FEDERAL INTERNATIONAL HOLDINGS BERHAD

(Incorporated in Malaysia)

[Company No. 198301001857 (97092-W)]

ANNUAL REPORT 2019

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth Annual General Meeting of Federal International Holdings Berhad will be held at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, Section 7, 46050 Petaling Jaya, Selangor Darul Ehsan on Friday, 6 December 2019 at 3:30 p.m for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and the Auditors thereon. **Please refer to Explanatory Note (1)**

2. To approve the payment of Directors' Fees and benefit payable of an amount not exceeding RM330,000/- from 7 December 2019 until the next Annual General Meeting of the Company to be held in the year 2020. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who are retiring in accordance with Article 98 of the Company's Articles of Association:-

    (a) Datin Tan Geok Foong; and **(Ordinary Resolution 2)**
    (b) Dato' Dr. Hj. Abdul Rasid Bin Ab. Malik **(Ordinary Resolution 3)**

4. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

Special Business:-

To consider and, if thought fit, to pass the following resolutions:-

5. **Retention of Tuan Haji Hussein Bin Hamzah as an Independent Non-Executive Director**

    "**THAT** Tuan Haji Hussein Bin Hamzah who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years be and is hereby retained as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 5)**

6. **Retention of Encik Mohd Arif Bin Mastol as an Independent Non- Executive Director**

    "**THAT** Encik Mohd Arif Bin Mastol who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director of the Company." **(Ordinary Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

7. **Authority to issue shares pursuant to the Companies Act 2016**

"**THAT** subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being;

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 7)**

8. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and/or Trading Nature ("Proposed Renewal of Existing Shareholders' Mandate")**

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("FIHB Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in Part A of the Circular/Statement to Shareholders dated 31 October 2019, which are necessary for the day-to-day operations of FIHB Group to be entered into by FIHB Group provided that such transactions are in the ordinary course of business and are 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:-

(i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the next Annual General Meeting, the authority is renewed;

(ii) the expiration of the period within which the next Annual General Meeting after that date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Board of Directors of the Company and/ or any of them be and are hereby authorised to complete and to do all such acts and things including executing such documents as may be required to give effect to the transactions contemplated and/or authorised by this resolution." **(Ordinary Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

9. **Proposed Renewal of Authority for Share Buy-Back of up to 10% Of the Total Number of Issued Shares of the Company ("Proposed Renewal of Share Buy-Back Authority")**

"**THAT** subject to the compliance with Section 127 of the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:-

(i) the aggregate number of shares to be purchased and/or held pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company including shares previously purchased and retained as Treasury Shares (if any); and

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase.

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or

(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or

(iii) retain part thereof as treasury shares and cancel the reminder; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

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

(a) the conclusion of the next annual general meeting of the Company at which such resolution was passed, at which time it will lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next annual general meeting of the Company after the date is required by law to be held; or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be authorised to give effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any modifications and/or amendments as may be required by the relevant authorities." **(Ordinary Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

10. **Proposed Adoption of a New Constitution of the Company**

"**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirety and in place thereof, a new Constitution as set out in Part C of the Circular/Statement to Shareholders dated 31 October 2019, be and is hereby adopted as the Constitution of the Company with immediate effect.

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient with full powers to assent to any modifications, variations and/or amendments as may be required by the relevant authorities to give full effect of the foregoing." **(Special Resolution)**

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

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Company Secretary

Kuala Lumpur
31 October 2019

Explanatory Notes:-

1. Item 1 of the Agenda

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

2. Ordinary Resolution 1 - Payment of Directors' Fees and Directors' Benefit

Pursuant to Section 230(1) of the Companies Act 2016, the fees and benefits payable to the Directors of the Company will have to be approved by the Company's shareholders at a general meeting. Ordinary Resolution 1 is proposed to seek the shareholders' approval for the payment of Directors' fees and benefit of an amount not exceeding RM330,000/- from 7 December 2019 until the next Annual General Meeting of the Company to be held in year 2020.

The amount of Directors' fees payable to Non-Executive Directors as members of Board and Board Committees of up to RM47,000/- and Directors' benefit payable to Non-Executive Directors which comprises meeting allowance of RM400/- per meeting per attendance.

The payment of meeting allowance to the Directors will be made by the Company as and when incurred. The Board is of the view that it is fair and equitable for the Directors to be paid the meeting allowance, given that they have fully discharged their responsibilities and provided their services to the Company for the said period.

3. Ordinary Resolution 5 - Retention of Tuan Haji Hussein Bin Hamzah as an Independent Non-Executive Director

The Nomination Committee of the Company and the Board of Directors of the Company had assessed the independence of Tuan Haji Hussein Bin Hamzah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, and with his consent, had recommended for him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

(a) he fulfilled the criteria of the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and had expressed his willingness to continue in office as an Independent Non-Executive Directors of the Company;

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

(b) his vast experience would enable him to provide the Board with a diverse set of experience, expertise and independent judgement as well as to provide constructive opinion in the Board's deliberations;

(c) he has served the Company as an Independent Director for a cumulative term of more than twelve (12) years during which he had acted in good faith and in the best interests of the Company, exercising his independent judgement during deliberations and decision making during the Company's meetings and was familiar with the Company's business operations; and

(d) Tuan Haji Hussein Bin Hamzah has proven to be a reliable Independent Director with his professionalism aptitude and outlook of business perspective, devoted sufficient time and attention to his professional obligations for informed and balance decision making and had also exercised due care during his tenure in the best interests of the Company and the shareholders.

4. Ordinary Resolution 6 - Retention of Encik Mohd Arif Bin Mastol as an Independent Non-Executive Director

The Nomination Committee of the Company and the Board of Directors of the Company had assessed the independence of Encik Mohd Arif Bin Mastol, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and with his consent, had recommended for him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

(a) he fulfilled the criteria of the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and had expressed his willingness to continue in office as an Independent Non-Executive Directors of the Company;

(b) his vast experience would enable him to provide the Board with a diverse set of experience, expertise and independent judgement without the influence of the Management;

(c) he has served the Company as an Independent Director for a cumulative term of more than nine (9) years during which he had acted in good faith and in the best interests of the Company, exercising his independent judgement during deliberations and decision making during the Company's meetings and was familiar with the Company's business operations; and

(d) Encik Mohd Arif Bin Mastol has proven to be a reliable Independent Director with his professionalism aptitude and outlook of business perspective, devoted sufficient time and attention to his professional obligations for informed and balance decision making and had also exercised due care during his tenure in the best interests of the Company and the shareholders.

5. Ordinary Resolution 7 - Authority to issue shares pursuant to the Companies Act 2016

The proposed resolution is for the purpose of seeking a renewal for the general mandate to empower the Directors of the Company pursuant to the Companies Act 2016, from the date of the above Meeting, to issue and allot ordinary shares of not more than ten per centum (10%) of the total number of issued shares of the Company for such purposes as the Directors of the Company consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company. This authority will provide flexibility and enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares. As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the Thirty-Fifth Annual General Meeting held on 7 December 2018, which will lapse at the conclusion of the Thirty-Sixth Annual General Meeting.

6. Ordinary Resolution 8 - Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue and/or Trading Nature

The proposed resolution, if passed, will enable the Company and its subsidiaries to enter into recurrent related party transactions of a revenue and/or trading in nature with related Parties in the ordinary course of business and necessary for the day-to-day operations of FIHB Group, based on commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Part A of the Circular/ Statement to Shareholders dated 31 October 2019 circulated together with this Annual Report for more information.

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

7. Ordinary Resolution 9 - Proposed Renewal of Authority for Share Buy-Back of up to 10% of the Total Number of Issued Share of the Company

   The proposed resolution, if passed, will empower the Directors to purchase the Company's shares up to ten per centum (10%) of the total number of issued shares of the Company by utilising the retained profits of the Company. This authority will, unless revoked or varied by the shareholders of the Company in general meeting, expire at the conclusion of the next Annual General Meeting.

   Please refer to the Part B of the Circular/ Statement to Shareholders dated 31 October 2019 circulated together with this Annual Report for more information.

8. Special Resolution - Proposed Adoption of a New Constitution of the Company

   The proposed Special Resolution, if passed, will primarily bring the Company's Constitution in line with the Companies Act 2016 and the changes made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as to provide clarity to certain provision thereof and to render consistency throughout to enhance administrative efficiency.

   In view of the substantial amendments are to be made on the existing Memorandum and Articles of Association, the Board proposed that the existing Memorandum and Articles of Association be revoked in its entirety and by the replacement thereof with a new Constitution of the Company.

   Please refer to the Part C of the Circular/Statement to Shareholders dated 31 October 2019 circulated together with this Annual Report for further information.

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 29 November 2019 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. A member entitled to attend and vote at this Meeting is entitled to appoint any person as his proxy to attend and vote instead of him. A proxy appointed to attend and vote at this Meeting shall have the same rights as the member to speak at the Meeting.

3. A member of the Company may appoint more than one proxy to attend at the same meeting. Where a member appoint more than one proxy to attend and vote at the same meeting, such the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

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

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor be a corporation, under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of attorney or authority, shall be deposited at the registered office of the Company at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, Section 7, 46050 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the meeting or adjourned thereof.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr. Choy Fook On *(Non-Independent Non-Executive Chairman)*
Dato' Choy Wai Hin *(Managing Director)*
Datin Tan Geok Foong *(Executive Director)*
Datuk Choy Wai Ceong *(Executive Director)*
Tuan Haji Hussein Bin Hamzah *(Independent Non-Executive Director)*
Mohd. Arif Bin Mastol *(Independent Non-Executive Director)*
Dato' Dr. Hj. Abdul Rasid Bin Ab Malik *(Independent Non-Executive Director)*
Choy Kin Mann *(Alternate Director to Dato' Dr. Choy Fook On) (appointed on 29 August 2019)*
Choy Yuin Yi *(Alternate Director to Datin Tan Geok Foong) (appointed on 29 August 2019)*

AUDIT AND RISK MANAGEMENT COMMITTEE

Mohd. Arif Bin Mastol *(Chairman)*
Tuan Haji Hussein Bin Hamzah
Dato' Dr. Choy Fook On

NOMINATION COMMITTEE

Tuan Haji Hussein Bin Hamzah *(Chairman)*
Mohd. Arif Bin Mastol
Dato' Dr. Choy Fook On

REMUNERATION COMMITTEE

Tuan Haji Hussein Bin Hamzah *(Chairman)*
Mohd. Arif Bin Mastol
Dato' Dr. Choy Fook On

COMPANY SECRETARY

Chua Siew Chuan *(MAICSA 0777689)*

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Level P1, Menara Choy Fook On
No. 1B, Jalan Yong Shook Lin, Section 7,
46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 603-7955 9937 Fax: 603-7956 2812
Website: https://www.fihb.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 603-7890 4700 Fax: 603-7890 4670

AUDITORS

Baker Tilly Monteiro Heng PLT (LLP0019411-LCA)
Chartered Accountants (AF0117)
Baker Tilly Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel: 603-2297 1000 Fax: 603-2282 9980

PRINCIPAL BANKERS

Malayan Banking Berhad

SOLICITORS

Kandiah Partnership
Raslan Loong
Surend Zeffree & Partners

STOCK EXCHANGE

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE AND STOCK NAME

Stock code: 8605
Stock name: FIHB
Sector: Consumer Products & Services
Sub-sector: Household Goods

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. COMPOSITION

The Audit and Risk Management Committee ("the Committee") comprises wholly of three (3) non-executive directors, a majority of whom are independent directors. The Chairman of the Committee is a qualified accountant and a member of the Malaysian Institute of Accountants.

The role of the Committee is to oversee the Company's financial reporting process, corporate governance process and provide the Board with assurance of the quality and reliability of financial information used by the Board and of the financial information issued publicly by the Company. The Committee assumes the following fundamental responsibilities in the Company:-

- assessing the risks and control environment;
- overseeing financial reporting;
- evaluating the internal and external audit processes; and
- reviewing conflict of interest situations and related party transactions.

Assessment on the Term of Office and Performance of the Audit and Risk Management Committee

The Nomination Committee had on 28 August 2019, reviewed the term of office and performance of the Committee as well as whether its members have carried out their duties in accordance with the Term of Reference of the Committee for the financial year ended 30 June 2019.

Upon review, the Nomination Committee was satisfied the overall performance of the Committee and its individual members for the financial year ended 30 June 2019. The Nomination Committee had reported its satisfaction to the Board of Directors for notation.

2. MEETINGS AND ATTENDANCE

During the financial year ended 30 June 2019, there were four (4) meetings held and details of attendance of each Committee member who held office during the financial year ended 30 June 2019 are as follows:-

Name of Directors	No. of meetings attended
Mohd. Arif Bin Mastol	4/4
Tuan Haji Hussein bin Hamzah	4/4
Dato' Dr. Choy Fook On	3/4

The lead audit engagement partner and engagement team member of the External Auditor of the Company attended two (2) Audit and Risk Management Committee meetings held during the financial year. The External Auditors were encouraged to raise to the Committee any matters they considered important for the Committee's attention. During the financial year ended 30 June 2019, there was one (1) private session held between the Committee and the External Auditors without the presence of the Executive Directors and Management personnel.

The Chairman of the Committee also sought information on the communication flow between the External Auditors and the Management which is necessary to allow unrestricted access to information for the External Auditors to effectively perform their duties.

All deliberations during the Committee meeting were duly minuted. Minutes of the Committee were tabled for confirmation at every succeeding Committee meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(Cont'd)

3. TERMS OF REFERENCE

The Terms of Reference of the Committee and the names of members are available at the Company's website at www.fihb.my.

4. SUMMARY OF WORK

For the financial year ended 30 June 2019, the activities carried out by the Committee are as follows:

- Reviewed and recommended all the unaudited quarterly reports on consolidated financial results of the Company and Group during the financial period for financial year ended 30 June 2019 for Board of Directors' consideration and approval.
- Reviewed and recommended the reports and the audited financial statements for the financial year ended 30 June 2019 of the Company prior to tabling to the Board of Directors' approval.
- Reviewed the Audit Planning Memorandum of the external auditors in respect of the audit for the financial statements of the Company and the Group for the financial year ended 30 June 2019 including the audit fees and made recommendations to the Board on their appointment and remuneration.
- Reviewed and approved the internal audit program and reports prepared by the Internal Audit Department.
- Oversee the internal audit function.
- Met with the external auditors without the presence of the Management.
- Reviewed all related party transactions of the Company and the Group on a quarterly basis.
- Review and recommended the Risk Management Framework and Related Party Transaction Policy for Board of Directors' consideration and approval.
- Reviewed and discussed on the Quality Management Systems of the Subsidiary Company on a quarterly basis.
- Reviewed the Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control before recommending for Board's approval for the purpose of inclusion in the Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(Cont'd)

5. INTERNAL AUDIT FUNCTION

The Committee is aware of the fact that an adequately resourced internal audit function is essential to provide independent and objective advice on the effectiveness of the Group's internal controls to the Committee and thereafter to the Management.

The internal audit function is carried out by the Internal Audit Department that reports directly to the Committee and assist the Committee in monitoring and evaluating the adequacy, efficiency and effectiveness of the risk management, Company's internal control and governance processes in anticipating key business process exposure to risk.

During the financial year ended 30 June 2019, the Internal Audit Department conducted three (3) internal audits:

Company	Area of audit
Federal Furniture (1982) Sdn Bhd	Supplier Social Responsibilities (SSR)
Federal Furniture Lifestyle Sdn Bhd	Upkeep of Inventory in Warehouse
Federal Furniture (1982) Sdn Bhd	Quality Management Systems (QMS)

The cost incurred by the Company in connection with the internal audit function for the financial year ended 30 June 2019 was amounted to RM54,200.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Federal International Holdings Berhad ("FIHB" or the "Company") recognises the importance of adopting a good corporate governance and is taking steps to continuously evaluate and improve management practices and systems to enhance the standard of corporate governance applied by the Group. In doing so, the Board has taken guidance from the Malaysian Code on Corporate Governance ("MCCG") with reference to the three (3) key Principles of good corporate practices as follows:-

(a) Principle A : Board Leadership and Effectiveness;
(b) Principle B : Effective Audit and Risk Management; and
(c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The Board is pleased to report on the manner which outlines the main corporate governance applied within the Group to the extent of compliance with best practices, pursuant to paragraph 15.25 of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of Board

The Board is responsible for the performance and conduct of the Company and the Group. It also provides strategic guidance to the Company and effective oversight of its management for the benefits of shareholders and other stakeholders.

Day-to-day management is delegated to the Executive Directors and Management under the steward of the Managing Director. The Independent Non-Executive Directors play a vital check and balance role by challenging and scrutinising Management recommendations and proposals in an objective manner and provide an independent assessment/ judgement to the decision making process at the Board and Board Committees levels.

The Board has assumed the following duties and responsibilities in discharging its fiduciary and leadership functions:-

(a) to review, evaluate, adopt, approve and monitor corporate performance, strategic plans and policies of the Company and its subsidiaries (the "Group");

(b) to comply with ethical standards, principal risks and internal control system appropriate for the size and complexity of the business;

(c) to oversee the Group's adherence to high standards of conduct or ethics and corporate behavior, including the Code of Ethics for Directors and monitor the conduct of business, financial performance of the Group;

(d) to review and adopt budgets and financial results of the Group and comply with applicable financial reporting standards and integrity and adequacy of financial information disclosure; and

(e) ensure the Company has appropriate corporate governance structures in place including standards of ethical behavior and promoting a culture of corporate responsibility.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Separation of Position of the Chairman and Managing Director

The positions of Chairman and Managing Director ("MD") are held by different individuals. Dato' Dr. Choy Fook On is the Non-Independent Non-Executive Chairman while Dato' Choy Wai Hin is the MD.

The Board recognises the importance of having a clear and segregated power and responsibilities between the Chairman of the Board and the MD to ensure a balance of power and authority. The Chairman acts as the leader of the Board and is responsible for overseeing the effective discharge of the Board's supervisory role and facilitating the effective contribution of all Directors. Although the Chairman is not an Independent Director and the Board does not comprise a majority of Independent Directors, the Board is satisfied that the Independent Directors have the skills and experience to exert their independent judgment to bear on issues of strategy, performance and resources including standards of ethics and conduct.

The MD holds the primary executive responsibility for the Group's business performance and manages the Group in accordance with the strategic plans and policies approved by the Board, leading Executive Directors in making and implementing the day-to-day decisions on the business operations. The MD is responsible for the day-to-day management of the Company with all powers and discretion vested in him, from time to time, by the Board. The MD also has the responsibility to facilitate business and have a strategic vision to align the Company, both internally and externally.

At present, the Company does not have a Chief Executive Officer but the MD to assist in the turnaround of the Company. The current arrangement is to provide strong leadership with the ability to marshal the Board's priorities objectively while keeping a lean Board composition.

Company Secretary

The Board is supported by a suitable qualified and competent Company Secretary and the Company Secretary is a qualified Chartered Secretary under Section 235(2)(a) of the Companies Act 2016 and is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary supports the Board in managing the Company's governance model, ensuring it is effective and relevant. The Company Secretary also ensures that deliberations at the Board meetings are well captured and minuted.

For the financial year ended 30 June 2019, the Company Secretary had discharged her duties and responsibilities accordingly, and had and will continue to constantly keep herself abreast on matters concerning company law, the capital market, corporate governance, and other pertinent matters, and with changes in the regulatory environment through continuous training and industry updates.

The Board is satisfied with the performance and support rendered by the Company Secretary in the discharge of her duties.

Supply of and Access to Information

The Directors have full and unrestricted access to all information pertaining to the Group's affairs. All Directors receive relevant board papers in sufficient time prior to the meeting to ensure that the Directors are given sufficient time to read and understand the Board papers and seek any clarification that they may need from Management or to consult the Company Secretary or independent advisers before the Board Meetings, if necessary. The board papers include reports on the performance of key operating units, Group's financial, operating and corporate development.

