have any major customer that contributed 10% or more of its total revenue.

## 26. CONTRACTUAL COMMITMENTS

The Group

|   | 2018              | 2017              |
|---|-------------------|-------------------|
|   | RM                | RM                |
| Purchase of property, plant and equipment | 20,416,000        | 31,934,000        |
| Purchase of investment properties         | 0                 | 3,555,000         |
|   | <u>20,416,000</u> | <u>35,489,000</u> |

## 27. FINANCIAL GUARANTEE CONTRACTS

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions and trade suppliers for credit facilities granted to certain subsidiaries up to a total limit of approximately RM329,474,000 (2017:RM350,069,000). The total utilisation of these credit facilities as at 31 July 2018 amounted to approximately RM108,732,000 (2017:RM66,849,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.10. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 28. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 27.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

### Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

|                                       | The Group                     |                  |
|---------------------------------------|-------------------------------|------------------|
|                                       | Increase/(Decrease) in Profit |                  |
|                                       | 2018                          | 2017             |
|                                       | RM                            | RM               |
| Appreciation of USD against RM by 10% | 517,682                       | 597,807          |
| Depreciation of USD against RM by 10% | <u>(517,682)</u>              | <u>(597,807)</u> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)

## 28. FINANCIAL RISK MANAGEMENT (Cont'd)

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

|   | The Group                     |               |
|---|-------------------------------|---------------|
|   | Increase/(Decrease) in Profit |               |
|   | 2018                          | 2017          |
|   | RM                            | RM            |
| Increase in interest rates by 50 basis points | (48,858)                      | (72,058)      |
| Decrease in interest rates by 50 basis points | <u>48,858</u>                 | <u>72,058</u> |

### Other Price Risk

The Group's exposure to other price risk arises mainly from quoted investments.

The Group manages its investments on an individual basis by continuously evaluating the share price movements, investment returns and the general industrial conditions relevant to the investees.

The Group's quoted investments are listed on Bursa Malaysia Securities Berhad. Based on the assumption that the share prices of these investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI"), the following table demonstrates the sensitivity of profit or loss and other comprehensive income ("OCI") to changes in FBMKLCI that were reasonably possible at the end of the reporting period, with all other variables held constant:-

|                            | The Group                     |          |                            |                 |
|----------------------------|-------------------------------|----------|----------------------------|-----------------|
|                            | Increase/(Decrease) in Profit |          | Increase/(Decrease) in OCI |                 |
|                            | 2018                          | 2017     | 2018                       | 2017            |
|                            | RM                            | RM       | RM                         | RM              |
| Increase in FBMKLCI by 10% | 0                             | 0        | 19,950                     | 25,500          |
| Decrease in FBMKLCI by 10% | <u>0</u>                      | <u>0</u> | <u>(19,950)</u>            | <u>(25,500)</u> |

## 29. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2018 (Cont'd)



## 29. CAPITAL MANAGEMENT (Cont'd)

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

|                            | The Group          |                    |
|----------------------------|--------------------|--------------------|
|                            | 2018               | 2017               |
|                            | RM                 | RM                 |
| Total loans and borrowings | 85,305,140         | 48,535,896         |
| Total equity               | 362,259,768        | 336,856,219        |
| Total capital              | <u>447,564,908</u> | <u>385,392,115</u> |
| Debt-to-equity ratio       | <u>24%</u>         | <u>14%</u>         |

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.



# LIST OF PROPERTIES

OWNED BY ASTINO BERHAD AND ITS SUBSIDIARIES AS AT 31 JULY 2018

| Location  | Tenure   | Description/<br>Existing Use  | Date of<br>revaluation/<br>acquisition | Age of<br>Building<br>(years) | Land area/<br>built-up area   | Net Book<br>Value as at<br>31.7.2018 |
|---|----------|---|--|-------------------------------|---|--------------------------------------|
| Lot No. 632, HS (D)<br>No.19, Mk. 12, S. P.S,<br>Penang   | Freehold | Industrial Land   | 31.7.2008                              | -                             | 2.71 h.a./<br>Not applicable  | 1,515,555                            |
| Lot No 1230, HS (D)<br>No. 24938 , Mk. 12, S.P.S.,<br>Penang  | Freehold | 2 storey office block<br>annexed with a<br>single storey factory  | 31.7.2008                              | 17                            | 1.78 h.a./<br>9,523 sq.m.   | 6,928,034                            |
| Lot No.1187, Grant No.<br>2349, Mk.15, S.P.S.,<br>Penang  | Freehold | A vacant detached<br>housing plot   | 31.7.2008                              | -                             | 354 sq.m./<br>Not applicable  | 40,000                               |
| Lot No. 1218, Mk. 12,<br>S.P.S., Penang   | Freehold | Industrial land &<br>building   | 31.7.2008                              | 15                            | 4.933 h.a./<br>29,992 sq.m  | 25,230,437                           |
| Lot No. 1245, Mukim Grant<br>No. 405, Mk. 12, S.P.S.,<br>Penang   | Freehold | 2 storey office<br>block annexed<br>with a single storey<br>warehouse and 2<br>factory building   | 31.7.2010                              | 18                            | 1.12 h.a./ 5,143<br>sq.m.   | 6,087,451                            |
| Parcel No. 3A, Storey<br>No.6, Building No. B, Desa<br>Jelita Phase 1, erected<br>on part of Lots 816, 824,<br>1518 & 1521 (4 Lots), Mk.<br>12, South West District,<br>Penang (unit No. B-6-3A,<br>Desa Jelita, Phase I) | Freehold | 3 bedroom flat<br>of developer's<br>standard design and<br>construction.  | 31.7.2011                              | 18                            | 7,057 sq.m<br>(parent lots)/<br>65 sq.m.                                  | 89,676                               |
| Lot Nos. 1044 & 1045,<br>GM Nos. 103 & 104, Mk.<br>12, S.P.S., Penang (Nos.<br>11 & 11-A Lorong Nafiri<br>2, Kompleks Jawi, 14200<br>Penang)  | Freehold | 2 adjoining units<br>of 1 1/2 storey<br>terraced light<br>industrial buildings<br>of developer's<br>standard design and<br>construction | 31.7.2008                              | 22                            | 259 &<br>263 sq.m.<br>respectively/<br>362 &<br>362 sq.m.<br>respectively | 458,200                              |
| H.S (D) 13026, No. P.T.<br>10343 Mukim Mentakab<br>Daerah Temerloh, Pahang  | Freehold | Industrial land &<br>building   | 31.7.2008                              | 7                             | 2.023 h.a./<br>9,812 sq.m.  | 7,427,881                            |
| P.T. 7131 & 7136, Mukim<br>Serendah, District of Ulu<br>Selangor, Selangor  | Freehold | Industrial land &<br>building   | 31.7.2008                              | 3                             | 8,095 &<br>8,699 sq.m<br>respectively                                     | 9,483,947                            |
| GM 947, Lot 2043 &<br>GM949, Lot 2045, Mk. 11,<br>Daerah S.P.S., Penang   | Freehold | Vacant land   | 31.07.2011                             | -                             | 40,242 sq.m./<br>Not applicable   | 2,620,000                            |
| Geran No. 39655, No. Lot<br>631, MK. 12, Daerah S.P.S,<br>Penang  | Freehold | Vacant land   | 31.07.2011                             | -                             | 38,611 sq.m./<br>Not applicable   | 3,320,000                            |
| Lot 6157 & 6158, Mukim<br>Jeram, Kuala Selangor,<br>Selangor.   | Freehold | Vacant land   | 6.9.2012                               | -                             | 2.11 h.a./<br>Not applicable  | 3,740,820                            |