All Directors have access to the advice and services of the Company Secretary and the advice of such other independent professional as may be deemed necessary at the Company's expense in furtherance of their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Board Charter

The Board has adopted a Board Charter, which provide guidance and clarity on the Board's roles and responsibilities as well as the powers between the Board and the Management as well as the different committees established by Board. The Board will periodically review the Board Charter to ensure it remains consistent with the Board's objectives and responsibilities and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available at the Company's website at www.fihb.my.

The Board has established a formal schedule of matters reserved to the Board for its deliberation and decision in order to enhance the delineation of roles between the Board and the Management, as well as to ensure the direction and control of the Group's operations.

Code of Conduct and Ethics

The Company has adopted a Code of Conduct & Ethics ("the Code") based on the code of conduct expected of Directors of companies as set out in the Company Director's Code of Ethics established by the Companies Commission of Malaysia, and implemented appropriate internal systems to support, promote and ensure the compliance of the Code, which sets out among others, the standard of business conduct and ethical behavior for Directors and employees in the performance and exercise of their responsibilities as Directors and employees respectively of the Company or when representing the Company.

The Board will periodically review and reassess the adequacy of the Code and make such amendments to the Code as the Board may deem appropriate. The Code is available at the Company's website at www.fihb.my.

Whistleblowing

The Company has yet to have a whistle-blowing policy to provide an avenue for all employees and members of the public to disclose any improper conduct or any action that could be harmful to the Group. Nevertheless, the Code contains provisions which encourage all employees to report any genuine concern without fear of intimidation and reprisal. The Company also has a strong corporate culture which prizes team spirit, integrity, commitment and accountability.

Promote Sustainability

The Board is mindful of the important of business sustainability and ensures that there is a plan for promoting sustainability embedded in the development of the Group's strategies, taking into account the environmental, social, culture and governance aspects of business operations. These strategies seek to meet the expectation of stakeholders such as customers, shareholders, regulators, bankers, and the communities in which the Group operates.

The Sustainability Statement is set out in this Annual Report.

Board Composition and Balance

The current Board comprises seven (7) Directors, out of which, one (1) Non-Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors, thus, fulfilling the requirement of at least one-third of the Board comprises independent directors. The profiles of the Directors are set out in this Annual Report.

The Board is satisfied that having regard to the nature, complexity and scale of the existing business, the interests of the minority shareholders are adequately represented and protected with the current composition of the Board. The Board recognises that independent directors bring independent and objective judgment to the Board and play a critical role in any situation where a conflict of interest may arise. The Board has assessed the independence of the Independent Non-Executive Directors, who constitute one third (1/3) of the Board, and are satisfied that they have provided objective and independent judgment at Board deliberations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Board Composition and Balance (continued)

To assist the Board in carrying out its duties and responsibilities, the Board has established the following Committees, each with clearly defined Terms of Reference in order to enhance corporate efficiency and effectiveness:-

(a) Audit and Risk Management Committee;
(b) Nomination Committee; and
(c) Remuneration Committee.

Tenure of Independent Directors

Presently, Tuan Haji Hussein Bin Hamzah is the Independent Non-Executive Director of the Company who has served the Board for a cumulative term of more than twelve (12) years, while Encik Mohd Arif Bin Mastol is the Independent Non-Executive Director of the Company who has served the Board for a cumulative term of more than nine (9) years.

The retention of Tuan Haji Hussein Bin Hamzah and Encik Mohd Arif Bin Mastol as Independent Non-Executive Directors of the Company shall be tabled to the shareholders for approval at the forthcoming Annual General Meeting of the Company.

The Nomination Committee and the Board of the Company have assessed the independence of Tuan Haji Hussein Bin Hamzah and Encik Mohd Arif Bin Mastol, and have recommended that they are to be retained as Independent Directors of the Company as they continue to bring independent and objective judgement to Board deliberations and continue to meet the following criteria for independence in discharging their roles and functions as Independent Directors of the Company:-

- fulfilled the criteria under the definition of Independent Director pursuant to the Paragraph 1.01 of the Main LR;
- not been involved in any business or other relationship which could hinder the exercise of independent judgement, objectivity or his ability to act in the best interests of the Company;
- no potential conflict of interest, whether business or non-business related with the Company;
- not established or maintained any significant personal or social relationship, whether direct or indirect, with the MD and Executive Directors, major shareholders or Management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with his duties and expected of him to carry out his duties as an independent director; and
- not derived any remuneration and other benefits apart from Directors' fees that are approved by shareholders.

Appointment of Directors

The Nomination Committee is tasked to oversee the selection process and assessment of the performance of the Directors for the Board with the objective of securing the best composition to meet the diverse objectives of the Company.

The review process by the Nomination Committee and the Board on an annual basis is based on the competencies, commitment, contribution and performance of the candidates/Board members as well as the required mix of skills, experiences, and other qualities of the Directors to ensure that the Board continues to function effectively and efficiently.

With respect to nomination and election process of new Directors, the responsibilities of the Nomination Committee shall include:-

- Gathering the nomination and selection of Directors for members of the Board.
- Reviewing the competencies, commitment, contribution and performance of the candidates/Board members and the required mix of skills, experiences and gender and other qualities of the Directors.
- Making recommendations to the Board on candidates for appointment.
- Facilitate the relevant orientation and training programme for the new Board member.

In the selection process, the Nomination Committee and the Board does not set any target on race, religion or gender diversity but endeavor to include any member who will improve the Board's overall compositional balance.

All newly appointed Directors will go through a Board induction, followed by a series of the necessary training programmes, including Mandatory Accreditation Programme mandated by Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Gender, Ethnicity and Age Diversity

The Board takes cognizance of gender diversity in the boardroom as recommended by the MCCG to promote the representation of women in the composition of the Board. Presently, there is one (1) female director on the Board of the Company.

The Board does not have any gender, ethnicity and age diversity policies and targets or set any measures to meet any target. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are strictly based on merits and are not driven by any gender, ethnicity or age bias.

The Board will consider establishing a policy formalising its approach to boardroom diversity to ensure that women candidates are sought as part of its recruitment exercise for the future.

Board Meetings

The Board meets at least four (4) times in each financial year and will hold additional meetings if the situation requires. Sufficient notices were given to the Board prior to each meeting. At each meeting, the Board will consider: -

- an operational report from the MD;
- a report on the financial performance;
- specific proposals for capital expenditure and acquisitions, if any;
- major issues and business opportunities for the Company; and
- approve the Interim Financial Reports for announcement to relevant authorities.

During the financial year ended 30 June 2019, there were four (4) Board meetings held and details of attendance by Directors who held office during that financial year under review are as follows:-

Name of Directors	No. of meetings attended
Dato' Dr. Choy Fook On	3/4
Dato' Choy Wai Hin	4/4
Datin Tan Geok Foong	2/4
Datuk Choy Wai Ceong	3/4
Tuan Haji Hussein Bin Hamzah	4/4
Mohd. Arif Bin Mastol	4/4
Dato' Dr. Hj. Abdul Rasid bin Ab. Malik	4/4

All the Directors complied with the minimum 50% attendance requirements in respect of the Board Meetings held during the financial year ended 30 June 2019 as stipulated under Paragraph 15.05 of the Main LR of Bursa Securities.

The Company Secretary record minutes of meetings and conclusion by the Board in the discharge of her duties and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Nomination Committee

The Nomination Committee comprises exclusively of three (3) Non-Executive Directors, a majority of whom are independent. The Chairman of the Nomination Committee is an Independent Director.

The role of the Nomination Committee is to ensure that the members of the Board reflect a broad range of experience, skills and knowledge required to successfully direct and supervise the Group's business activities as well as to ensure a proper balance between Executive Directors and Independent Non-Executive Directors.

The Terms of Reference of the Nomination Committee and the names of members are available at the Company's website at www.fihb.my.

Summary of Activities of the Nomination Committee

A summary of the activities undertaken by the Nomination Committee in the discharge of its duty for the financial year ended 30 June 2019 are as follows:-

1. Examined the composition of the Board and Board Committee;

2. Recommended the re-election of retiring Directors and retention of Independent Directors at the Annual General Meeting;

3. Reviewed the term of office of the Audit and Risk Management Committee and assessed its effectiveness as a whole;

4. Evaluated the effectiveness of the Board as a whole and of the Committees of the Board and the contributions and performance of each individual Directors; and

5. Reviewed the independence of the Independent Directors and assessed their ability according to the following criteria:-

    - the Independent Directors fulfil the definition of an independent director as set out under Paragraph 1.01 of Main LR of Bursa Securities.

    - the Independent Directors are able to exercise independent judgement and act in the best interest of the Company.

    - there must be no potential conflict of interest that the Independent Directors could have with the Company as they had not entered into any contract or transaction with the Company and/or its subsidiaries within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Main LR of Bursa Securities.

    - the Independent Directors have not developed, established or maintained any significant personal or social relationship, whether direct or indirect, with the Non-Executive Chairman and Executive Directors, major shareholders or Management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with their duties and expected of them to carry out their duties as an Independent Director.

    - the Independent Directors do not derive any remuneration and benefits apart from Directors' fees and meeting allowances.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Directors' Training

All the Directors have attended and successfully completed the Bursa Securities' Mandatory Accreditation Program ("MAP") and are encouraged to attend training program from time to time to keep abreast with the relevant development in laws and regulations as well as the business development.

During the financial year under review, Directors of the Company had attended the following courses and programmes:-

(a) Briefing on Accounting developments and new MFRS 9,15,16 and 17;
(b) Sustainability Requirement and the Sustainability Process;
(c) Sales & Services Tax 2018: Understanding The Mechanism and the Impact on Business;
(d) A Half-Day Programme: Growing Your Business Using Simple Arithmetic; and
(e) MBRS for Preparers: Financial Statements.

In addition, the Company Secretary and the external auditors update the Board on a regular basis the respective changes and amendments to regulatory requirements and laws and accounting standards to help Directors keep abreast of such developments.

The Board concluded that the Directors of the Company should be more proactive in participating in various continuing education programmes in the coming financial year ending 30 June 2020.

Annual Assessment of the Board

A formal performance assessment of the Board, Board Committees and individual Directors enables the Board to assess its performance and identify areas for improvement. Such a formal assessment has been conducted for the financial year ended 30 June 2019, and taking into consideration the following key elements for assessment:

- appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;
- clear definition of the Board and Board Committees' roles and responsibilities;
- effectiveness of the Board and Board Committees in carrying out their roles and responsibilities as stipulated in the Board Charter and/ or Terms of Reference;
- sufficiency and relevance of knowledge and expertise of individual Directors in their respective capacity as members of the Board and Board Committees; and
- directors' character, experience, competency, integrity, and time commitment to effectively discharge their roles as Directors, including willingness to devote time in performing their roles, apart from attending Board meetings.

Annual Assessment of Independence

The Board assessed the independence of the Independent Non-Executive Directors taking into account the individual Director's ability to exercise independent judgement at all times and their contribution to the effective functioning of the Board. All Non-Executive Directors are independent of management and free from any relationship. The Board is of the view that the current composition of independent directors fairly reflects the interest of minority shareholders in the Company through the Board representation.

The Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in best interest of the Company.

Re-election of Directors

In accordance to the Article 98 of the Company's Articles of Association, all Directors, including the Managing Director, shall retire from office once at least in each three-year period but shall be eligible for re-election. Additionally, where the MD is appointed for a fixed term that term shall not exceed three years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Re-election of Directors (continued)

Upon the recommendation of the Nomination Committee and the Board of the Company, the Directors due for retirement by rotation pursuant to Article 98 of the Articles of Association at the forthcoming Annual General Meeting are Datin Tan Geok Foong and Dato' Dr. Hj. Abdul Rasid Bin Ab. Malik. All the retiring Directors being eligible, had offered themselves for re-election. The profiles of the retiring Directors are set on Profile of Directors section of this Annual Report.

Remuneration Committee

The Remuneration Committee comprises wholly of Non-Executive Directors, and is tasked with ensuring that the remuneration package is competitive to attract and retain the Executive Directors. The Remuneration Committee has a policy to review, assess and recommend to the Board, the remuneration packages of the Executive Directors. The Executive Directors play no part in making the decisions on their own remuneration.

The remuneration packages of Non-Executive Directors are determined by the Board as a whole with the individuals concerned abstaining from discussion on their own remuneration.

The Terms of Reference of the Remuneration Committee and the names of members are available at the Company's website at www.fihb.my.

The following works were undertaken by the Remuneration Committee during the financial year under review:-

1. Deliberation on the remuneration packages of the Executive Directors for financial year ended 30 June 2019 and recommended the same to the Board for approval; and

2. Reviewed the Directors' fees for the financial year ended 30 June 2019 and benefit payable to the Directors of the Company for the period from 7 December 2019 to the Thirty-Seventh Annual General Meeting of the Company and recommended the same to the Board for consideration.

Directors' Remuneration

The Directors remuneration scheme is linked to service seniority, experience, scope of responsibilities and performance.

Details of Directors' remuneration for the financial year ended 30 June 2019 are as follows:

RM'000	Fee	Meeting allowance	Salary	Bonus	EPF	Other benefits	Total
Company							
Non-Executive Directors							
Dato' Dr. Choy Fook On	40		300	–	18	–	358
Tuan Haji Hussein Bin Hamzah	40	3	–	–	–	–	43
Mohd. Arif Bin Mastol	40	3	–	–	–	–	43
Dato' Dr Abdul Rashid Abdul Malik	30	2	–	–	–	–	32
Executive Directors							
Datin Tan Geok Foong	30	–	300	–	18	–	348
Dato' Choy Wai Hin	30	–	540	–	65	–	635
Datuk Choy Wai Ceong	30	–	420	–	50	–	500
	240	8	1,560	–	151	–	1,959

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Directors' Remuneration (continued)

Details of Directors' remuneration for the financial year ended 30 June 2019 are as follows: (continued)

RM'000	Fee	Meeting allowance	Salary	Bonus	EPF	Other benefits	Total
Group							
Non-Executive Directors							
Dato' Dr. Choy Fook On	40		300	–	18	–	358
Tuan Haji Hussein Bin Hamzah	40	3	–	–	–	–	43
Mohd. Arif Bin Mastol	40	3	–	–	–	–	43
Dato' Dr Abdul Rashid Abdul Malik	30	2	–	–	–	–	32
Executive Directors							
Datin Tan Geok Foong	30	–	300	–	18	–	348
Dato' Choy Wai Hin	30	–	540	–	65	–	635
Datuk Choy Wai Ceong	30	–	420	–	50	–	500
	240	8	1,560	–	151	–	1,959

Remuneration of key senior management

Apart from the remuneration of the Executive Director above, the remuneration for the key senior management are as follows:-

Range of Remuneration	Number of Key Senior Management
RM50,001-RM100,000	1
RM150,001-RM200,000	2
RM300,001-RM350,000	1
RM350,001-RM400,000	1

The Board is of the opinion that disclosure of the key senior management's remuneration on a named basis would have adverse effect on the Company's talent retention in the competitive industry. All key senior management's remuneration package are based on their scope of duty and responsibilities.

The Nomination Committee is of the view that the level of remuneration package of key the senior management in respect of financial year ended 30 June 2019 is fair and reasonable to retain and rewards the talents.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") comprises wholly of three (3) non-executive directors, a majority of whom are independent directors. The present Chairman of the ARMC is Encik Mohd Arif Bin Mastol whilst the Chairman of the Board is Dato' Dr. Choy Fook On.

Having the positions of the Board Chairman and ARMC Chairman assumed by different individuals allows the Board to objectively review the ARMC's findings and recommendations.

None of the ARMC members were former key audit partners within the cooling-off period of at least two (2) years before being appointed as a member of the ARMC.

Assessment of External Auditors

The ARMC does not have a specific policies and procedure to assess the suitability, objectivity and independence of the external auditor.

However, the ARMC undertakes an annual assessment of the suitability and independence of the external auditors. The ARMC meets with the external auditors to discuss their audit plan, audit findings and the Company's financial statements.

The ARMC has obtained confirmation from the external auditors, Messrs. Baker Tilly Monteiro Heng PLT that they are independent in accordance with By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Upon completion of the assessment, the ARMC was satisfied with Messrs. Baker Tilly Monteiro Heng PLT's technical competency i.e. suitability and independence during the financial year under review and recommended the re-appointment of the external auditors for the financial year ending 30 June 2020. The Board approved the recommendation of the ARMC for the shareholders' approval to be sought at the forthcoming annual general meeting of the Company on the re-appointment of the external auditors for the financial year ending 30 June 2020.

Risk Management and Internal Control Framework

The Board is responsible for the Group's risk management framework and system of internal control and for reviewing their adequacy and integrity. Accordingly, the Directors are required to ensure that an effective system of internal control, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines are in place within the Group.

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding the Company's assets and the shareholders' investments, the Group has in place, an adequately resourced internal audit department. The activities of this department which reports regularly to the ARMC provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control. As proper risk management is a significant component of a sound system of internal control, the Group has also put in place risk management process to help the Board in identifying, evaluating and managing risks. The implementation and maintenance of the risk management process is carried out by the ARMC of the Group.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. An integral part of this system of internal control is the establishment of an internal audit department that is independent of the activities they audit and is able to exercise due professional care.

Further elaboration on the above can be found on the Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Internal Audit Function

The Directors acknowledged their responsibility in managing a reasonable sound system of internal controls covers financial, operational and compliance and risk management. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment of the Company's business objectives, which is to enhance the value of shareholders' investment and safeguarding the Group's assets.

The Group has an internal audit department to provide the Board and management with the desired level of assurance that the governance, risk management and internal control system are adequate and effective in mitigating organizational risks to achieve the Group's corporate objectives. The internal audit department reports to the Audit and Risk Management Committee ("Committee") and one of the agenda of each Committee meeting is to receive and review the Internal Audit report. More information on the Internal Audit function can be found on the Audit and Risk Management Committee Report in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communicate with Stakeholders

The Board believes in maintaining an effective communication policy that encourages feedback and comments from shareholders during the Annual General Meeting. Each item of special business included in the notice is accompanied by full explanation of the effects of a proposed resolution. In case of re-election of Directors, the relevant particulars relating to the Directors are stated to assist shareholders in making an informed decision. Communication with shareholders and the general public is also maintained through various announcements released to Bursa Securities including the mandatory announcement of interim financial reports.

All resolutions tabled at general meetings are voted by way of poll and voting procedures are briefed to the shareholders present at the commencement of each general meeting.

The Company has also maintained a website for shareholders and the public to access inter-alia corporate information, financial statements and announcements released to Bursa Securities.

The Board has designated Tuan Haji Hussein Bin Hamzah as the Independent Non-Executive Director to receive, examine and respond to shareholders' enquiries and the general public.

Financial Reporting

The Board endeavours to present a balanced and understandable assessment of the Group's position and prospects when releasing the annual financial statements and quarterly interim reports on consolidated results. The Board has responsibilities to ensure that the annual financial statements are prepared in accordance with the Companies Act 2016 and applicable financial reporting standards for listed entities in Malaysia. All financial reports are reviewed by the ARMC before approval by the Board. One of the members of the ARMC is a qualified accountant and a member of the Malaysian Institute of Accountants. The responsibility of the ARMC in relation to the financial reporting is detailed in the ARMC Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

Relationship with External Auditors

The duties of the Audit and Risk Management Committee include keeping under review the scope and results of the external audit and its effectiveness and the independence and objectivity of the auditors. The external auditors have unrestricted assess to the Audit and Risk Management Committee and the findings of the external auditors are reported to the Audit and Risk Management Committee at least twice a year.

The Audit and Risk Management Committee will meet the External Auditors at least once a year without the presence of the Executive Directors and Management. This allows the Audit and Risk Management Committee and the External Auditors the exchange of free and honest views and opinions in matters related to External Auditors' audit and findings.

Corporate Disclosure Policies and Procedures

The Board acknowledges the importance of timely and accurate dissemination of material information equally to all stakeholders and avoid selective disclosure of information to specific groups or individuals. The Board also observes the disclosure requirements under the Main LR, statues and the Corporate Disclosure Guide issued by Bursa Securities.

Leverage on Information Technology for Effective Dissemination of Information

The Company maintains a website where shareholders and the general public can access the latest information and announcements made to Bursa Securities. The website contains information on the core business activities of the Group, the members of the Board, corporate information, an investors section on financial results, Bursa announcements and contact person.

The quarterly financial results were announced via BURSA LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 25 October 2019.

Conduct of General Meetings

The Company provides information to the shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy.

All shareholders are encouraged to attend the Company's AGM and participate in the proceedings. The shareholders are given the opportunities to raise questions and seek clarification on the business and performance of the Group. The Boards members, Senior Management and External Auditors are present at the Company's AGM to respond to shareholders queries.

Notice of AGM

The Notice of Annual General Meeting is circulated to shareholders at least twenty-eight (28) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. In addition to the explanatory notes to the special business as stated in the Notice of Annual General Meeting, the Company takes extra steps to also include explanatory notes to the ordinary business of the Annual General Meeting, facilitating full understanding and evaluation of issues involved in the proposed resolutions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have overall responsibility under the Companies Act 2016 for the preparation of annual financial statements in accordance with applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the affairs of the Company and the Group at the end of the financial year and of the results and cash flows for the year. The Directors are also required to ensure that proper accounting and other records are maintained to sufficiently explain the transactions and cause these records to be kept in such a manner as to enable them to be conveniently and properly audited.

The Listing Requirements of Bursa Securities require that the annual audited financial statements be prepared in accordance with applicable Financial Reporting Standards in Malaysia and the Companies Act 2016.

In preparing the annual audited financial statements, the Directors have:-

- Selected appropriate accounting policies and applied them consistently.
- Ensured that accounting standards adopted are in compliance with applicable Financial Reporting Standards in Malaysia and where applicable the International Accounting Standard Committee (IASC).
- Made judgments and estimates that are reasonable and prudent.
- Ensured complete disclosures of all information required under the Companies Act 2016 and the Main LR of Bursa Securities.

ADDITIONAL COMPLIANCE INFORMATION

(a) Status of utilisation of proceeds raised from any corporate proposal

The Company did not undertake any fund raising corporate exercise during the financial year ended 30 June 2019.

(b) Audit and Non-audit fees

The amount of audit fees and non-audit fees paid or payable to the external auditor, Baker Tilly Monteiro Heng PLT for the services rendered to the Company and the Group for the financial year ended 30 June 2019 are as follows:-

Subject	Company	Group
Audit Fees	32,000	102,880
Non-Audit Fees	4,000	4,000
Total	36,000	106,8800

(c) Material Contracts Involving Directors' or Major Shareholders' Interest

Transactions that involve the interests of Directors and major shareholders are disclosed in Note 32 Significant Related Party Transactions of the Notes to the Financial Statements in the Annual Report. Save as disclosed therein there are no material contracts still subsisting that involve the interests of Directors and major shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT AND OTHER ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

(d) Recurrent Related Party Transactions

At the Thirty-Fifth Annual General Meeting of the Company held on 7 December 2018, the Company obtained a mandate from its shareholders for recurrent related party transactions of a revenue or trading in nature with related parties.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main LR of Bursa Securities, the details of RRPTs conducted during the financial year ended 30 June 2019 pursuant to the shareholders' mandate are set out below:-

Transacting party within FIHB Group	**Transacting Related Party**	**Nature of Transactions**	**Actual value of Transactions from 7 December 2018 *(being the date of 35th AGM)* to 30 June 2019 (RM'000)**
Federal Furniture Industries Sdn. Bhd. ("FFI")	MSB Admiral Ltd	Supply of loose furniture and curtain and project management by FFI to MSB Admiral Ltd.	2,726

SUSTAINABILITY STATEMENT

The Board of Directors ("Board") of Federal International Holdings Berhad ("FIHB" or the "Company") believes in the long-term value brought by business sustainability, addressing economic, environmental and social matters as well as business profitability, to stakeholders of FIHB and the FIHB Group ("Group"). The Board also recognises its responsibility in ensuring that the strategic plan of the Company supports the long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

This Sustainability Statement ("Statement") is prepared to set out how sustainability is considered in the Group's businesses, discussing how the Group's governance structure supports the incorporation of sustainability in businesses, the scope of reporting, approach to materiality assessment and the material sustainability matters ("MSMs") identified and how they are managed.

This Statement is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") and has incorporated consideration of the Sustainability Reporting Guide – 2nd Edition, including its accompanying Toolkits, issued by Bursa.

Governance for Sustainability

In its effort to leverage on existing processes to facilitate an integrated consideration of risks and opportunities to the Group's business, FIHB considers economic, environmental and social risks via the Group's Risk Management Framework and relevant processes. Apart from ensuring that the Company's strategic plan considers sustainability in terms of economic, environmental and social matters, the Board is also responsible for ensuring a sustainability framework is in place with effective and adequate processes.

The Board is assisted by the Audit and Risk Management Committee, whose fundamental responsibilities include assessing the risks and control environment of the Company and its businesses, in ensuring the establishment of the Group's sustainability processes and management of MSMs.

At the management and execution level, Management is led by the Group's Executive Directors in delivering sustainability-related strategies and initiatives of the Group, at each relevant business divisions. Similar to the Group's Risk Management Framework and its processes, Management led by the Executive Directors take responsibility for identifying and assessing the Group's sustainability risks and opportunities and managing and reporting the MSMs.

Scope and Approach

The scope of this Statement includes the two business divisions which are the key revenue contributors to the Group, i.e. Manufacturing Division and Construction Division, jointly contributing to close to 80% of the Group's revenue for the financial year under review.

During the financial year under review, a materiality assessment workshop was conducted and participated by key management of the Group to assess and consider the Group's sustainability in line with its corporate strategy. Amongst others, the materiality assessment workshop discussed the following:

- key stakeholders of the Group's different business divisions including customers, workers and employees, contractors and suppliers, local communities, etc.;
- MSMs of the Group, considering:
  (a) those which significantly reflects the business' impacts; and
  (b) those which substantively influence the assessments and decisions of stakeholders.

MSMs identified during the materiality assessment workshop are discussed in the following section.

Material Sustainability Matter

The Group upholds ethics and integrity and prioritises the fair treatment of all employees and workers, and we apply these values consistently throughout the Group's businesses. Hence, MSMs identified on these areas, i.e. Ethical Business Practice and Labour Practices and Human Rights will be discussed from the Group's perspective, while the rest of the MSMs will be discussed in the context of each division, as follows:

MSMs	The Group	Manufacturing	Construction
Ethical Business Practice	x		
Labour Practices and Human Rights	x		
Waste Management		x	x
Emission and Noise			x
Occupational Safety and Health		x	x
Product Design, Technology and Innovation, and Materials		x	x
Employee Development, Talent Attraction and Retention		x	

<u>THE GROUP</u>

Ethical Business Practice

Ethical business and integrity is a value and is also a standard upheld by the Group in doing business and creating value for stakeholders, as well as gaining the trust of customers, peers and shareholders. The Group's business ethics are guided by the standards set by the Board, codified into the Code of Business Conduct and Ethics (the "Code") of the Group, which is periodically assessed and reviewed by the Board to ensure its relevance and adequacy.

The Code is applicable to all levels including directors, officers and employees of the Group and shall be applied and upheld at all times. Amongst others, the Code sets out the ethical business standards in relation to confidentiality of information, conflict of interest situations, bribery, insider trading, etc.

The Code is enforced through internal procedures, and policy and procedures on reporting of violations of the Code or illegal or unethical behaviour were established to facilitate a whistleblowing process. The whistleblowing process has incorporated the elements of independence, options for anonymity and whistleblower protection to encourage the highlighting of concerns regarding unethical business practices without fear of reprisal. Independent parties, including the internal audit function and Audit Committee, play a significant role in the investigation process, providing strong support to enforcement.

For the financial year under review, there were no reported whistleblowing cases. Continuous efforts will be put in to ensure the integrity and ethical business practices are upheld in our businesses.

In view of the recent amendments to the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") which introduces corporate liability in relation to the prevention of bribery in businesses, the Group will assess and consider the necessary actions to ensure adequate procedures are in place to prevent the conduct of bribery activities, in relation to Section 17A of the MACC Act 2009.

SUSTAINABILITY STATEMENT
(Cont'd)

Labour Practices and Human Rights

The Group treats all its employees and workers equally, regardless of race, creed, colour, religion, gender, sexual orientation, national origin, disability or age. While our workforce across the manufacturing division and construction division consists of a mix of local and foreign workers, they are treated equally and fairly. We provide our workers with accommodation, the necessary amenities, and medical clinics to provide support to their day-to-day livelihood and wellbeing. Furthermore, we do not hold the passports of our foreign workers.

In our manufacturing division, we have established a Non-Discrimination Policy which serves as a standard for the equal and fair treatment of our employees and workers, practised throughout all levels of our management, employees and workers. The Non-Discrimination Policy further provides a channel for complaints to be lodge in relation to the Non-Discrimination Policy, including clear procedures for handling complaints and protection against anyone who makes a complaint. For the financial year under review, we did not receive any complaints pertaining to breaches or violations of the Non-Discrimination Policy.

Further to the above, occasional audits are also carried out by our customers, looking into amongst others, social responsibilities which focuses on our work safety and human resources policies and procedures.

MANUFACTURING DIVISION

Product Design, Technology and Innovation, and Material Safety

The Group's Manufacturing Division refers to the manufacturing of modular casework, shop fixtures and fitting and furniture for corporate customers. Our manufacturing capabilities, especially our capability in customising products to the customers' needs, as well as skilled and quality workmanship, are what sets us apart from other market players. In addition, we provide value to our customers with our extensive experience serving corporate customers representing international brands and our aptitude to provide design consultations to our customers.

We have an in-house design team staffed with experienced and qualified designers, whose roles are to collaborate with our customers to provide value engineering consultation, as well as achieving production and cost-efficiency. The design team brings together the business-customer relationship by offering its experience in integrating design elements, such as ergonomics, use of materials, construction technologies, etc., as well as to enable the application of lean manufacturing in enhancing production effectiveness and efficiency. We have the practice to recommend, wherever possible, the use of environmentally friendly materials, such as zero-emission fibre boards and recycled materials, to reduce our carbon footprint.

Aware of how technological advancements can have an impact on business strategies and even business models, the Group has been constantly looking into various methods where technology can be incorporated into our Manufacturing business/ processes to better achieve business sustainability and efficiency. We are embarking on a journey towards adopting Industrial Revolution 4.0 in our manufacturing process, such as incorporating lean manufacturing technology, real-time monitoring of manufacturing process, etc., which has helped the business increase operational efficiency, reduce wastages, enhance product quality, and mitigate workplace safety and health risks.

As far as emission in materials used is concerned, our manufacturing process, including panel boards, plywood, engineered wood that we use as materials, uses adhesive which may contain formaldehyde content. Formaldehyde emission in finished products, especially in enclosed, indoor environment may have adverse impact on users and hence is regulated in many countries.

SUSTAINABILITY STATEMENT
(Cont'd)

Product Design, Technology and Innovation, and Material Safety (continued)

While the regulated standards for formaldehyde content vary depending on which country our customers are based in, our products adhere to a minimum standard in accordance with the California Air Resources Board ("CARB") Airborne Toxic Control Measures ("ATCM") Phase II ("CARB P2") standards. For our Japan-based customers, a stricter standard, i.e. the F 4-Star requirements, is required.

To ensure our products contain a safe level of formaldehyde content and comply with the required standards, we have a robust supplier assessment process to ensure our suppliers for adhesive can satisfy our requirements. Apart from requiring certified Technical Data Sheets ("TDS") and Safety Data Sheets ("SDS") for the materials that we source, we also conduct audits from time to time on our suppliers. For the financial year under review, we did not receive any major complaint or product rejection arising from breaches in formaldehyde content in our products.

Occupational Safety and Health

The Manufacturing Division mainly operates out of our factory in Banting with a workforce of approximately 120 workers, some of whom are required to perform activities including those which may expose our workers to greater risks such as working with panel saws, carpentry and edge banding, etc. These activities require our workers to work with sharp edges, contact with machinery, lifting heavy objects, flying fragments, noise etc.

In order to provide systematic management of safety and health risk, standard operating procedures of the Manufacturing Division is guided by our Safety and Health Policy, which is developed in accordance with OHSAS 18001 – Occupational Health and Safety Management Systems. In line with local laws and regulations, we have also established an Occupational Safety, Health and Environment ("SHE") Committee, whose key objectives are to:

- reduce accidents and incidents within the workplace;
- uphold employee welfare with regards to safety, health and environment; and
- uphold and enforce adherence to and compliance with the Occupational Safety and Health Act 1994, Factories and Machinery Act 1967 Environmental Quality Act 1974 and other relevant legislation.

Hazard Identification, Risk Assessment and Risk Control ("HIRARC"), which is part of the Safety Policy, is applied in the manufacturing division to identify high-risk processes and whether necessary controls are established to manage those safety and health risks. These include providing appropriate personal protection equipment ("PPE"), such as face masks, safety goggles, hearing protection, safety gloves and shoes, etc., to workers and enforcing the use of such PPE in a proper manner. In addition, we also conduct regular maintenance and checking of our machinery and equipment to ensure their functions and safety features are operating as intended.

From time to time, occupational health and safety risks and their respective controls are assessed to determine their effectiveness and adequacy and additional controls may be put in place to enhance existing controls, such as upgrading to better PPEs, more frequent checking and monitoring, etc. Training on occupational safety and health is also provided periodically to raise awareness amongst workers, educate on the proper use of PPE and the appropriate responses during accidents or emergencies.

We aim to have zero accidents and zero complaints relating to unsafe working condition and unsafe act, apart from compliance with relevant laws and regulations. For the financial year under review, we are pleased to have no reported cases of accidents or complaints on unsafe working condition or unsafe acts.

Manufacturing Division	FYE 30 June 2019
Serious Injury Cases	0
Fatality Cases	0

SUSTAINABILITY STATEMENT
(Cont'd)

Waste Management

As part of the nature of our manufacturing operations, materials we use may contain chemicals such as glue and paint, which can affect the environment if not disposed of properly. Scheduled wastes such as glue and solvent containers, contaminated drums/ tins/ containers, or paper filters used in spray booths, are identified, labelled, segregated and disposed only by qualified contractors approved by the Malaysian Department of Environment, in accordance with local environmental law and regulations, i.e. Environmental Quality (Scheduled Wastes) Regulation 2005.

Other types of waste generated, such as scrap metals, non-toxic plastic bottles and containers, and paper boxes, are categorised as non-scheduled waste and can be disposed and processed with fewer restrictions. In our Manufacturing operations, we sell our non-scheduled waste to scrap merchants to enable alternate use of these waste materials.

For the financial year under review, there are no recorded fines from authorities or regulators relating to improper management of waste of our Manufacturing operations.

Employee Development, Talent Attraction and Retention

Our manufacturing business differentiates itself in the market with our product quality and skills capacity made possible by the talents, skills and experience found in our employees. It is crucial for us to continuously develop, attract and retain the right talent within the business. In order to attract more interests and talents into the industry, we collaborate with universities and design colleges to provide students with the exposure and perspective into the design industry by conducting factory visits and other related programs.

We have established a Workers Training and Upgrading Program which is a formal program for employees' skills development and apprenticeship. The program includes elements of mentorship where experience are shared and passed down to younger generations. The program also has greater emphasis on the several key skills identified to be important in the manufacturing process.

On top of that, we also provide training regularly to our employees, where relevant, to ensure they are competent and up to date with advancements in the fields of their functions. For the financial year under review, training provided to employees include, but not limited to, the following subjects:

- goods and service tax and sales and service tax;
- logistics;
- lean manufacturing;
- Wood CAD/CAM;
- Autocad Inventor; and
- Occupational Safety and Health.

For the financial year under review, approximately 200 hours of training, external and in-house, have been arranged and conducted for employees of the manufacturing division.

<u>CONSTRUCTION DIVISION</u>

Product Design, Technology and Innovation

In the construction sector, we leverage on the advancement of technology and innovation to achieve greater manufacturing efficiency, at the same time better quality and economic benefit. We consider and adopt, wherever practical, industrialised building system ("IBS") technology in the construction process.

SUSTAINABILITY STATEMENT
(Cont'd)

Product Design, Technology and Innovation (continued)

For example, when performing in-situ casting, we employ system formworks, also a type of IBS construction method, which enables better casting quality, is more time-efficient, and enables formwork to be recycled or reused more effectively, as compared to conventional wooden formwork methods.

That said, there are also challenges for IBS adoption in Malaysia such as limited industry competency, economic factors and supply capacity in the market. While exploring various methods and options to adopt IBS in our manufacturing processes, we also consider various factors including availability of talents and skills, supply in the market, as well as economic advantages of adoption. Currently, most of our construction projects employ a mix of both IBS systems and conventional construction methods.

We also believe that the increased adoption and maturity of IBS construction method can also help to mitigate other sustainability-related risks relating to occupational safety and health, waste management, emission and noise.

Occupational Safety and Health

As part of the nature of the construction sector, occupational safety and health is inherently a risk to workers, especially those working at construction sites. We aim to provide a working environment which protects all our employees, workers, and stakeholders, such as contractors, engineers and the general public against workplace hazards.

Overall, operations at our construction sites are guided by our safety standards, which are embedded in standard operating procedures ("SOPs") for construction operations, considering compliance with local laws and/ or regulations such as those imposed by the Construction Industry Development Board ("CIDB"), Department of Occupational Safety and Health ("DOSH") and Department of Environment ("DoE"), to name a few, and also other better practices that suit the circumstances of our operations.

A designated qualified Safety Officer is appointed for each of the Group's construction projects to monitor compliance with safety laws and regulations. The Safety Officer will carry out safety briefings for site workers and staff on a weekly basis or whenever necessary, to ensure a mindset and culture of safety is always present during day-to-day operations at site. The Safety Officer is responsible to monitor and record the implementation of safety practices or any breaches for each respective project and report the same to the Project Manager, who also plays a role in ensuring safe site conditions and practices.

Safety controls are established and enforced strictly to protect site workers and visitors, such as the provision of personal protection equipment ("PPE"), zoning and boundary setting for high-risk construction areas, and standard procedures for operating heavy machinery and equipment, etc. Training is also regularly provided to site workers on safety controls and procedures to ensure effective and safe execution of operations.

For the financial year under review, there were no serious injuries or fatalities reported for our construction division.

Construction Division	FYE 30 June 2019
Serious Injury Cases	0
Fatality Cases	0

In addition to the above, one of the common challenges for construction sites in Malaysia is that construction sites can be prone to becoming breeding ground for mosquitoes, especially during rainy seasons. Thus, at our project sites, we undertake efforts to maintain site cleanliness and perform daily cleaning, weekly housekeeping and monthly fogging or larvae siding to prevent larvae breeding. We also adopt a monitoring and reporting process to ensure our contractors adhere to our site cleaning and management standards.

SUSTAINABILITY STATEMENT
(Cont'd)

Waste Management, Emission and Noise

Waste generated at construction sites can include concrete debris, wood waste, rubble, etc. We manage all our waste in accordance with the relevant laws and regulations, e.g. Environmental Quality Act 1974, and formalised the proper handling and treatment of waste, including relevant controls, in our SOPs for the Construction Division, such as having designated Roll-on Roll-off ("RORO") drums for wastes. In addition, construction site workers are briefed and trained on the proper identification and management of waste to ensure waste management efforts are successfully carried out.