# LIST OF PROPERTIES

OWNED BY ASTINO BERHAD AND ITS SUBSIDIARIES AS AT 31 JULY 2018 (Cont'd)



| Location  | Tenure    | Description/<br>Existing Use         | Date of<br>revaluation/<br>acquisition | Age of<br>Building<br>(years) | Land area/<br>built-up area                              | Net Book<br>Value as at<br>31.7.2018 |
|---|-----------|--------------------------------------|--|-------------------------------|--|--------------------------------------|
| Lot 18915 to 18919,<br>Mukim Asam Kumbang,<br>Daerah Larut Matang,<br>Perak                     | Leasehold | Industrial land                      | 1.4.2010                               | -                             | 14,884 sq.m/<br>Not applicable                           | 1,143,480                            |
| Lot 10030 (formerly Lot<br>1499) & 1500, Mukim<br>11, Daerah S.P.S., Pulau<br>Pinang.           | Freehold  | Industrial land                      | 1.10.2011                              | -                             | 12.353 &<br>5.379 h.a<br>respectively/<br>Not applicable | 20,604,315                           |
| Lot 1133, Mukim 7,<br>Seberang Perai Selatan,<br>Pulau Pinang.                                  | Freehold  | Vacant land                          | 1.10.2011                              | -                             | 5.94 h.a/<br>Not applicable                              | 8,034,472                            |
| Lot 407, Mukim 17,<br>Seberang Perai Tengah,<br>Pulau Pinang.                                   | Freehold  | Vacant land                          | 1.1.2014                               | -                             | 40,949.06<br>sq.m./<br>Not applicable                    | 6,853,755                            |
| Lot 1491,5700 &<br>5702,Mukim 11,<br>Seberang Perai Selatan,<br>Pulau Pinang.                   | Freehold  | Vacant land                          | 31.8.2015                              | -                             | 86,129 sq.m/<br>Not applicable                           | 20,188,094                           |
| Parcel No. 48, Taman<br>Vila Permai Jaya, Daerah<br>Seberang Perai Tengah,<br>Penang            | Freehold  | Three Storey Semi-<br>detached House | 28.07.2017                             | -                             | 211.63 sq.m  | 706,357                              |
| Lot 680, Mukim 08, Daerah<br>Seberang Perai Selatan,<br>Negeri Pulau Pinang held<br>under GM596 | Freehold  | Agriculture Land                     | 31.10.2017                             | -                             | 20,386 sq.m  | 4,092,598                            |
| <b>TOTAL</b>  |           |                                      |  |                               |  | <b>128,565,072</b>                   |

# SHAREHOLDINGS STATISTIC

AS AT 5 NOVEMBER 2018

Number of ordinary shares in issued : 274,117,963 (inclusive of 1,712,537 Treasury shares held)

Class of Equity Securities : Ordinary shares

Voting Rights : One vote per share

## LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

| Name              | Direct     | %     | Indirect     | %     |
|-------------------|------------|-------|--------------|-------|
| Seavision Sdn Bhd | 83,545,000 | 30.67 | -            | -     |
| Ng Back Teng      | 20,963,036 | 7.70  | 30,000*      | 0.01  |
| Ng Hung Seh       | 14,245,806 | 5.23  | 2,626,532*   | 0.96  |
| Ng Bak Seng       | 643,300    | 0.24  | 83,679,600** | 30.72 |

Notes:

\* Deemed interested by virtue of the shareholdings held by spouses

\*\* Deemed interested by virtue of the shareholdings held by his spouse and by virtue of Section 8(4) of the Companies Act 2016 in Seavision Sdn Bhd

## DIRECTORS' SHAREHOLDINGS IN THE COMPANY

| Name                       | Direct     | %    | Indirect   | %    |
|----------------------------|------------|------|------------|------|
| Ng Back Teng               | 20,963,036 | 7.70 | 30,000*    | 0.01 |
| Ng Hung Seh                | 14,245,806 | 5.23 | 2,626,532* | 0.96 |
| Ng Hung Weng               | 2,085,000  | 0.77 | -          | -    |
| Dr. Cheah Soo Jin          | 1,472,858  | 0.54 | -          | -    |
| Dato' Haji Mohtar Bin Nong | -          | -    | -          | -    |

Notes:

\* Deemed interested by virtue of shareholdings held by spouses

## DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

| No. of Holders | Size of Holdings                         | Total Holdings | %      |
|----------------|--|----------------|--------|
| 266            | less than 100 shares                     | 11,568         | 0.00   |
| 399            | 100 to 1,000 shares                      | 181,803        | 0.07   |
| 1,598          | 1,001 to 10,000 shares                   | 8,929,561      | 3.28   |
| 1,044          | 10,001 to 100,000 shares                 | 32,413,059     | 11.90  |
| 182            | 100,001 to less than 5% of issued shares | 133,078,638    | 48.85  |
| 2              | 5% and above of issued shares            | 97,790,806     | 35.90  |
| 3,491          |  | 272,405,426    | 100.00 |

# SHAREHOLDINGS STATISTIC

AS AT 5 NOVEMBER 2018 (Cont'd)



## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| NAMES  | NO. OF SHARES HELD | %     |
|--|--------------------|-------|
| 1. Seavision Sdn. Bhd.   | 83,545,000         | 30.67 |
| 2. Ng Hung Seh   | 14,245,806         | 5.23  |
| 3. Lembaga Tabung Amanah Warisan Negeri Terengganu   | 13,161,656         | 4.83  |
| 4. Ng Back Teng  | 12,212,700         | 4.48  |
| 5. Ng Back Teng  | 8,750,336          | 3.21  |
| 6. Ng Hun Chew   | 6,476,624          | 2.38  |
| 7. Ng Bak Hiong  | 4,090,902          | 1.50  |
| 8. Ng Bak Yong   | 4,000,798          | 1.47  |
| 9. DB (Malaysia) Nominee (Asing) Sdn. Bhd.<br>Deutsche Bank AG Singapore For Yeoman 3-Rights<br>Value Asia Fund (PTSL) | 3,750,000          | 1.38  |
| 10. Golden Fresh Sdn. Bhd.   | 3,690,000          | 1.35  |
| 11. Siew Quek Lan  | 3,221,190          | 1.18  |
| 12. Chuah Cheng Boey   | 2,626,532          | 0.96  |
| 13. Zulkifli Bin Hussain   | 2,215,770          | 0.81  |
| 14. CSC Steel Holdings Berhad  | 2,085,086          | 0.77  |
| 15. Tan Kim Kee @ Tan Kee  | 2,040,000          | 0.75  |
| 16. Ng Fong Soo  | 1,798,062          | 0.66  |
| 17. Koh Kwee Hooi  | 1,689,000          | 0.62  |
| 18. CSC Steel Holdings Berhad  | 1,489,386          | 0.55  |
| 19. Cheah Soo Jin  | 1,472,858          | 0.54  |
| 20. Liau Choon Hwa & Sons Sdn. Bhd.  | 1,458,000          | 0.54  |
| 21. Lai Kam Keong  | 1,450,000          | 0.53  |
| 22. Khor Soo Kiang   | 1,446,532          | 0.53  |
| 23. Lim Khuan Eng  | 1,260,000          | 0.46  |
| 24. Affin Hwang Nominees (Asing) Sdn. Bhd.<br>DBS Vickers Secs (S) Pte. Ltd. For Yeo Seng Chong                        | 1,250,000          | 0.46  |
| 25. Addeen Trading Sdn. Bhd.   | 1,200,300          | 0.44  |
| 26. Ooi Choo Fong  | 1,190,716          | 0.44  |
| 27. Wong Chui Sing   | 1,165,370          | 0.43  |
| 28. Ng Hung Weng   | 1,085,000          | 0.40  |
| 29. Cimsec Nominees (Tempatan) Sd. Bhd.<br>CIMB Bank For Liau Thai Min (MY0918)  | 1,040,800          | 0.38  |
| 28. Ng Bak Chee  | 1,248,266          | 0.38  |
| 30. Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account For Keng Chin Eng (E-SGM)                       | 1,030,250          | 0.38  |