Dust emission can become an issue at project sites, generated from various phases of construction such as demolition, hacking, excavation, vehicular movement, etc. To avoid nuisance created by ambient dust from our project sites, we regularly perform watering of access roads where dust emission is mainly generated. In addition, we also impose a speed limit on vehicles on-site to minimise the impact of dust emission.

Nevertheless, as some of our project sites are within the proximity of existing communities, nuisance affecting surrounding communities may not be completely avoidable. In this regard, Project Managers play the role to ensure all practical efforts are being undertaken and they also constantly engage with representatives of surrounding communities to communicate and work together to resolve the communities' concerns, should any arise.

For the financial year under review, we did not receive any fines from the authorities or regulators on matters regarding waste management, emission or noise.

Promoting Business Sustainability and Corporate Citizenship

As an approved supplier to a large high-profile US multinational company who is a member of Global Social Compliance program that espouses stringent ethical sourcing practices, the manufacturing division has to continuously comply with and adopt its sustainability practices and has consistently passed our customer's zero-tolerance supplier assessments.

The Group endeavours to play its part as a responsible corporate citizen by aiming for positive value creation to stakeholders as well as the environment and society. Apart from putting in proportionate efforts to ensure that MSMs identified are managed, the Group also gives back to the communities by way of supporting events promoting various social causes. From time to time, we provide assistance to the less fortunate via cash donation and other social projects.

We have continued to participate in the Frog Classroom Programme which is a strategic partnership initiative between YTL Foundation and the Group. The Frog Classroom Programme aims to transform classrooms throughout Malaysia into 21st-century learning spaces which promote technology-enabled and student-focused learning. In August 2018, we undertook a Classroom Makeover Project for SMK La Salle, Petaling Jaya, where we initiated the "Furniture Design by Students, For Students" programme which enabled students to design the furniture for their Frog Classroom and we produced the furniture pieces according to the students' designs. The students were involved and guided throughout the entire process from design, specification, manufacturing to the assembly of the furniture. In total, 32 students were involved in the programme and we are proud to have helped these students be inspired with new exposure, knowledge and for some, a dream to become great designers or artists. The Group has also supported and donated furniture to the United Hope Refugee Education Center ("UHREC"), which aims to give education to refugee children. Equipped with the necessary furniture such as study desks, chairs, cabinets, and shelves, the UHREC successfully launched its opening and we are proud to have participated in this noble cause.

We will continue to assess the adequacy and effectiveness of our sustainability management efforts and consider arising sustainability matters with due consideration given to the Group's businesses as well as our stakeholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Federal International Holdings Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 30 June 2019, which has been prepared in accordance with the "Statement on Risk Management & Internal Control – Guideline for Directors of Public Listed Issuers" issued by Bursa Malaysia Securities Berhad and taking into consideration the Malaysian Code on Corporate Governance.

RESPONSIBILITY

The Board and the Company strive to ensure a sound system of risk management and internal control to safeguard shareholders' investment and the Company's assets.

The risk management and internal control system is designed to enable the Group to manage rather than to eliminate risks. The Board acknowledges that risks cannot be completely eliminated and the system can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

The risk management and internal control system continuously identify, evaluate and manage the significant risks faced by the Group and was in place for the financial period under review up to the date of approval of the annual report.

The processes within the internal control system are regularly reviewed by the Board and are in accordance with the guidance as contained in the Statement on Risk Management & Internal Control - Guidance for Directors of Listed Issuers.

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

The Board adopted a Risk Management policy that provides an overview of the Management enterprise-wide approach to risk management and illustrates examples of how the approach is implemented within the Group.

RISK MANAGEMENT FRAMEWORK

The Group recognizes that effective Risk Management is firmly embedded in the Company's management system as Management firmly believes that risk management is critical for the Company's sustainability and the enhancement of shareholder value.

The Group has in place process for the selection, implementation, assessment and monitoring of the major strategic, business and operation risks within the Group. The process has been in place for the financial year under review and up to the approval of this statement for inclusion in the annual report.

The key aspects of the risk management framework are:

Categorise - Categorise the information by its potential impact on the organisation.

Select - Select security controls. Find out the most appropriate control systems for the needs of the organisation and the nature of the potential risks.

Implement - Implement security controls and keep a record of how the controls are used in the context of the information system and the general risk management approach.

Assess - Assess the security controls using objective, factual measuring systems to determine their effectiveness against the pre-defined objectives.

Authorise - Authorise operations based on the information gathered, the objectives and the degree of risk that the company is able to assume.

Monitor - Monitor the security controls and their effectiveness on an ongoing basis, documenting changes, flaws, potential improvements and the overall state of the risk management programme to report to the management board.

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

KEY PROCESSES

The key processes that have been established by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

- The Group's internal audit department conducts regular reviews of business processes to assess the adequacy and effectiveness of the risk management and internal controls and highlight significant risks impacting the Group.
- The internal audit department reports to the Audit and Risk Management Committee who regularly reviews and holds discussions with the internal audit department and management on the findings and recommendations in reports prepared by the internal audit department.
- The Board receives and reviews regular reports from management covering the financial performance and key business indicators of various business operating units.

INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Department that reports to the Audit and Risk Management Committee on a quarterly basis. The Audit and Risk Management Committee reviews the annual internal audit plan, which was co-developed by the Internal Audit Department and management. Applying a risk-based approach, periodic internal audit visits have been carried out to review the adequacy and integrity of key internal controls of the Group's business to provide an independent assurance on the systems of internal control.

Review of this Statement

The External Auditors have reviewed this Statement pursuant to the scope set put in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 30 June 2019 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon.

Conclusion

The Board is of the view that the Group's risk management and internal control systems are in place for the year under review, and up to the date of approval of this Statement, is sound and adequate to safeguard shareholders' investment, interests of customers, regulators, employees and other stakeholders, and the Group's assets. Notwithstanding this, on-going reviews are continuously carried out to ensure the effectiveness of the system.

The Board is committed towards operating a sound system of internal control and effective risk management throughout the Group. As such, the Board will, when necessary, put in place appropriate action plans to rectify any potential weakness or further enhance the system of internal control.

PROFILE OF DIRECTORS

DATO' DR. CHOY FOOK ON
(Non-Independent Non-Executive Chairman)

Malaysian, male, age 82, is the Non-Independent Non-Executive Chairman and founder of FIHB Group, and was appointed to the Board of Directors on 2 February 1983. He was appointed as Executive Chairman on 6 November 1992 and held the position of Managing Director from 12 February 1993 until 8 August 1996. Dato' Dr. Choy is also a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

In 1996, the Pacific Western University in the United States of America awarded Dato' Dr. Choy a Degree in Doctor of Philosophy in Business Administration. He has been involved in the furniture and interior fit-out works industries for more than 30 years and has acquired extensive experience and knowledge in manufacturing, exporting, distribution and marketing of furniture, renovation, and interior design of offices and hotels. In 1990, he was appointed by the World Bank to act as a Project Consultant for the development of wood-based industry for the General Bureaux of Guangdon State Farms and Hainan State Farms in the People's Republic of China.

Apart from the above, Dato' Dr. Choy does not hold directorship in other public companies.

Dato' Dr. Choy is the spouse of Datin Tan Geok Foong, an Executive Director, and father of Dato' Choy Wai Hin and Datuk Choy Wai Ceong who are the Managing Director and Executive Director respectively as well as major shareholders of the Company. He also is a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, of which is a major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted for any offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies. Dato' Dr. Choy is a major shareholder of the Company and his interest in securities of the Company and its subsidiaries are disclosed in the Annual Report.

Dato' Dr. Choy attended three (3) out of four (4) Board meetings for the financial year ended 30 June 2019.

DATIN TAN GEOK FOONG
(Executive Director)

Malaysian, female, age 77, was appointed as an Executive Director of FIHB on 2 February 1983. She has more than 20 years of experience in the interior fit-out works and in retailing, trading and manufacturing of wood-based products. Currently, she is actively involved in the retailing operations of the Group. She also sits on the Board of other private limited companies involved in property development and property investment.

Apart from the above, Datin Tan does not hold directorship in other public companies.

Datin Tan is the spouse of Dato' Dr. Choy Fook On, the Non-Independent Non-Executive Chairman, and mother of Dato' Choy Wai Hin and Datuk Choy Wai Ceong who are the Managing Director and Executive Director respectively as well as major shareholders of the Company. She is also a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, of which is a major shareholder of the Company. She has no conflict of interest with the Company and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies. Datin Tan is a major shareholder of the Company and her interest in securities of the Company and its subsidiaries are disclosed in the Annual Report.

Datin Tan attended two (2) out of four (4) Board meetings for the financial year ended 30 June 2019.

PROFILE OF DIRECTORS
(Cont'd)

DATO' CHOY WAI HIN
(Managing Director)

Malaysian, male, age 56, has been the Managing Director of FIHB since 8 August 1996 and was first appointed to the Board on 1 November 1991.

Dato' Choy graduated with a Bachelor of Science (Honours) degree in Civil Engineering from the University of London, United Kingdom in 1986. He joined Alam Jurutera Perunding, a firm of Civil and Structural Engineering, as an engineer in 1987 and, in the same year, left to join the Group. Prior to his appointment as Managing Director, he was responsible for the production and domestic marketing for the FIHB Group. Presently, as the Managing Director of FIHB, he has overall responsibilities for the directions and profitability of the Group. In 1997, he attended the Program for Management Development at the School of Business Administration, Harvard Business School in the United States of America.

Apart from the above, Dato' Choy does not hold directorship in other public companies.

Dato' Choy Wai Hin is a major shareholder of the Company and the son of Dato' Dr. Choy Fook On, the Non-Independent Non-Executive Chairman and Datin Tan Geok Foong, an Executive Director, and the brother of Datuk Choy Wai Ceong, an Executive Director who are all major shareholders of the Company. He is a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, of which is a major shareholders of the Company. Besides, he is the father of Mr. Choy Kin Mann and Ms. Choy Yuin Yi who are the Alternate Director to Dato' Dr. Choy Fook On and Datin Tan Geok Foong respectively. He has no conflict of interest with the Company and has not been convicted for any offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies. Dato' Choy's interest in securities of the Company and its subsidiaries are disclosed in the Annual Report.

Dato' Choy attended all four (4) Board meetings for the financial year ended 30 June 2019.

DATUK CHOY WAI CEONG
(Executive Director)

Malaysian, male, age 55, has been the Executive Director of FIHB since 1 November 1991. He holds a Bachelor of Law (Hons) degree from the University of London, United Kingdom and was called to the English Bar (Middle Temple) in 1986. Prior to joining the Group in 1987, he worked at the law firm of Nik Hussain & Partners for a period of one year. As a result of his active participation in the overseas market, he has acquired substantial experience in the international furniture market and has developed an intimate knowledge of the overseas market structure, distribution system, pricing and trade opportunities. Datuk Choy is also the Managing Director of the Masteron Group which is involved in property development and property investment.

Apart from the above, Datuk Choy does not hold directorship in other public companies.

Datuk Choy Wai Ceong is a major shareholder of the Company and the son of Dato' Dr. Choy Fook On, the Non-Independent Non-Executive Chairman, and Datin Tan Geok Foong, an Executive Director, and the brother of Dato' Choy Wai Hin, the Managing Director, who are all major shareholders of the Company. He is also a director and major shareholder of Choy Fook On & Sons Realty Sdn Bhd, of which is a major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies. Datuk Choy's interest in securities of the Company and its subsidiaries are disclosed in the Annual Report.

Datuk Choy attended three (3) out of four (4) Board meetings for the financial year ended 30 June 2019.

PROFILE OF DIRECTORS
(Cont'd)

TUAN HAJI HUSSEIN BIN HAMZAH
(Independent Non-Executive Director)

Malaysian, male, age 75, has been an Independent Non-Executive Director since 7 August 2004. He is a member of the Audit and Risk Management Committee and Chairman of the Nomination Committee and Remuneration Committee.

Tuan Haji Hussein holds Associateship in Architecture from the Western Australian Institute of Technology and Diploma in Architecture from MARA Institute of Technology. He is a Professional Architect and Interior Designer registered with the Board of Architects, Malaysia. He held various positions in Professional Institutes including Pertubuhan Arkitek Malaysia ("PAM") serving as President from 1989 to 1990, and Institut Perekabentuk Dalaman Malaysia ("IPDM") serving as President from 1992 to 1994 and 2007 to 2009. Having previously served as a member representing PAM on the Board of Architects (1990 to 1992), he is currently re-appointed to the Board of Architects (2004 to present).

He has served in various government committees such as a member of the committee for GATT and Trade in Services (construction industry) in the Ministry of Finance, a member of the Consultative Panel for the National Housing Policy, the standing committee for amendments to the Uniform Building By-Laws in the Ministry of Housing and Local Government and Chairman for Architectural Examination Council of the Board of Architects. He was appointed by the Ministry of Housing and Local Government as Chairman for the Standards Committee on Use of Buildings by the Handicapped. He is also a Director of Idaman Unggul Berhad and Idris Hydraulic (Malaysia) Berhad.

Tuan Haji Hussein does not hold any shares in the Company and has no relationship with any other directors and/or substantial shareholders of FIHB. He has no conflict of interests with FIHB and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Tuan Haji Hussein attended all four (4) Board meetings for the financial year ended 30 June 2019.

MOHD. ARIF BIN MASTOL
(Independent Non-Executive Director)

Malaysian, male, age 65, was appointed as an Independent Non-Executive Director on 30 January 2010. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee and Remuneration Committee.

Mohd. Arif Bin Mastol graduated from MARA Institute of Technology in Accountancy, and he is also a member of the Malaysian Institute of Accountants.

He began his career in 1977 as an Executive Account Officer. In 1985, he served as an Accountant with the Treasury Department of Kuala Lumpur City Hall after completing his Degree in Accounting from MARA Institute of Technology. From 1991 to 2001, he was attached with several companies, including a Japanese based company in several capacities including Assistant Manager Finance & Accounts, Finance & Administration Manager, Company Representative and Financial Controller before assuming his current position as Chief Operating Officer.

Currently, he is an Independent Non-Executive Director of Leader Steel Holdings Berhad and SKB Shutter Holdings Berhad.

Mohd. Arif Bin Mastol does not hold any shares in the Company and has no relationship with any other directors and/or substantial shareholders of FIHB. He has no conflict of interests with FIHB and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Mohd. Arif Bin Mastol attended all four (4) Board meetings for the financial year ended 30 June 2019.

PROFILE OF DIRECTORS
(Cont'd)

DATO' DR. HJ. ABDUL RASID BIN AB MALIK
(Independent Non-Executive Director)

Malaysian, male, age 66, was appointed as an Independent Non-Executive Director of FIHB on 1 September 2015. Dato' Dr Hj Abdul Rasid graduated with a Bachelor of Science (Forestry) from Universiti Pertanian Malaysia in 1979. He later obtained his Masters of Science from Imperial College of Science, Technology & Medicine, London in 1968. In 1993, he was awarded Doctor of Philosophy from the University of London.

Dato' Dr Hj Abdul Rasid joined the Forest Research Institute Malaysia ("FRIM") upon his graduation in 1979 and was there for 32 years until 2011. He had an illustrious career in FRIM where he rose through the ranks from Research Officer to Director of various divisions such as Forest Products (1995), Corporate Affairs (1999), Business Support (2001), Business Development (2003), Management & Multimedia (2005). His last position was Deputy Director General Research & Development from 2007 to 2011. Dato' Dr Hj Abdul Rasid then became the Project Consultant with Technology Park Malaysia from 2012 to 2013.

Dato' Dr Hj Abdul Rasid has contributed professionally as member, chairman and secretary in various technical committees both internationally and locally, some of which are Associate Member of the Academy of Science Malaysia, Member of Sub-Committee on Technical Visit of Langkawi International Dialogue, Member of the Board of Advisors for the Proposed Kulliyah of Agriculture Science and Natural Resources, International Islamic University Malaysia, Alternate Member of Malaysian Timber Industry Board (MTIB), Chairman of Technical Committee on Code of Practice for Structural Use of Timber, Chairman of Committee of Working Group on Fire Resistance of Timber Structures, Co-Chairman of Committee on World Conference on Timber Engineering 2002, Committee Member of IUFRO XXI World Congress 2000, Chairman and Vice Chairman of Committee of Forest Industry, International Tropical Timber Council, Committee Member of CODB Technical Evaluation on Building Material/Product/Malaysian Building Technology. He was also an international consultant in Myanmar for ITTO project PD31/96 Introduction to Lessor-Known Timber Species to the World Market in 1998. Since 2013, he is the Chairman of Expert Panel on Science Fund Evaluation Committee MOSTI.

Apart from the above, Dato' Dr. Hj. Abdul Rasid does not hold directorship in other public companies.

Dato' Dr Hj. Abdul Rasid does not hold any shares in the Company and has no relationship with any other directors or substantial shareholders. He has no conflict of interest of interest with FIHB and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Dato' Dr Hj. Abdul Rasid attended all four (4) Board meetings for the financial year ended 30 June 2019.

CHOY KIN MANN
(Alternate Director to Dato' Dr. Choy Fook On) (Non-Independent Non-Executive Director)

Malaysian, male, age 26, was appointed as an Alternate Director to Dato' Dr. Choy Fook On on 29 August 2019. Mr. Choy graduated with a degree in Economics and Accounting from the University of Bristol, United Kingdom and upon graduating, Mr. Choy joined the Masteron Group which is involved in property development and property investment in August 2016.

Mr. Choy Kin Mann is the son of Dato' Choy Wai Hin, the Managing Director and a major shareholder of the Company.

He does not hold directorships in other public companies. He has no conflict of interest with the Company and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Mr Choy's interest in securities of the Company and its subsidiaries are disclosed in the Annual Report.

PROFILE OF DIRECTORS
(Cont'd)

CHOY YUIN YI
(Alternate Director to Datin Tan Geok Foong) (Executive Director)

Malaysian, female, age 27, was appointed as an Alternate Director to Datin Tan Geok Foong on 29 August 2019. Ms. Choy holds a Law Degree from The London School of Economics and Political Science (LSE), and has attended the Professional Legal Skills, Bar Professional Training Course (BPTC) at City University London.

After her studies, Ms. Choy interned in various law practices in the United Kingdom, and upon returning to Malaysia in November 2016, Ms. Choy joined Skrine as a Pupil in Chambers before leaving in December 2018 from her position as Legal Associate. In January 2019, Ms. Choy joined the Masteron Group, taking up position as Legal Manager as well as Operations & Procurement Manager of the Hospitality Division.

Ms. Choy Yuin Yi is the daughter of Dato' Choy Wai Hin, the Managing Director and a major shareholder of the Company.

She does not hold directorships in other public companies. She has no conflict of interest with the Company and has no convictions for offences within the past 5 years other than traffic offences, if any, as well as any public sanction or penalty imposed by the relevant regulatory bodies.

Ms. Choy's interest in securities of the Company and its subsidiaries are disclosed in the Annual Report.