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# PROXY FORM

ASTINO BERHAD  
(Company No.: 523085-X)  
(Incorporated in Malaysia)



| CDS ACCOUNT NO. | NO. OF SHARES HELD |
|-----------------|--------------------|
|                 |                    |

I/We, \_\_\_\_\_  
*Full name of a member in BLOCK LETTERS as per Identity Card("MYKAD")/Passport/Certificate of Incorporation)*

MYKAD/PassportNo./CompanyNo. \_\_\_\_\_ of \_\_\_\_\_  
*(Address in full)*

telephone no. \_\_\_\_\_, being a member of ASTINO BERHAD ("the Company")  
hereby appoint \_\_\_\_\_  
*(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)*

MYKAD/Passport No. \_\_\_\_\_ of \_\_\_\_\_  
*(Address in full)*

And/or failing him \_\_\_\_\_  
*(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)*

MYKAD/Passport No. \_\_\_\_\_ of \_\_\_\_\_  
*(Address in full)*

or failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 18<sup>th</sup> Annual General Meeting of the Company, to be held at **Melati Room, Safira Country Club, Lot 2769, Mk 1, Jalan Todak, Bandar Seberang Jaya, 13700 Seberang Jaya Tengah, Penang on Friday, 18 January 2019 at 10.30 a.m.** and at any adjournment thereof. My/our proxy/proxies is to be vote as indicated below:

|    | Resolution  | For | Against |
|----|---|-----|---------|
| 1  | Approval of payment of first and final single tier dividend                           |     |         |
| 2  | Re-election of Mr. Ng Back Teng as Director   |     |         |
| 3  | Re-election of Mr. Ng Hung Weng as Director   |     |         |
| 4  | Approval of Directors' Fees for the financial year ended 31 July 2018                 |     |         |
| 5  | Approval of Directors' Other Benefits from 19 January 2019 to 31 January 2020         |     |         |
| 6  | Re-appointment of Auditors  |     |         |
| 7  | Approval to issue and allot shares pursuant to Section 75 of the Companies Act 2016   |     |         |
| 8  | Approval on the renewal on share buy-back by the Company                              |     |         |
| 9  | Approval on renewal on shareholders' mandate for recurrent related party transactions |     |         |
| 10 | Continuing in Office as Independent Non-Executive Director for Dr. Cheah Soo Jin      |     |         |
| 11 | Adoption of New Constitution  |     |         |

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

\_\_\_\_\_  
Signature(s)/Common Seal of Member(s)

| The proportions of my/our holding to be represented by my/our proxies are as follows: - |               |             |
|---|---------------|-------------|
|   | No. of Shares | Percentage  |
| First Proxy   |               |             |
| Second Proxy  |               |             |
| <b>Total</b>  |               | <b>100%</b> |

#### NOTES:

1. A member entitled to attend, speak and vote at the AGM is entitled to appoint proxy(ies) to attend, participate, speak and vote in his stead.
2. Where a member is an authorised nominee (AN) as defined under the Security Industry (Central Depository) Act 1991 (SICDA), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company.
3. Where a member of the Company is an exempt authorised nominee (EAN) as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), the EAN may appoint proxy(ies) in respect of each omnibus account it holds.
4. Where a member appoints more than one (1) Proxy the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, under its common seal or in such other manner approved by its directors. Any alteration to the instrument appointing a proxy must be initialed.
6. The instrument appointing a proxy must be deposited at the Company's registered office at Suite 12A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time stipulated for holding the meeting or adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend this 18<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 11 January 2019. Only a depositor whose name appears on the Record of Depositors as at 11 January 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Please fold across the line and close

STAMP

To,

The Company Secretary  
ASTINO BERHAD (523085-X)  
Suite 12-A, Level 12, Menara Northam  
No. 55, Jalan Sultan Ahmad Shah  
10050 Georgetown Penang

Please fold across the line and close

**Astino Berhad** (523085-X)

1218, Mukim 12, Jalan Serunai,  
Kawasan Perindustrian Valdor,  
14200 Sungai Bakap,  
Seberang Perai Selatan, Pulau Pinang.  
**T** - 604 582 2620  
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