CORPORATE STRUCTURE

FEDERAL INTERNATIONAL HOLDINGS BERHAD
Company No. 198301001857 (97092-W)
(Incorporated in Malaysia)
Investment Holding Company

Investment Division

- **100%** Aspek Sensasi Sdn Bhd
- **100%** Pelantar Agresif (M) Sdn Bhd
- **100%** Federal Electric Company Sdn Bhd
  - **100%** Myanmar Electric Distributor Limited
- **100%** Mintwood Sdn Bhd
- **100%** Splenwood Sdn Bhd
- **70%** Anglo Frontier Sdn Bhd

Renovation And Fit-Out Division

- **100%** Federal Furniture Industries Sdn Bhd
  - **93%** Pathos Corporation Sdn Bhd
  - **55%** Cathay Interior Design (M) Sdn Bhd

Manufacturing And Trading Division

- **100%** Federal Furniture (1982) Sdn Bhd
  - **99%** Choice Furniture Fixtures and Fitout India Private Limited
- **100%** Federal Furniture Lifestyle Sdn Bhd
- **100%** Federal Furniture (M) Sdn Bhd
  - **55%** Avante Corporation Sdn Bhd
    - **100%** Trac Marketing Incorporated
- **100%** Qingdao Federal Furniture Industries Co. Ltd.

Construction Division

- **100%** Pembinaan Federal Sdn Bhd
  (Formerly known as Pembinaan Masteron Sdn Bhd)

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the group's business and operations

The Federal International Group is principally organised into 4 main business divisions namely, manufacturing, interior fit-out, construction and trading divisions. The manufacturing division is involved in the manufacture of modular caseworks, shop fixtures and fitting and furniture for corporate customers. These products include wall and base cabinets, shelving, display cases, countertop, kitchen furniture and panels using medium density board (mdf), particle board, solid wood and acrylic materials. The division's main customer is Starbucks Corporation who typically account for more than 80% of the division's total sales. The division currently serves Starbucks' Asia Pacific (AP) market that is made up of 11 countries namely Japan, Korea, the Philippines, Malaysia, Brunei, Thailand, Singapore, Hong Kong, Cambodia, Vietnam and Australia. The division has since April 2018 supplied its caseworks to Starbucks India from its subsidiary company in Bangalore India that was incorporated in December 2017. The division is Starbucks first approved caseworks vendor outside of the US and has been the approved caseworks vendor for its AP market for the past 19 years. Besides Starbucks, the division's customers have in the past included specialist retail chain such as Coach, Borders book stores, Krispy Kreme, McDonalds, Abercrombie & Fitch and Target. The division also manufacture kitchen cabinets and panels for other divisions within the Group. Given that a very substantial portion of the division's sales are exported and billed in US Dollars, the US Dollar exchange rate has a significant impact on the financial results of the division. The division currently mainly operates out of its factory in Banting that is company-owned with staff strength of approximately 140 of which approximately half are foreign workers, mainly from Nepal. In India the division has appointed a subcontractor to supply the main components as the current volume there is not commercially viable for own manufacture.

The interior fit-out (IFO) division is involved in the renovation and fitting out of high-end interior spaces using traditional craftsmanship and modern high-tech modular systems to create and bring to fruition the design and vision of its clients. The division secure these projects by way of tender or negotiated contracts and sales are generated by way of progressive claims for work done much in the same way as construction contracts. The IFO division has roughly segmented its market into hotels/hospitality, commercial office, food and beverages, government facilities, residential and palaces. Over the years the division has completed such notable projects as Prime Minister's residence, Deputy Prime Minister's residence, Palace of Justice, Istana Melawati in Putrajaya, St Regis Hotel, Ritz-Carlton Hotel, Marriott Hotel, Le Meridian Hotel, Kuala Lumpur Hilton Hotel, Mandarin Oriental Hotel, Majestic hotel, Shook restaurant, Malaysian Petroleum Club, Securities Commission office, Maxis Breakout Area, BP Lubricants Malaysia and Shell International office. The division also supply and install kitchen and wardrobe on project basis to property developers. The division has 2 leased factories in Puchong that produces the joinery works and loose furniture and appoint subcontractors for the other scope of work in the contract. The local IFO market is very competitive leading to low project margin while payment cycle is relatively long due to retention sum for defect liability.

The construction division is involved in the construction of real estate comprising residential and commercial properties and has been in the business for more than 20 years. All the projects undertaken have to-date been awarded by related parties under the Masteron Group of companies, a substantial number of which are located in the Puchong area. These projects include high rise condominiums such as Koi Tropika, Koi Kinrara, Koi Prima, Koi Suites, Calisa, D'aman, Aurora and commercial properties such as factories, commercial office block and more recently, hotels. Most of the construction works are subcontracted out including hire of equipment, provision of workers and the main building works. For projects that include interior fitout works or supply of kitchens and wardrobes, the division will subcontract these to the IFO division. Since the division's projects are mainly related party transactions, processes are in place to ensure that the projects awarded are based on industry norms and at arm's length terms and relevant approvals and mandates having been obtained.

The trading division is involved in the trading of loose furniture and supply and installation of kitchen and wardrobe furniture and kitchen related products such as countertop, appliances, sinks, taps and accessories. The operations supply and install kitchen and wardrobe furniture on a project basis to property developers for their residential units. Since the closure of its kitchen retail operations, the division's sale is confined to supplying loose furniture to retails outlets that constitute a very insignificant portion of the Group sales.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Review of operating activities

The manufacturing division saw its gross sales increased by 2% to RM25.3 million from RM24.8 million a year ago. The breakdown of sales is as follows:

RM' million	**2019**	**2018**
Starbucks	25.0	23.7
Local sales	0.1	0.7
Inter-co sales	0.2	0.4
Total sales	25.3	24.8

Starbucks sales increased in all countries except Malaysia, Singapore, Australia and Cambodia on higher sales value per store from the new store design that involves a much higher level of craftsmanship and customisation and addition of new products. Overall number of stores supplied expanded by 8% to 294 from 272 while sales of tabletop grew by 19%. The increase in number of stores came mainly from the Philippines, Vietnam and India while Japan continued to be the biggest market. India has within 2 years become the 3rd largest market for the division and is expected to continue its growth momentum going forward. Reflecting the importance of this market, the division has developed a second local subcontractor in Chennai in addition to the one in Bangalore to ease the challenging logistic issue arising from the poor transportation infrastructure and large geographical span. Local sales comprising mainly of the supply of fixtures to telecommunication retail outlets fell on lower number of outlets opened by its customers. Inter-co sales fell on lower sales of kitchen furniture to the IFO division.

Gross margins in the current financial year improved by about 2% compared to the previous financial year due to the marginally higher US Dollar exchange rate and lower production costs. Operating expenses however increased by about 12% in the current financial year compared to the previous financial year due to higher staff costs (by 8%), higher management fees (by about 10%) and withholding tax incurred on an overseas project undertaken in previous years while travelling expenses fell by about 50%. For the financial year ended 30 June 2019 the division registered profit before tax and head office management fees grew by 9% to RM3.7 million from RM3.4 million in the previous financial period on higher forex gain and the higher contribution from the India operations.

The Interior Fit-out (IFO) division meanwhile expanded its gross sales by 33% to RM34.3 million from RM25.8 million a year ago. The breakdown of sales is as follows:

RM' million	**2019**	**2018**
Hospitality	13.8	8.3
Office / others	18.0	9.6
Kitchen projects	2.5	7.9
Total sales	34.3	25.8

The Hospitality segment saw its project billings increase by 66% increase year-on-year mainly due to the fit-out work for Sheraton Four Point Hotel and supply of hotel furniture to Brandon Hall in UK and Hinode Hill resort in Japan. Sale for the Office and others segment grew by 87% on higher projects secured while the kitchen project shrank by 68% on lower kitchen projects billed.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Underpinned by higher margin from projects undertaken during the year, gross margins increased by approximately 10% compared to the previous year despite taking a hit from an over recognition of profit on finalisation of final account on an old hotel project that had already been completed in previous financial periods. Operating expenses before head office management charges increased by about 34% due to impairment to trade receivables, higher staff costs and factory costs. Staff costs which accounts for approximately 70% of total operating costs increased by about 22% due to higher headcount in tandem with higher project secured. Despite the higher overheads operating loss for the year improved by 5% to RM1.26 million compared to RM1.33 million in the previous financial year due to the higher gross profit from projects billed.

The construction division's turnover rose approximately 42% to RM150.4 million for the current financial year from RM105.9 million in the previous financial year. The breakdown of sales is as follows:

RM' million	**2019**	**2018**
Residential	77.0	86.6
Non-residential	73.4	19.3
Total sales	150.4	105.9

The substantial increase in non-residential projects billed during the current financial year is attributable to billings for work done on Sheraton Four Point Hotel project. In the residential segment, the division had during the year commenced construction of the basement, piling, pilecaps for the Verando project in PJS 5 and had also completed the Koi Prima Suites project.

Gross margin was lower due to exceptionally high margin last year from adjustments made to reflect the lower actual costs compared to budgeted costs prepared earlier. Operating overhead was lower year-on-year due to absence of impairment of receivable and deemed interest on retention sum payable while interest cost was higher due to project financing cost incurred for new projects. The division made an operating profit of RM12.6 million for the current financial year compared to RM11.0 million in the previous financial year on account of the higher turnover.

The trading division reported sales of RM0.1 million for the current financial year compared to RM1.6 million in the previous financial year. The decrease is due to the cessation of the kitchen retail operations in the previous year. Operating loss was RM0.5 million mainly due to impairments to stocks.

The Group achieved a consolidated turnover of RM203.6 million for the current financial year which is an increase of 36% over the RM149.2 million recorded for the same period in the previous financial year underpinned by higher sales from the IFO and construction divisions. Amortisation of intangibles assets arising from the acquisition of Pembinaan Federal Sdn Bhd ("PFSB") was RM0.5 million compared to RM0.9 million last year leaving RM0.2 million carried forward. Operating profit after amortisation and interest was RM11.3 million for the current financial year compared to RM9.8 million a year in the previous financial year. Tax charge was higher in the current year compared to last year due to adjustment made last year for under recognition of deferred tax asset amounting to RM0.8 million. After providing for tax and minority interest, the profit attributable to shareholders for the current financial year doubled to RM7.7 million from RM3.8 million last year. This improvement is mainly due the consolidation of the full results in PFSB following the acquisition of the balance 40% equity in PFSB.

The Group Board had on 4 June 2019 paid a first interim dividend of 0.5 sen for each ordinary share and 0.2 sen each for every Redeemable Convertible Preference Share A and B in respect of the financial year ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Risks and Prospects

The manufacturing division is exposed to forex risk given the significant portion of sales billed in US dollar. The appreciation of the Ringgit against the US Dollar will translate to lower margin yield that will have an adverse impact of the bottom line. Like many of its peers in the manufacturing sector, the division also has to contend with the issue of shortage of workers and is reliant on foreign workers although it has managed to mitigate this risk with the acquisition of panel saw and automated CNC machines a few years ago. The recent change in Starbucks store design also poses a challenge to the division as the new design requires more product customisation and higher manual craftsmanship. This has affected production capacity and efficiency. On a brighter note, sales value per store has increased in tandem with the higher costs products, the addition of new items such as merchandise units and also the supply of tabletops, currently only to one country, is expected to be extended to countries in the Asia Pacific region. The division does not anticipate the on-going US China trade war to have any impact on its business. On the contrary it sees an opportunity to benefit from the resulting diversion in supply chain away from China. The division is also excited about the growth prospect in its new market, India and expect the growth momentum garnered in the past year to continue into the current year. The increasing volume and the sheer size of the country and poor transport infrastructure has necessitated the appointment of a second contractor in India and possibly justify investing in own manufacturing facilities in the not too distant future.

The keys risks and challenge confronting the IFO division are delays in completion of project, managing cost within budget and ensuring that quality of work meet specifications. The division anticipates margin yield to be compressed by the intense competition in the market place and expect to secure less contracts as it has decided to forego contracts that do not yield sufficient margin that commensurate with the risks involved. The prospect for the year will also hinge on the outcome of ongoing negotiations and tender submitted and is hopeful of securing some of these projects.

The construction industry in Malaysia is heavily dependent on foreign workers and the crackdown on illegal foreign workers has increased compliance costs for local industry players. The division is also exposed to the cyclical nature of the real estate industry that currently faces challenges of affordability and availability of financing from financial institutions. Additionally unforeseen increase in material costs can adversely affect margin. The construction division's key risk is dependence on single customer although this risk is mitigated by the fact that the customer is a related party. The outlook for the division is therefore dependent on continued awarding of contracts by the related party. In this regard, the division has in August 2019 accepted a letter of award amounting to RM260 million in respect of the carpark, podium and tower blocks for the Verando project in PJS 5. Additionally, the Group has obtained shareholders' mandate for recurring related party transaction of a revenue nature amounting to about RM500 million that has yet to be awarded. These contracts will provide visibility of contracts and profit for the foreseeable future.

The trading division has since the closure of it only retail outset seen little activities and is not likely to make any significant contribution to the group in the current financial year. Its project operation has been merged with the IFO division to avoid duplication of resources.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	7,355,342	3,891,160
Attributable to:		
Owners of the Company	7,705,915	3,891,160
Non-controlling interests	(350,573)	–
	7,355,342	3,891,160

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single-tier tax exempt interim dividend of 0.30 sen per redeemable convertible preference share A in respect of the financial year ended 30 June 2018, paid on 29 October 2018	810,000
Single-tier interim dividend of one treasury share for every fifty existing ordinary shares in respect of the financial year ended 30 June 2018, paid on 29 October 2018	1,011,025
Single-tier tax exempt interim dividend of 0.20 sen per redeemable convertible preference share A in respect of the financial year ended 30 June 2019, paid on 4 June 2019	540,000
Single-tier tax exempt interim dividend of 0.20 sen per redeemable convertible preference share B in respect of the financial year ended 30 June 2019, paid on 4 June 2019	340,000
Single-tier tax exempt interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 30 June 2019, paid on 4 June 2019	531,228
	3,232,253

The directors do not recommend the payment of any final dividend in respect of the financial year ended 30 June 2019.

DIRECTORS' REPORT
(Cont'd)

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT
(Cont'd)

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company distributed 2,083,815 of its treasury shares as single-tier interim dividend of one treasury share for every fifty existing ordinary shares. The total consideration transferred was RM1,011,025.

As at 30 June 2019, the Company held 2,724,785 treasury shares out of its 109,000,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,322,012. Further details of the treasury shares are disclosed in Note 16 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Dato' Dr. Choy Fook On*	
Datin Tan Geok Foong*	
Dato' Choy Wai Hin*	
Datuk Choy Wai Ceong*	
Tuan Haji Hussein Bin Hamzah	
Mohd Arif Bin Mastol	
Dato' Dr. Hj. Abdul Rasid Bin Ab. Malik	
Choy Yuin Yi (Alternate director to Datin Tan Geok Foong)	(Appointed on 29 August 2019)
Choy Kin Mann (Alternate director to Dato' Dr. Choy Fook On)	(Appointed on 29 August 2019)

* Directors of the Company and certain subsidiaries

DIRECTORS' REPORT
(Cont'd)

DIRECTORS (CONTINUED)

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dr. Choy Sook Kuen
Fuam Chin Keong (Alternate director to Pang Koo Ming)
James Shii Lihton
Lim Kian Hock
Ng Chee Kwong
Pang Go Fatt (Alternate director to Lim Kian Hock)
Pang Koo Ming
Vineeth Madasseril Sreedharan Nair

DIRECTORS' INTERESTS

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

Interest in the Company

	Number of ordinary shares			
	At 1.7.2018	**Dividend in specie**	**Sold**	**At 30.6.2019**
Direct Interest				
Dato' Dr. Choy Fook On	6,022,120	120,442	–	6,142,562
Datin Tan Geok Foong	4,476,120	89,522	–	4,565,642
Dato' Choy Wai Hin	5,457,000	109,140	–	5,566,140
Datuk Choy Wai Ceong	5,271,228	105,424	–	5,376,652
Indirect interest:				
Dato' Dr. Choy Fook On	14,734,340	294,686	–	15,029,026
Datin Tan Geok Foong	14,734,340	294,686	–	15,029,026
Dato' Choy Wai Hin	15,698,026	313,959	–	16,011,985
Datuk Choy Wai Ceong	13,373,540	267,470	–	13,641,010

	Number of redeemable convertible preference shares A			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Direct interest:				
Dato' Dr. Choy Fook On	64,746,800	–	–	64,746,800
Datin Tan Geok Foong	35,100,000	–	–	35,100,000
Dato' Choy Wai Hin	40,722,700	–	–	40,722,700
Datuk Choy Wai Ceong	40,721,100	–	–	40,721,100

DIRECTORS' REPORT
(Cont'd)

DIRECTORS' INTERESTS (CONTINUED)

Interest in the Company (continued)

	Number of redeemable convertible preference shares B At 1.7.2018	Bought	Sold	At 30.6.2019
Direct interest:				
Dato' Dr. Choy Fook On	46,201,300	–	–	46,201,300
Datin Tan Geok Foong	22,100,000	–	–	22,100,000
Dato' Choy Wai Hin	39,100,000	–	–	39,100,000
Datuk Choy Wai Ceong	39,100,000	–	–	39,100,000
Indirect interest:				
Dato' Dr. Choy Fook On	22,100,000	–	–	22,100,000
Datin Tan Geok Foong	22,100,000	–	–	22,100,000

By virtue of their interests in the shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Dr. Choy Fook On, Datin Tan Geok Foong, Dato' Choy Wai Hin and Datuk Choy Wai Ceong are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there were no indemnity given to or insurance effected for, any director or officer of the Company.

REDEEMABLE CONVERTIBLE PREFERENCE SHARES

The details of redeemable convertible preference shares are disclosed in Note 15 to the financial statements.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The auditor's reports on the accounts of the subsidiaries did not contain any qualification.

DIRECTORS' REPORT
(Cont'd)

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 26 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 39 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

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

....
DATO' CHOY WAI HIN
Director

....
DATUK CHOY WAI CEONG
Director

Date: 25 October 2019

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2019

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	5	42,508,395	43,145,680	2,191	3,246
Investment properties	6	5,061,102	4,606,574	–	–
Investment in subsidiaries	7	–	–	81,945,150	81,945,150
Deferred tax assets	8	338,371	806,922	–	–
Goodwill on consolidation	9	18,555,889	18,555,889	–	–
Intangible assets	10	242,968	697,413	–	–
Trade receivables	11	7,357,116	11,136,154	–	–
Total non-current assets		74,063,841	78,948,632	81,947,341	81,948,396
Current assets					
Inventories	12	3,814,527	4,485,692	–	–
Trade and other receivables	11	61,409,496	37,719,552	26,003,843	23,531,588
Contract assets	13	42,924,483	32,773,072	–	–
Tax recoverable		632,755	600,509	–	–
Cash and short-term deposits	14	10,396,686	6,864,514	993,108	1,416,019
Total current assets		119,177,947	82,443,339	26,996,951	24,947,607
TOTAL ASSETS		193,241,788	161,391,971	108,944,292	106,896,003

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2019 (Cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	57,684,641	57,684,641	57,684,641	57,684,641
Redeemable convertible preference shares ("RCPS")	15	41,280,000	41,280,000	41,280,000	41,280,000
Treasury shares	16	(1,322,012)	(2,333,037)	(1,322,012)	(2,333,037)
Reserves	17	1,416,165	(3,033,598)	1,705,413	1,046,506
		99,058,794	93,598,006	99,348,042	97,678,110
Non-controlling interests		740,684	1,091,257	–	–
TOTAL EQUITY		99,799,478	94,689,263	99,348,042	97,678,110
Non-current liabilities					
Loans and borrowings	18	2,891,208	2,829,308	–	–
Deferred tax liabilities	8	3,734,185	3,647,566	7,403	7,403
Trade payables	21	5,988,285	4,950,555	–	–
Total non-current liabilities		12,613,678	11,427,429	7,403	7,403
Current liabilities					
Trade and other payables	21	60,406,085	30,954,953	9,588,847	9,210,490
Contract liabilities	13	11,856,771	14,730,426	–	–
Loans and borrowings	18	7,920,848	8,117,860	–	–
Tax payable		644,928	1,472,040	–	–
Total current liabilities		80,828,632	55,275,279	9,588,847	9,210,490
TOTAL LIABILITIES		93,442,310	66,702,708	9,596,250	9,217,893
TOTAL EQUITY AND LIABILITIES		193,241,788	161,391,971	108,944,292	106,896,003

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	22	203,585,023	149,151,681	6,580,527	1,983,921
Cost of sales	23	(169,359,836)	(116,943,671)	–	–
Gross profit		34,225,187	32,208,010	6,580,527	1,983,921
Other income	24	1,807,494	1,779,320	107,563	148,609
Administrative expenses		(15,694,427)	(17,245,004)	(2,796,930)	(3,604,888)
Net impairment losses of financial instruments		(811,263)	(1,824)	–	–
Selling and distribution expenses		(7,432,448)	(6,264,127)	–	–
Operating profit/(loss)		12,094,543	10,476,375	3,891,160	(1,472,358)
Finance costs	25	(794,570)	(718,057)	–	–
Profit/(Loss) before tax	26	11,299,973	9,758,318	3,891,160	(1,472,358)
Income tax expense	27	(3,944,631)	(2,684,035)	–	–
Profit/(Loss) for the financial year		7,355,342	7,074,283	3,891,160	(1,472,358)
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange diferrences on translation of foreign operations		(23,899)	(2,216)	–	–
Total comprehensive income/ (loss) for the financial year		7,331,443	7,072,067	3,891,160	(1,472,358)

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 30 June 2019 (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Profit/(Loss) attributable to:					
Owners of the Company		7,705,915	3,850,390	3,891,160	(1,472,358)
Non-controlling interests		(350,573)	3,223,893	–	–
		7,355,342	7,074,283	3,891,160	(1,472,358)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		7,682,016	3,848,174	3,891,160	(1,472,358)
Non-controlling interests		(350,573)	3,223,893	–	–
		7,331,443	7,072,067	3,891,160	(1,472,358)
Earnings per ordinary share attributable to owners of the Company					
- basic, earnings per ordinary share (sen)	28(a)	5.70	2.83		
- diluted, earnings per ordinary share (sen)	28(b)	3.44	1.95		

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

Group	Note	Share Capital RM	Redeemable Convertible Preference Share RM	Treasury Shares RM	Revaluation Reserve RM	Foreign Exchange Reserve RM	Accumulated Losses RM	Sub-total RM	Non-Controlling Interests RM	Total Equity RM
		← Attributable to owners of the Company						→		
At 1 July 2017		57,684,641	27,000,000	–	6,752,239	15,530	(1,048,154)	90,404,256	11,663,976	102,068,232
Total comprehensive income for the financial year										
Profit for the financial year		–	–	–	–	–	3,850,390	3,850,390	3,223,893	7,074,283
Other comprehensive income for the financial year		–	–	–	–	(2,216)	–	(2,216)	–	(2,216)
		–	–	–	–	(2,216)	3,850,390	3,848,174	3,223,893	7,072,067
Transactions with owners										
Redeemable convertible preference shares issued	15	–	14,280,000	–	–	–	–	14,280,000	–	14,280,000
Non-controlling interests arising from acquisition of a new subsidiary		–	–	–	–	–	–	–	1	1
Changes in ownership interests in a subsidiary		–	–	–	–	–	(10,483,387)	(10,483,387)	(13,796,613)	(24,280,000)
Dividend paid	31	–	–	–	–	–	(2,118,000)	(2,118,000)	–	(2,118,000)
Purchase of treasury shares	16	–	–	(2,333,037)	–	–	–	(2,333,037)	–	(2,333,037)
Total transactions with owners		–	14,280,000	(2,333,037)	–	–	(12,601,387)	(654,424)	(13,796,612)	(14,451,036)
At 30 June 2018		57,684,641	41,280,000	(2,333,037)	6,752,239	13,314	(9,799,151)	93,598,006	1,091,257	94,689,263

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 30 June 2019 (Cont'd)

		← Attributable to owners of the Company								
Group	Note	Share Capital RM	Redeemable Convertible Preference Share RM	Treasury Shares RM	Revaluation Reserve RM	Foreign Exchange Reserve RM	Accumulated Losses RM	Sub-total RM →	Non-Controlling Interests RM	Total Equity RM
At 1 July 2018		57,684,641	41,280,000	(2,333,037)	6,752,239	13,314	(9,799,151)	93,598,006	1,091,257	94,689,263
Total comprehensive income for the financial year										
Profit for the financial year		–	–	–	–	–	7,705,915	7,705,915	(350,573)	7,355,342
Foreign currency translation reserve		–	–	–	–	(23,899)	–	(23,899)	–	(23,899)
		–	–	–	–	(23,899)	7,705,915	7,682,016	(350,573)	7,331,443
Transactions with owners										
Dividend in specie	31	–	–	1,011,025	–	–	(1,011,025)	–	–	–
Dividend paid	31	–	–	–	–	–	(2,221,228)	(2,221,228)	–	(2,221,228)
Total transactions with owners		–	–	1,011,025	–	–	(3,232,253)	(2,221,228)	–	(2,221,228)
At 30 June 2019		57,684,641	41,280,000	(1,322,012)	6,752,239	(10,585)	(5,325,489)	99,058,794	740,684	99,799,478

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 30 June 2019 (Cont'd)

		← Attributable to owners of the Company →				
Company	**Note**	**Share Capital RM**	**Redeemable Convertible Preference Share RM**	**Treasury Shares RM**	**Retained Earnings RM**	**Total Equity RM**
At 1 July 2017		57,684,641	27,000,000	–	4,636,864	89,321,505
Total comprehensive loss for the financial year						
Loss for the financial year, representing total comprehensive loss		–	–	–	(1,472,358)	(1,472,358)
Transactions with owners						
Redeemable convertible preference shares issued	15	–	14,280,000	–	–	14,280,000
Dividends paid	31	–	–	–	(2,118,000)	(2,118,000)
Purchase of treasury shares	16	–	–	(2,333,037)	–	(2,333,037)
Total transactions with owners		–	14,280,000	(2,333,037)	(2,118,000)	9,828,963
At 30 June 2018		57,684,641	41,280,000	(2,333,037)	1,046,506	97,678,110
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		–	–	–	3,891,160	3,891,160
Transactions with owners						
Dividend in specie	31	–	–	1,011,025	(1,011,025)	–
Dividends paid	31	–	–	–	(2,221,228)	(2,221,228)
Total transactions with owners		–	–	1,011,025	(3,232,253)	(2,221,228)
At 30 June 2019		57,684,641	41,280,000	(1,322,012)	1,705,413	99,348,042

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

STATEMENTS OF CASH FLOWS
For the financial year ended 30 June 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities:					
Profit/(Loss) before tax		11,299,973	9,758,318	3,891,160	(1,472,358)
Adjustments for:					
Amortisation of intangible assets		454,445	883,849	–	–
Bad debts written off		52,122	500	–	–
Depreciation of investment properties		109,661	97,810	–	–
Depreciation of property, plant and equipment		2,565,388	2,333,848	1,055	1,827
Dividend income		–	–	(4,500,000)	–
Gain on disposal of property, plant and equipment		(64,807)	(24,710)	(38,000)	(625)
Gain on disposal of a subsidiary		(31,748)	–	(1)	–
Impairment loss on:					
- trade receivables		573,544	–	–	–
- other receivables		237,719	2,270	–	–
Interest expense		794,570	718,057	–	–
Interest income		(115,623)	(223,519)	(25,597)	(144,234)
Inventories written down		–	30,603	–	–
Inventories written off		214,570	237,164	–	–
Loss on disposal of property, plant and equipment		–	17,031	–	–
Payables written off		(217,558)	–	–	–
Property, plant and equipment written off		38,385	258,697	–	–
Reversal of gain on financial liabilities amortised at cost		–	520,195	–	–
Reversal of impairment loss on financial assets at amortised cost		–	(833,115)	–	–
Reversal of impairment loss on trade receivables		–	(446)	–	–
Unrealised gain on foreign exchange		(63,952)	(35,758)	–	–
Operating profit/(loss) before changes in working capital carried forward		15,846,689	13,740,794	(671,383)	(1,615,390)

STATEMENTS OF CASH FLOWS
For the financial year ended 30 June 2019 (Cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities: (continued)					
Operating profit/(loss) before changes in working capital brought forward		15,846,689	13,740,794	(671,383)	(1,615,390)
Changes in working capital:					
Contract assets		(24,881,837)	(8,023,700)	–	–
Contract liabilities		11,856,771	5,947,170	–	–
Receivables		(20,707,818)	9,984,756	52,717	(132,386)
Inventories		462,181	1,348,926	–	–
Payables		30,089,430	(6,861,575)	170,667	(173,504)
Net cash from/(used in) operations		12,665,416	16,136,371	(447,999)	(1,921,280)
Interest received		115,623	223,519	25,597	144,234
Income tax paid		(4,247,831)	(4,436,504)	–	–
Net cash from/(used in) operating activities		8,533,208	11,923,386	(422,402)	(1,777,046)
Cash flows from investing activities:					
Acquisition of property, plant and equipment	(a)	(874,300)	(2,901,960)	–	(2,590)
Acquisition of a subsidiary, net of cash acquired (Note 7)		–	(2,215)	–	–
Acquisition of additional interest in a subsidiary (Note 7)		–	(10,000,000)	–	(10,000,000)
Deposits pledged with licensed banks		(500,000)	(500,000)	–	–
Disposal of a subsidiary, net of cash (Note 7)		(1)	–	–	–
Dividend received		–	–	4,500,000	–
(Placement)/Withdrawal of fixed deposits		(29,862)	199,652	–	–
Proceeds from disposal of a subsidiary		–	–	1	–
Proceeds from disposal of property, plant and equipment		88,400	25,210	38,000	625
(Advances to)/Repayment from subsidiaries		–	–	(2,524,972)	9,230,288
Net cash (used in)/from investing activities		(1,315,763)	(13,179,313)	2,013,029	(771,677)

STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2019 (Cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from financing activities:	(b)				
Acquisition of treasury shares		–	(2,333,037)	–	(2,333,037)
Advances from/(Repayment to) directors		612,600	(89,738)	–	–
Dividend paid		(2,221,228)	(2,118,000)	(2,221,228)	(2,118,000)
Drawdown of invoice financing		2,840,084	1,443,516	–	–
Interest paid		(794,570)	(718,057)	–	–
Net repayment of banker acceptance		(424,000)	(1,229,000)	–	–
Repayment of finance lease liabilities		(2,606,504)	(2,747,141)	–	–
Advances from subsidiaries		–	–	207,690	–
Repayment of term loans		(409,512)	(429,575)	–	–
Net cash used in financing activities		(3,003,130)	(8,221,032)	(2,013,538)	(4,451,037)
Net increase/(decrease) in cash and cash equivalents		4,214,315	(9,476,959)	(422,911)	(6,999,760)
Cash and cash equivalents at the beginning of the financial year		1,682,709	11,159,668	1,416,019	8,415,779
Effects of exchange rate changes on cash and cash equivalents		3,145	–	–	–
Cash and cash equivalents at the end of the financial year		5,900,169	1,682,709	993,108	1,416,019
Analysis of cash and cash equivalents:					
Cash and bank balances (Note 14)		5,737,117	2,212,895	239,549	98,058
Deposits placed with licensed banks (Note 14)		4,659,569	4,651,619	753,559	1,317,961
Bank overdraft (Note 18)		(1,920,496)	(3,135,646)	–	–
		8,476,190	3,728,868	993,108	1,416,019
Less: Deposits held as security (Note 14(b))		(1,623,937)	(1,123,937)	–	–
Less: Deposits with maturity more than 3 months (Note 14(c))		(952,084)	(922,222)	–	–
		5,900,169	1,682,709	993,108	1,416,019

STATEMENTS OF CASH FLOWS
For the financial year ended 30 June 2019 (Cont'd)

(a) Purchase of property, plant and equipment:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Purchase of property, plant and equipment	2,554,270	2,901,960	–	2,590
Financed by way of finance lease arrangements	(1,679,970)	–	–	–
Cash payments on purchase of property, plant and equipment	874,300	2,901,960	–	2,590

(b) Reconciliation of liabilities arising from financing activities

	1 July 2018 RM	**Cash flows RM**	**Non-cash acquisition RM**	**30 June 2019 RM**
Group				
Amount due to directors	306,618	612,600	–	919,218
Bankers' acceptance - secured	1,114,000	(424,000)	–	690,000
Finance lease liabilities	2,526,547	(2,606,504)	1,679,970	1,600,013
Invoice financing - secured	1,443,516	2,840,084	–	4,283,600
Term loans - secured	2,727,459	(409,512)	–	2,317,947
	8,118,140	12,668	1,679,970	9,810,778

	1 July 2017 RM	**Cash flows RM**	**Non-cash acquisition RM**	**30 June 2018 RM**
Group				
Amount due to directors	396,356	(89,738)	–	306,618
Bankers' acceptance - secured	2,343,000	(1,229,000)	–	1,114,000
Finance lease liabilities	5,273,688	(2,747,141)	–	2,526,547
Invoice financing - secured	–	1,443,516	–	1,443,516
Term loans - secured	3,157,034	(429,575)	–	2,727,459
	11,170,078	(3,051,938)	–	8,118,140
Company				
Amount owing to subsidiaries	9,015,531	207,690	–	9,223,221

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Federal International Holdings Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at Level P1, Menara Choy Fook On, No. 1B, Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 October 2019.

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

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

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

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

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

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

The retrospective application of MFRS 9 does not require restatement of 2018 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets and financial liabilities:

- Trade and other receivables and other financial assets, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 July 2018.

- Loan and borrowings, trade and other payables previously classified as other financial liabilities under MFRS 139 as at 30 June 2018 are classified as amortised cost beginning 1 July 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 July 2018:

		MFRS 9 measurement category
		Amortised cost
MFRS 139 measurement category	**RM**	**RM**
Financial assets		
Group		
Loans and receivables		
Trade and other receivables, net of GST refundable and prepayments	47,473,228	47,473,228
Cash and short-term deposits	6,864,514	6,864,514
	54,337,742	54,337,742
Company		
Loans and receivables		
Other receivables, net of GST refundable and prepayments	23,428,978	23,428,978
Cash and short-term deposits	1,416,019	1,416,019
	24,844,997	24,844,997

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 9 Financial Instruments (continued)

Impact of the adoption of MFRS 9 (continued)

(i) Classification and measurement (continued)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 July 2018: (continued)

		MFRS 9 measurement category
		Amortised cost
MFRS 139 measurement category	**RM**	**RM**
Financial liabilities		
Group		
Other financial liabilities		
Trade and other payables, net of GST payable	35,851,569	35,851,569
Borrowings	10,947,168	10,947,168
	46,798,737	46,798,737
Company		
Other financial liabilities		
Other payables, net of GST payable	9,210,490	9,210,490

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Based on the assessment, the Group and the Company do not recognise additional impairment losses on its trade and other receivables at the date of initial application arising from application of simplified approach and general approach respectively to reconcile the lifetime expected credit losses.

Other than as disclosed above, the adoption of MFRS 9 did not have any material impact on the financial statements at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (continued)

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

Impact of the adoption of MFRS 15

The Group and the Company have applied MFRS 15 in accordance with the modified transitional approach, which involves not restating periods prior with the expedient in MFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 July 2018.

In accordance with MFRS 15, the Group and the Company recognise revenue when a performance obligation is satisfied, which is when 'control' of provision of services underlying the particular performance obligation is transferred to the customer and also accounted for any variable consideration element against transaction price.

Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Presentation of contract assets and contract liabilities

The Group has changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

- Contract liabilities/assets recognised in relation to construction contracts which were previously presented as part of amount owing to/by contract customers.

The adoption of MFRS 15 did not have any material impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

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

		Effective for financial periods beginning on or after
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

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

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

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises and equipment on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plans to adopt this standard when it becomes effective in the financial year beginning 1 July 2019 by applying the transitional provisions and include the required additional disclosures in its financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 July 2019 will be accounted for as lease contracts under MFRS 16.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

2.3.1 (continued)

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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

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

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

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

2. BASIS OF PREPARATION (CONTINUED)

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

2.3.1 (continued)

Amendments to References to the Conceptual Framework in MFRS Standards **(continued)**

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.3.2 The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(a) Subsidiaries and business combination

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

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

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

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

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

A reverse acquisition occurs if the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes and the entity whose equity interests are acquired (legal acquiree) is the acquirer for accounting purposes.

The reverse acquisition reserve arises due to the elimination of the Company's investment in a subsidiary. Since the shareholders of the subsidiary became the majority shareholders of the enlarged group, the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's costs are deemed to have been incurred by the legal subsidiary.

The accounting policy for goodwill is set out in Note 3.2(a).

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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

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

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

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

(b) Non-controlling interests

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

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

(c) Transactions eliminated on consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Goodwill and other intangible asset

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in the statement of financial position as intangible assets.

Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

(b) Customer contracts

Customer contract acquired in a business combination are recognised at fair value at the acquisition date. The amortisation method used is based on the progress billings issued over their contract terms.

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

3.3 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.13(b) to the financial statements.

3.4 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign currency transactions and operations (continued)

(a) Translation of foreign currency transactions (continued)

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

(b) Translation of foreign operations

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

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

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

3.5 Financial instruments

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

<u>Accounting policies applied from 1 July 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Accounting policies applied from 1 July 2018 (continued)

(a) Subsequent measurement

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

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group and the Company classify their debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.13(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

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

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

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Accounting policies applied from 1 July 2018 (continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Accounting policies applied from 1 July 2018 (continued)

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Accounting policies applied until 30 June 2018

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial liabilities

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Accounting policies applied until 30 June 2018 (continued)

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

(d) Derecognition

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

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

(e) Offsetting of financial instruments

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

All property, plant and equipment were initially stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:

Freehold and leasehold buildings	2 - 3%
Leasehold lands	over remaining lease period of 68 years
Equipment, furniture and fittings	5 - 20%
Motor vehicles	20%

Capital work-in-progress will be depreciated when the property is ready for its intended use.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Changes in expected level of usage and technological developments could impact the residual values of the property, plant and equipment. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

3.7 Investment properties

Investment properties are properties which are held to earn rentals or for capital appreciation or for both. Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment properties of the Group consist of freehold buildings and leasehold buildings. Depreciation on freehold buildings and leasehold buildings is provided for on a straight line basis to write off the costs of each asset to its residual value over the estimated useful life at 2% per annum.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Revaluation of assets

Leasehold lands and buildings at valuation are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the statement of comprehensive income. Upon disposal of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits.

3.9 Leases

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

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

(a) Lessee accounting

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (continued)

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.10 Inventories

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

The cost of inventories is measured based on first in, first out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.11 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.12 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets

(a) Impairment of financial assets and contract assets

Accounting policies applied from 1 July 2018

Financial assets measured at amortised cost, contract assets and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

<u>Accounting policies applied until 30 June 2018</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Loans and receivables

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

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

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

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

(b) Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

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

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

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Share capital

(a) Ordinary shares

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

(b) Redeemable convertible preference shares ("RCPS")

RCPS is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

The RCPS are recognised as an equity instruments in the statements of financial position, net of transaction costs. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and ranked prior to the Company's ordinary shares. Dividend payments on RCPS are recognised as distributions within equity which are based on the Company's sole discretion and, provided that:

(i) such dividend shall not be more than 8% per annum based on the nominal value of the RCPS; and
(ii) if dividends are declared to its ordinary shareholders, then dividends in respect of the RCPS shall be paid to the RCPS holders in preference.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Share capital (continued)

(c) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.15 Employee benefits

(a) Short term employee benefits

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

(b) Defined contribution plans

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

3.16 Revenue and other income

<u>Accounting policies applied from 1 July 2018</u>

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics in the property development business if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue and other income (continued)

Accounting policies applied from 1 July 2018 (continued)

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

(a) Sale of goods

Revenue is recognised at a point in time upon delivery of products and customer's acceptance.

(b) Construction contracts

Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue and other income (continued)

Accounting policies applied from 1 July 2018 (continued)

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

Accounting policies applied until 30 June 2018

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Revenue is recognised upon delivery of products and customers' acceptance, net of discounts and returns and when the significant risk and rewards of ownership have been passed to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Construction contracts

For a construction service contract with a customer, when control of the promised construction service is transferred over time to the customer (and hence the performance obligation is satisfied over time), revenue is recognised in profit or loss over time or progressively by reference to the stage of completion in a performance obligation. The stage of completion is measured using the costs incurred for work performed to date bear to the estimated total costs (an input method). When the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(c) Interest income

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

(d) Rental income

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Borrowing costs

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

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

Borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

3.18 Income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

(b) Deferred tax (continued)

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

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

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

3.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.20 Fair value measurements

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Contingencies

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

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

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities and assets are not recognised in the statements of financial position.

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

3.22 Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.23 Provision

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 9 to the financial statements.

(b) Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 13 to the financial statements.

(c) Impairment of investments in subsidiaries

The Company assess impairment of investments in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of investments in subsidiaries may not be recoverable. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. Costs of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investments in subsidiaries.

The carrying amounts of investment in subsidiaries are disclosed in Note 7 to the financial statements.

5. **PROPERTY, PLANT AND EQUIPMENT**

Group	Leasehold Lands RM	Leasehold Buildings RM	Freehold Buildings RM	Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital work in progress RM (Note 30)	Total RM
	<------ At valuation ------->		<---------------------------- At cost ------------------------>				
At cost/valuation							
At 1 July 2017	10,126,825	25,171,080	4,095,647	16,743,117	5,535,535	–	61,672,204
Additions	–	6,000	–	1,969,816	–	926,144	2,901,960
Disposals/Written off	–	–	–	(791,604)	(165,559)	–	(957,163)
At 30 June 2018	10,126,825	25,177,080	4,095,647	17,921,329	5,369,976	926,144	63,617,001
Additions	–	–	–	1,550,249	1,004,021	–	2,554,270
Reclassification	–	–	–	845,819	–	(845,819)	–
Disposals/Written off	–	–	–	(78,495)	(313,180)	–	(391,675)
Transfer to investment properties (Note 6)	–	(632,500)	–	–	–	–	(632,500)
At 30 June 2019	10,126,825	24,544,580	4,095,647	20,238,902	6,060,817	80,325	65,147,096

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

5. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Group	Leasehold Lands RM	Leasehold Buildings RM	Freehold Buildings RM	Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital work in progress RM (Note 30)	Total RM
	<------ At valuation	------->	<----------------------------	At cost		------------------------>	
Accumulated depreciation							
At 1 July 2017	273,754	1,102,954	426,551	13,445,010	3,570,139	–	18,818,408
Depreciation charge for the financial year	131,064	446,771	122,869	983,322	649,822	–	2,333,848
Disposals/Written off	–	–	–	(465,507)	(215,428)	–	(680,935)
At 30 June 2018	404,818	1,549,725	549,420	13,962,825	4,004,533	–	20,471,321
Depreciation charge for the financial year	132,818	434,121	122,870	1,206,345	669,234	–	2,565,388
Disposals/Written off	–	–	–	(38,810)	(290,887)	–	(329,697)
Transfer to investment properties (Note 6)	–	(68,311)	–	–	–	–	(68,311)
At 30 June 2019	537,636	1,915,535	672,290	15,130,360	4,382,880	–	22,638,701
Net carrying amount							
At 30 June 2019	9,589,189	22,629,045	3,423,357	5,108,542	1,677,937	80,325	42,508,395
At 30 June 2018	9,722,007	23,627,355	3,546,227	3,958,504	1,365,443	926,144	43,145,680

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment, Furniture and Fittings RM	Motor Vehicles RM	Total RM
Company			
At cost			
At 1 July 2017	357,320	167,232	524,552
Additions	2,590	–	2,590
Disposals	(2,400)	–	(2,400)
At 30 June 2018	357,510	167,232	524,742
Written off	–	(167,232)	(167,232)
At 30 June 2019	357,510	–	357,510
Accumulated depreciation			
At 1 July 2017	354,837	167,232	522,069
Depreciation charge for the financial year	1,827	–	1,827
Disposals	(2,400)	–	(2,400)
At 30 June 2018	354,264	167,232	521,496
Depreciation charge for the financial year	1,055	–	1,055
Written off	–	(167,232)	(167,232)
At 30 June 2019	355,319	–	355,319
Net carrying amount			
At 30 June 2019	2,191	–	2,191
At 30 June 2018	3,246	–	3,246

(a) The carrying amount of property, plant and equipment of the Group and the Company includes the following property, plant and equipment acquired under hire purchase and finance lease agreements as follows:

	Group	
	2019 RM	2018 RM
Plant and machineries	748,982	1,293,180
Motor vehicles	1,614,567	1,220,351
	2,363,549	2,513,531

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The leasehold lands and buildings with the net carrying amount of RM22,596,361 (2018: RM23,014,064) of the Group are charged to financial institutions as security for banking facilities granted to the Group as disclosed in Notes 18(b) and 20 to the financial statements.

The freehold buildings with the net carrying amount of RM3,423,357 (2018: RM3,546,226) of the Group are charged to financial institutions as security for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

(c) If the leasehold lands and buildings were measured using the cost model, the carrying amount would be as follows:

	Group	
	2019	**2018**
	RM	**RM**
Buildings	6,560,472	6,753,456
Leasehold lands	556,935	580,077
	7,117,407	7,333,533

(d) On 28 October 2013, a subsidiary, Federal Furniture Industries Sdn. Bhd. acquired 5 units of freehold office for a total consideration of RM3,972,600. As at 30 June 2019, the transfer of strata title of the said properties is still in progress.

(e) Fair value information

Fair value of leasehold land and building are categorised as Level 2. Level 2 fair value is determined by using the sales comparison approach. Sales price of comparable properties are close proximity are adjusted for differences in key attributes such as property size.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

6. INVESTMENT PROPERTIES

Group	Freehold buildings RM	Leasehold buildings RM	Total RM
Cost			
At 1 July 2017	3,205,500	1,645,000	4,850,500
Additions	–	–	–
At 30 June 2018	3,205,500	1,645,000	4,850,500
Transfer from property, plant and equipment (Note 5)	–	632,500	632,500
At 30 June 2019	3,205,500	2,277,500	5,483,000
Accumulated depreciation			
At 1 July 2017	110,494	35,622	146,116
Depreciation charge for the financial year	64,910	32,900	97,810
At 30 June 2018	175,404	68,522	243,926
Depreciation charge for the financial year	64,110	45,551	109,661
Transfer from property, plant and equipment (Note 5)	–	68,311	68,311
At 30 June 2019	239,514	182,384	421,898
Net carrying amount			
At 30 June 2019	2,965,986	2,095,116	5,061,102
At 30 June 2018	3,030,096	1,576,478	4,606,574
Estimated fair value of investment properties by directors			
At 30 June 2019	3,653,160	2,441,117	6,094,277
At 30 June 2018	3,313,160	1,775,286	5,088,446

Level 2 fair value

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

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

	Group 2019 RM	2018 RM
Rental income	207,432	154,402

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares - at cost	95,559,572	95,559,572
Less: Accumulated impairment losses	(13,614,422)	(13,614,422)
	81,945,150	81,945,150

Movements in impairment losses are as follows:

	Company 2019 RM	Company 2018 RM
At the beginning/end of the financial year	13,614,422	13,614,422

The following information relates to the subsidiaries:

Name of company	Principal place of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %	Principal activities
Held directly:				
Anglo Frontier Sdn. Bhd.	Malaysia	70	70	Dormant
Aspek Sensasi Sdn. Bhd.	Malaysia	100	100	Dormant
Federal Electric Company Sdn. Bhd. ("FECSB")	Malaysia	100	100	Dormant
Federal Furniture Industries Sdn. Bhd. ("FFISB")	Malaysia	100	100	Renovation and interior fitout works
Federal Furniture Lifestyle Sdn. Bhd.	Malaysia	100	100	Trading of home furnishings, home appliances and general building materials and general contractors for construction works
Federal Furniture (M) Sdn. Bhd. ("FFMSB")	Malaysia	100	100	Trading of furniture and building materials and contractor for building and construction works
Federal Furniture (1982) Sdn. Bhd. ("FF1982")	Malaysia	100	100	Manufacturing and export of furniture

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following information relates to the subsidiaries (continued):

Name of company	Principal place of business/ Country of incorporation	Ownership interest 2019 %	2018 %	Principal activities
Held directly:				
Layang Kaji Sdn. Bhd.#	Malaysia	–	100	Dormant
Mintwood Sdn. Bhd.	Malaysia	100	100	Dormant
Pelantar Agresif (M) Sdn. Bhd.	Malaysia	100	100	Dormant
Pembinaan Federal Sdn. Bhd. ("PFSB")	Malaysia	100	100	Construction business
Qingdao Federal Furniture Industries Co. Ltd. *	People's Republic of China	100	100	Dormant
Splenwood Sdn. Bhd.	Malaysia	100	100	Dormant
Held by FFISB:				
Cathay Interior Design (M) Sdn. Bhd.	Malaysia	55	55	Renovation and interior design of offices and hotels including supply of furniture and fittings
Pathos Corporation Sdn. Bhd.	Malaysia	93	93	Dormant
Held by FFMSB:				
Avante Corporation Sdn. Bhd. ("Avante")	Malaysia	55	55	Dormant
Held by Avante:				
Trac Marketing Incorporated	United States of America	55	55	Dormant
Held by FECSB:				
Myanmar Electric Distributor Ltd	Union of Myanmar	100	100	Dormant
Held by FF1982:		99	99	Designers, assembles, integrators, decorates, furnishers, woodworkers, consultants and contractors for all type of projects.
Choice Furniture Fixtures And Fitout India Private Limited*	Bangalore India			

* *Audited by firms other than Baker Tilly Monteiro Heng PLT.*
\# *Disposed during the financial year.*

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Disposal of Layang Kaji Sdn. Bhd. during the financial year

On 8 May 2019, the Company disposed of a wholly-owned subsidiary, Layang Kaji Sdn. Bhd. ("LKSB") to Dato' Choy Wai Hin and Dr. Choy Sook Kuen for a cash consideration of RM1.

	RM
Cash and bank balances	2
Payables	(31,749)
Net liabilities	(31,747)
Cash consideration received	(1)
Gain on disposal of investment in a subsidiary	(31,748)
Cash consideration received	1
Cash and bank balances	(2)
Net cash outflow arising from disposal	(1)

(b) Acquisition of additional interest in Pembinaan Masteron Sdn. Bhd. in the previous financial year

On 2 December 2016, the Company acquired 450,000 ordinary shares of RM1.00 each representing 60% equity interest in Pembinaan Masteron Sdn. Bhd., a company incorporated in Malaysia, which is principally engaged in construction works, for a total purchase consideration of RM33,000,000 which is satisfied by cash consideration of RM6,000,000 and issuance of 270,000,000 consideration redeemable convertible preference shares amounting to RM27,000,000.

On 15 January 2018, the Company acquired an additional 300,000 ordinary shares representing remaining 40% equity interest in Pembinaan Masteron Sdn. Bhd. for a total purchase consideration of RM24,280,000 which is satisfied by cash consideration of RM10,000,000 and issuance of 170,000,000 redeemable convertible preference shares at fair value of RM0.084 each amounting to RM14,280,000 at the completion date. The Company's effective ownership in Pembinaan Masteron Sdn. Bhd. increased from 60% to 100% as a result of the additional shares purchased.

Effect of the increase in the Company's effective ownership interest is as follows:

	RM
Fair value of consideration transferred	
- cash consideration	10,000,000
- redeemable convertible preference shares	14,280,000
Total fair value of consideration transferred	24,280,000
Increase in share of the net assets	(13,796,613)
Excess charge directly to equity	10,483,387

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of Choice Furniture Fixtures And Fitout India Private Limited in the previous financial year

On 11 December 2017, Federal Furniture (1982) Sdn Bhd, a wholly owned subsidiary of the Company had acquired 999,999 shares of 1 Rupee each representing 99.9% equity interest in Choice Furniture Fixtures And Fitout India Private Limited, a Company incorporated in Banglore India, which is principally engaged in the business of designers, assembles, integrators, decorates, furnishers, woodworkers, consultants and contractors for all type of projects and to provide all kinds of services connected with the above. As a result of the acquisition, the Group has diversified into designers and decorates businesses.

(i) Fair value of consideration transferred:

	RM
Cash consideration	61,215

(ii) Fair value of the identifiable assets acquired and liabilities recognised:

	RM
Assets	
Cash and cash equivalents	59,000
Total assets	59,000
Total identifiable net assets acquired	59,000
Translation difference	2,216
Non-controlling interest at fair value	(1)
Fair value of consideration transferred	61,215

(iii) Effect of acquisition on cash flows:

	RM
Fair value of consideration transferred	61,215
Less: Cash and cash equivalents of a subsidiary acquired	(59,000)
Net cash outflows on acquisition	2,215

(iv) Effects of acquisition in statements of comprehensive income

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM
Revenue	403,974
Profit for the financial year	39,606

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2019	Pembinaan Federal Sdn. Bhd. RM	Cathay Interior Design (M) Sdn. Bhd. RM	Other individually immaterial subsidiaries RM	Total RM
NCI Percentage of ownership interest and voting interest	–	45%	7% - 45%	
Carrying amount of NCI	–	621,427	119,257	740,684
Loss allocated to NCI	–	(347,378)	(3,195)	(350,573)
2018				
NCI Percentage of ownership interest and voting interest	–	45%	7% - 45%	
Carrying amount of NCI	–	968,905	122,352	1,091,257
Profit/(Loss) allocated to NCI	3,382,960	(155,443)	(3,624)	3,223,893

(e) Summarised financial information of material non-controlling interest

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	Cathay Interior Design (M) Sdn. Bhd. RM
Summarised statements of financial position	
As at 30 June 2019	
Non-current assets	245,248
Current assets	3,325,309
Non-current liabilities	(49,786)
Current liabilities	(2,073,471)
Net assets	1,447,300

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of material non-controlling interest (continued)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows (continued):

	Cathay Interior Design (M) Sdn. Bhd. RM
Summarised statements of comprehensive income	
Financial year ended 30 June 2019	
Revenue	12,073,435
Loss for the financial year/Total comprehensive loss	(771,951)
Summarised cash flow information	
Financial year ended 30 June 2019	
Cash flows from operating activities	159,696
Cash flows from investing activities	3,429
Cash flows used in financing activities	(278,479)
Net decrease in cash and cash equivalents	(115,354)
Summarised statements of financial position	
As at 30 June 2018	
Non-current assets	228,191
Current assets	4,228,599
Non-current liabilities	(78,691)
Current liabilities	(2,205,284)
Net assets	2,172,815
Summarised statements of comprehensive income	
Financial year ended 30 June 2018	
Revenue	10,180,719
Loss for the financial year/Total comprehensive loss	(345,429)
Summarised cash flow information	
Financial year ended 30 June 2018	
Cash flows used in operating activities	(1,255,185)
Cash flows from investing activities	26,454
Cash flows used in financing activities	(63,760)
Net decrease in cash and cash equivalents	(1,292,491)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	338,371	806,922	–	–
Deferred tax liabilities	(3,734,185)	(3,647,566)	(7,403)	(7,403)
	(3,395,814)	(2,840,644)	(7,403)	(7,403)

(a) The movement of deferred tax assets/(liabilities) are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 July	(2,840,644)	(3,440,335)	(7,403)	(7,403)
Recognised in profit or loss (Note 27)	(555,170)	599,691	–	–
At 30 June	(3,395,814)	(2,840,644)	(7,403)	(7,403)

(b) The components of deferred tax assets and liabilities as at the end of the financial year comprise the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets				
Temporary differences arising from deemed completed projects	338,317	806,922	–	–
Deferred tax liabilities				
Temporary differences between carrying amount and corresponding tax written down values	(1,154,432)	(1,032,731)	(7,403)	(7,403)
Revaluation of property, plant and equipment	(2,579,753)	(2,614,835)	–	–
	(3,734,185)	(3,647,566)	(7,403)	(7,403)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

9. GOODWILL ON CONSOLIDATION

	Group 2019 RM	Group 2018 RM
At the beginning/end of the financial year	18,555,889	18,555,889

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination.

The carrying amount of goodwill has been allocated to the construction segment as an independent CGU.

The recoverable amount of the CGU was determined based on its value-in-use. Cash flows projection used in the value-in-used calculation were based on financial budgets and forecasts approved by management covering a three year period using a discount rate of 10.23% (2018: 11.00%). The growth rate is at average of 4.50% (2018: 4.50%).

The discount rate applied to the cash flow projections is pre-tax and reflects management's estimate of the risk specific to the CGU at the date of assessment. Management determined the forecasted growth rate and budgeted gross margins based on past performance and its expectations of market developments.

Based on the sensitivity analysis performed, management believe that no reasonably possible change in the base case key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

10. INTANGIBLE ASSETS

	Group 2019 RM	Group 2018 RM
Cost		
At the beginning/end of the financial year	3,814,453	3,814,453
Accumulated amortisation		
At beginning of the financial year	3,117,040	2,233,191
Amortisation charged during the financial year	454,445	883,849
At the end of the financial year	3,571,485	3,117,040
Net carrying amount		
At the beginning/end of the financial year	242,968	697,413

The intangible assets, which arise from the acquisition of a subsidiary in previous financial year, represent customer contracts computed based on forecast revenue and income expected from customer contracts as a result of a purchase price allocation.

The amortisation of contract customers of the Group is an amount of RM454,445 (2018: RM883,849) is included in administrative expenses in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-current:					
Trade receivables					
Retention sum	(a),(b)	7,357,116	11,136,154	–	–
Current:					
Trade receivables					
Trade receivables	(a)	43,004,414	26,411,789	–	–
Retention sum	(b)	14,916,438	7,870,830	–	–
		57,920,852	34,282,619	–	–
Less: Allowance for impairment loss		(1,781,786)	(1,208,242)	–	–
		56,139,066	33,074,377	–	–
Other receivables					
Third parties		5,467,502	3,854,692	1,768,927	1,736,415
Subsidiaries	(c)	–	–	47,547,070	45,034,717
Less: Allowance for impairment loss					
- Third parties		(2,113,949)	(1,876,230)	(1,482,301)	(1,466,881)
- Subsidiaries		–	–	(21,885,100)	(21,900,520)
		3,353,553	1,978,462	25,948,596	23,403,731
GST refundable		835,242	859,096	–	50,910
Refundable deposits		869,179	1,284,235	25,247	25,247
Prepayments		212,456	523,382	30,000	51,700
		5,270,430	4,645,175	26,003,843	23,531,588
Total trade and other receivables (current)		61,409,496	37,719,552	26,003,843	23,531,588
Total trade and other receivables (non-current and current)		68,766,612	48,855,706	26,003,843	23,531,588

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group's normal credit terms range from 30 to 90 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The movement in the impairment of trade and other receivables are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade receivables				
At the beginning of the financial year	1,208,242	1,208,688	–	–
Charge for the financial year				
- individually assessed	573,544	–	–	–
- Reversal of impairment losses	–	(446)	–	–
At the end of the financial year	1,781,786	1,208,242	–	–
Other receivables				
At the beginning of the financial year	1,876,230	1,873,960	23,367,401	23,367,401
Charge for the financial year				
- individually assessed	237,719	2,270	–	–
At the end of the financial year	2,113,949	1,876,230	23,367,401	23,367,401

* Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*

(b) Retention sums are trade in nature, unsecured, non-interest bearing and are expected to be collected within the period of normal operating cycle.

(c) Amounts owing by subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

(d) The foreign currency exposure profiles on trade receivables are as follows:

	Group	
	2019 RM	**2018 RM**
United States Dollar	2,769,961	1,886,355

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Included in trade receivables are:

	Group 2019 RM	Group 2018 RM
Amount owing from companies in which certain directors have interests	50,984,408	36,967,787
Amount owing from directors	2,695,609	771,703
	53,680,017	37,739,490

(f) The information about the credit exposures are disclosed in Note 36(a) to the financial statements.

12. INVENTORIES

	Group 2019 RM	Group 2018 RM
At lower of cost and net realisable value:		
Raw materials	2,732,969	2,934,326
Work-in-progress	492,357	751,693
Finished goods	589,201	799,673
	3,814,527	4,485,692
Recognised in profit or loss:		
Inventories recognised as cost of sales	11,258,398	10,570,704
Inventories written down	–	30,603
Inventories written off	214,570	237,164

13. CONTRACT ASSETS/(LIABILITIES)

	2019 RM	2018 RM
Contract assets relating to construction service contracts	42,924,483	32,773,072
Contract liabilities relating to construction service contracts	(11,856,771)	(14,730,426)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

13. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Significant changes in contract balances

	2019		2018	
	Contract assets increase/ (decrease) RM	**Contract liabilities (increase)/ decrease RM**	**Contract assets increase/ (decrease) RM**	**Contract liabilities (increase)/ decrease RM**
Revenue recognised that was included in contract liability at the beginning of the financial year	–	13,524,360	–	14,484,851
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(10,650,705)	–	(9,212,775)
Decreases as a result of changes in the measure of progress	(463,895)	–	–	–
Increases due to revenue recognised but no right to consideration	28,941,891	–	28,788,793	–
Transfers from contract assets recognised at the beginning of the period to receivables	(18,326,585)	–	(31,984,339)	–

(b) Revenue recognised in relation to contract balances

	Group	
	2019 RM	**2018 RM**
Revenue recognised that was included in contract liability at the beginning of the financial year	13,524,360	14,484,851
Revenue recognised from performance obligations satisfied in previous financial year	7,917,242	–

Revenue recognised that was included in the contract liability balance at the beginning of the year represented primarily revenue from the sale of construction contracts when percentage of completion increases.

Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years, mainly due to changes in the estimate of the progress towards complete satisfaction of performance obligation of construction contracts.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

14. CASH AND SHORT-TERM DEPOSITS

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances		5,737,117	2,212,895	239,549	98,058
Deposits placed with licensed banks	(a),(b)	3,707,485	3,729,397	753,559	1,317,961
Fixed deposit with maturity more than 3 months	(c)	952,084	922,222	–	–
		10,396,686	6,864,514	993,108	1,416,019

(a) Deposits placed with licensed banks of the Group bear effective interest rates ranging from 2.95% to 3.53% (2018: 3.10% to 3.50%) per annum with a maturity of three months or less.

(b) Included in deposits placed with licensed banks is an amount of RM1,623,937 (2018: RM1,123,937) being fixed deposits held as security for the banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

(c) Fixed deposits with maturity more than 3 months bear effective interest at rates ranging from 3.05% to 3.15% (2018: 3.15% to 3.30%) per annum and mature within one year.

(d) The foreign currency profile of cash and cash equivalents of the Group are as follows:

	Group	
	2019 RM	2018 RM
Australian Dollar	13,562	13,562
Brunei Dollar	159	154
Hong Kong Dollar	1,061	–
Indian Rupee	1,065	1,340
Indonesian Rupiah	32	31
United States Dollar	648,894	157,822

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

15. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid up:				
Ordinary shares with no par value:				
At the beginning/end of the financial year	109,000,000	109,000,000	57,684,641	57,684,641
Redeemable convertible preference share:				
At beginning of the financial year	440,000,000	270,000,000	41,280,000	27,000,000
Issued during the financial year	–	170,000,000	–	14,280,000
At end of the financial year	440,000,000	440,000,000	41,280,000	41,280,000
	549,000,000	549,000,000	98,964,641	98,964,641

Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Redeemable convertible preference share ("RCPS")

In the previous financial year, the Company issued 170,000,000 new class B redeemable convertible preference shares ("RCPS B") of nominal value 10 cents each at fair value of RM0.084 each amounting to RM14,280,000 at the completion date as partial discharge of the purchase consideration for the acquisition of the remaining 40% equity interest in Pembinaan Federal Sdn. Bhd..

The salient terms of the RCPS are as follows:

(i) Conversion rights

The RCPS is convertible at the option of the holder, at any time after the Issuance Date and up to the Maturity Date (both dates inclusive) without the payment of additional consideration by the holder thereof, into such number of conversion shares as is determined by dividing the issue price by the conversion price in effect at the time of conversion. Any RCPS not converted or redeemed prior to the Maturity Date shall be mandatorily converted into new ordinary shares of the Company on the maturity date.

(ii) Conversion price

The conversion price of RCPS A is 76 sen and RCPS B is 50 sen.

The number of conversion shares to be issued to the RCPS holder upon conversion shall be calculated in accordance with the following formula:

$$\text{Number of conversion share} = \frac{\text{Number of RCPS x Issue Price}}{\text{Conversion Price}}$$

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

15. SHARE CAPITAL (CONTINUED)

Redeemable convertible preference share ("RCPS") (continued)

(iii) Maturity date

120 months from the issuance date.

(iv) Redemption price and redemption period

The RCPS are redeemable at the option of the issuer at RM0.10 each at any time from the 3rd anniversary of the issuance date and up to the maturity date (both dates inclusive), at 100% of the issue price.

All RCPS which are redeemed or purchased by the Issuer shall be cancelled immediately and cannot be resold.

(v) Transferability

No restriction on transferability.

(vi) Ranking

(i) RCPS A rank in priority to the Company's Shares but pari passu among themselves in respect of the right to receive dividends out of the distributable profits; and

(ii) RCPS B rank in pari passu among themselves and in priority to the Company's shares but in subordination to RCPS A in respect of the right to receive dividend out of the distributable profit and in any distribution of assets, up to the value of the RCPS of RM0.10 each upon any such liquidation, dissolution or winding-up of the Company; and

(iii) The Conversion Shares arising from the conversion of the RCPS shall, upon allotment and issue, rank pari passu in all respects with the existing the Company's Shares except that the holders of the Conversion Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared by the Company on entitlement dates which are prior to the date of allotment of the Conversion Shares.

(vii) Voting rights

The RCPS holders have the right to receive notices, reports and audited financial statements and attend meetings of the Company, but shall not be entitled to vote in person or by proxy or by attorney in a general meeting of the Company except at such meeting in each of the following circumstances:

(i) when the dividend or part thereof on the RCPS is in arrears for more than six months;
(ii) on a proposal to reduce the Company's share capital;
(iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
(iv) on a proposal that affects the rights attached to the RCPS;
(v) on a proposal to wind up the Company; and
(vi) during the winding up of the Company.

Whenever the RCPS holders has the right to vote at a general meeting, that holder has the same right to vote (both on a show of hands and on a poll) as the holder of one ordinary share for each RCPS held.

16. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was approved by the Company's shareholders in the Annual General Meeting held on 7 December 2018 for the Company to repurchase up to 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company distributed 2,083,815 of its treasury shares as single-tier interim dividend of one treasury share for every fifty existing ordinary shares. The total consideration transferred was RM1,011,025.

As at 30 June 2019, the Company's treasury shares are held at a carrying amount of RM1,322,012.

There was no resale and cancellation of treasury shares during the financial year.

In the previous financial year, the Company repurchased 4,808,600 of its issued ordinary shares from the open market at prices ranging from RM0.42 to RM0.78 per share.

(a) The details of distribution of treasury shares during the financial year are as follows:

	No. of shares distributed	Average price RM	Total consideration RM
Month			
October 2018	2,083,815	0.49	1,011,025

(b) The details of repurchased treasury shares in the previous financial year are as follows:

		Price per share			
Month	**No. of shares repurchased**	**Highest RM**	**Lowest RM**	**Average RM**	**Total Consideration RM**
September 2017	335,000	0.65	0.58	0.60	202,094
October 2017	393,000	0.78	0.64	0.66	260,506
November 2017	286,200	0.68	0.65	0.66	189,509
December 2017	417,500	0.66	0.59	0.62	258,822
March 2018	3,376,900	0.42	0.42	0.42	1,422,106
	4,808,600				2,333,037

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

17. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable				
Foreign exchange reserve	(10,585)	13,314	–	–
Revaluation reserve	6,752,239	6,752,239	–	–
	6,741,654	6,765,553	–	–
Distributable				
(Accumulated losses)/ Retained earnings	(5,325,489)	(9,799,151)	1,705,413	1,046,506
	1,416,165	(3,033,598)	1,705,413	1,046,506

(a) Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary items are denominated in either in functional currency of the reporting entity or the foreign operation.

(b) Revaluation reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of leasehold land and buildings above their cost.

(c) Retained earnings

The entire retained earnings of the Company as at 30 June 2019 may be distributed as dividends under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

18. LOANS AND BORROWINGS

	Group 2019 RM	2018 RM
Current		
Bankers' acceptance - secured	690,000	1,114,000
Bank overdraft - secured	1,920,496	3,135,646
Finance lease liabilities (Note 19)	550,002	1,950,947
Invoice financing - secured	4,283,600	1,443,516
Term loans - secured (Note 20)	476,750	473,751
	7,920,848	8,117,860
Non-current		
Finance lease liabilities (Note 19)	1,050,011	575,600
Term loans - secured (Note 20)	1,841,197	2,253,708
	2,891,208	2,829,308
Total borrowings		
Bankers' acceptance - secured	690,000	1,114,000
Bank overdraft - secured	1,920,496	3,135,646
Finance lease liabilities (Note 19)	1,600,013	2,526,547
Invoice financing - secured	4,283,600	1,443,516
Term loans - secured (Note 20)	2,317,947	2,727,459
	10,812,056	10,947,168

(a) The weighted average effective interest rates of the borrowings are as follows:

	Group 2019 %	2018 %
Bankers' acceptance	5.13	4.97
Bank overdraft	8.65	8.57
Finance lease liabilities	5.01	6.38
Invoice financing - secured	6.84	6.85
Term loans - secured	6.49	6.66

(b) The bankers' acceptance, bank overdraft and invoice financing facilities of the Group are secured by way of:

(i) corporate guarantees and indemnity by the Company;
(ii) a legal charge over the leasehold land and buildings of the Group as disclosed in Note 5(b) to the financial statements;
(iii) a negative pledge and fixed charge on certain subsidiary companies' assets;
(iv) against joint and several guarantees issued by certain directors of the subsidiaries; and
(v) against fixed deposits with licensed banks as disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

19. FINANCE LEASE LIABILITIES

	Group 2019 RM	Group 2018 RM
Minimum finance lease payments		
- not later than one year	613,000	2,037,485
- later than one year and not later than five years	1,147,869	625,366
	1,760,869	2,662,851
Less: Future finance charges	(160,856)	(136,304)
Present value of minimum lease payments	1,600,013	2,526,547
Represented by:		
Current		
- not later than one year	550,002	1,950,947
Non-current		
- later than one year and not later than five years	1,050,011	575,600
	1,600,013	2,526,547

20. TERM LOANS

The maturity structure of the term loans are analysed as follows:

	Group 2019 RM	Group 2018 RM
Repayable within one year	476,750	473,751
Repayable between one to two years	894,733	1,406,193
Repayable between two to five years	701,774	847,515
Repayable after five years	244,690	–
	1,841,197	2,253,708
	2,317,947	2,727,459

These term loans are secured by way of:

(a) Legal charge over the freehold buildings of the Group as disclosed in Note 5(b) to the financial statements;
(b) First party charge over leasehold land of the Group as disclosed in Note 5(b) to the financial statements; and
(c) Corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

21. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current:					
Trade					
Trade payables - retention sums		5,988,285	4,950,555	–	–
Current:					
Trade					
Trade payables - third parties	(a)	38,727,946	20,708,851	–	–
Non-trade					
Other payables		3,158,502	1,467,352	254,752	88,347
GST payable		8,526	53,939	–	–
Deposits		95,198	10,500	4,200	4,200
Accruals		9,582,724	8,061,022	106,674	102,412
Amounts owing to subsidiaries	(b)	–	–	9,223,221	9,015,531
Amount owing to directors	(b)	919,218	306,618	–	–
Amount owing to companies in which certain directors have interests	(b)	7,913,971	346,671	–	–
		21,678,139	10,246,102	9,588,847	9,210,490
Total trade and other payables (current)		60,406,085	30,954,953	9,588,847	9,210,490
Total trade and other payables (non-current and current)		66,394,370	35,905,508	9,588,847	9,210,490

(a) The normal trade credit terms granted to the Group range from 30 to 120 days (2018: 30 to 120 days).

(b) Amounts owing to companies in which certain directors have interest, directors and subsidiaries are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

22. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At point in time:				
Dividend income	–	–	4,500,000	–
Management fees received	–	–	2,080,527	1,983,921
Sales of goods	25,024,704	24,743,274	–	–
Over time:				
Revenue from contract works	178,560,319	124,408,407	–	–
	203,585,023	149,151,681	6,580,527	1,983,921

23. COST OF SALES

The cost of sales comprises of cost of manufacturing and trading of furniture, renovation and interior design, and construction.

24. OTHER INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Compensation	190,591	–	–	–
Gain on disposal of property, plant and equipment	64,807	24,710	38,000	625
Gain on disposal of a subsidiary	31,748	–	1	–
Interest income	115,623	223,519	25,597	144,234
Payables written off	217,558	–	–	–
Realised gain on foreign exchange	46,798	–	–	–
Rental income	377,532	322,402	–	–
Reversal of impairment losses on financial assets at amortised cost	–	833,115	–	–
Unrealised gain on foreign exchange	63,952	35,758	–	–
Others	698,885	339,816	43,965	3,750
	1,807,494	1,779,320	107,563	148,609

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

25. FINANCE COSTS

	Group 2019 RM	Group 2018 RM
Bankers' acceptance	43,282	31,628
Bank overdraft	217,361	184,445
Finance lease expenses	116,417	267,757
Invoice financing	271,193	23,096
Term loans interest	146,317	211,131
	794,570	718,057

26. PROFIT/(LOSS) BEFORE TAX

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Amortisation of intangible assets	454,445	883,849	–	–
Auditors' remuneration:				
- statutory audit				
- current year	102,880	130,549	32,000	34,000
- prior year	(6,166)	(6,204)	(6,000)	5,750
- non statutory audit				
- current year	4,000	4,000	4,000	4,000
- prior year	–	1,000	–	1,000
Bad debts written off	52,122	500	–	–
Depreciation of investment properties	109,661	97,810	–	–
Depreciation of property, plant and equipment	2,565,388	2,333,848	1,055	1,827
Employee benefits expenses (Note 33)	17,360,334	18,639,928	2,313,623	2,359,453
Impairment loss on:				
- trade receivables	573,544	–	–	–
- other receivables	237,719	2,270	–	–
Loss on disposal of property, plant and equipment	–	17,031	–	–
Inventories written down	–	30,603	–	–
Inventories written off	214,570	237,164	–	–
Property, plant and equipment written off	38,385	258,697	–	–
Rental of equipment	35,538	57,566	–	–
Rental of premises	289,504	332,738	–	–
Reversal of gain on financial liabilities amortised at cost	–	520,195	–	–
Reversal of impairment losses on trade receivables	–	(446)	–	–

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

27. INCOME TAX EXPENSE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	3,276,536	3,479,524	–	–
- Under/(Over) provision in prior financial year	112,925	(195,798)	–	–
	3,389,461	3,283,726	–	–
Deferred tax (Note 8)				
- Origination/(Reversal) of temporary differences	430,396	(833,828)	–	–
- Under provision in prior financial year	124,774	234,137	–	–
	555,170	(599,691)	–	–
Income tax expense recognised in profit or loss	3,944,631	2,684,035	–	–

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

27. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Profit/(Loss) before tax	11,299,973	9,758,318	3,891,160	(1,472,358)
Taxation at applicable tax rate of 24% (2018: 24%)	2,711,994	2,341,996	933,878	(353,366)
Non-deductible expenses	892,240	121,263	75,265	253,444
Non taxable income	(98,787)	(172,411)	(1,080,000)	–
Deferred tax not recognised during the financial year	236,567	492,565	70,857	99,922
Crystallisation of deferred tax liability	(35,082)	(45,120)	–	–
Reinvestment allowance incentive	–	(92,597)	–	–
Under/(Over) provision in prior financial year				
- current income tax	112,925	(195,798)	–	–
- deferred tax	124,774	234,137	–	–
Income tax expense	3,944,631	2,684,035	–	–

The amount of temporary differences for which no deferred tax assets have been recognised are as follows:

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Deductible temporary differences	758,736	716,540	45,574	82,563
Unutilised tax losses	15,495,532	14,552,031	7,766,205	7,433,979
	16,254,268	15,268,571	7,811,779	7,516,542
Potential deferred tax assets not recognised at 24%	3,901,024	3,664,457	1,874,827	1,803,970

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

28. EARNINGS PER ORDINARY SHARE

(a) Basic

Basis earning per share amounts are calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares on issue during the financial year.

	Group	
	2019 RM	**2018 RM**
Profit attributable to owners of the Company (RM)	7,705,915	3,850,390
Less: Preference dividend	(1,690,000)	(810,000)
Net profit earned for equity	6,015,915	3,040,390
Weighted average number of ordinary shares for basic earnings per share (Unit) (adjusted for treasury shares)	105,584,416	107,260,523
Basic earnings per share (sen)	5.70	2.83

(b) Diluted

Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2019 RM	**2018 RM**
Profit attributable to owners of the Company (RM)	7,705,915	3,850,390
Less: Preference dividend	(1,690,000)	(810,000)
Net profit earned for equity	6,015,915	3,040,390
Weighted average number of ordinary shares in issue (units)		
(adjusted for treasury shares)	105,584,416	107,260,523
Effect of dilution from:		
- redeemable convertible preference shares	69,526,316	48,294,929
Weighted average number of ordinary shares in issue (units)	175,110,732	155,555,452
Diluted earnings per share (sen)	3.44	1.95

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

29. FINANCIAL GUARANTEES

	Company	
	2019	**2018**
	RM	**RM**
Financial guarantee given to financial institutions for credit facilities granted to subsidiaries	9,212,043	8,420,621

30. CAPITAL COMMITMENT

	Group	
	2019	**2018**
	RM	**RM**
Property, plant and equipment - Capital work in progress (Note 5)	–	347,366

31. DIVIDENDS

	Group	
	2019	**2018**
	RM	**RM**
Recognised during the financial year		
Single-tier tax exempt interim dividend of 0.30 sen per RCPS A in respect of the financial year ended 30 June 2018, paid on 29 October 2018	810,000	–
Single-tier interim dividend of one treasury share for every fifty existing ordinary shares in respect of the financial year ended 30 June 2018, paid on 29 October 2018	1,011,025	–
Single-tier tax exempt interim dividend of 0.20 sen per RCPS A in respect of the financial year ended 30 June 2019, paid on 4 June 2019	540,000	–
Single-tier tax exempt interim dividend of 0.20 sen per RCPS B in respect of the financial year ended 30 June 2019, paid on 4 June 2019	340,000	–
Single-tier tax exempt interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 30 June 2019, paid on 4 June 2019	531,228	–
Single-tier tax exempt interim dividend of 0.30 sen per RCPS A in respect of the financial year ended 30 June 2017, paid on 30 Agust 2017	–	810,000
Single-tier tax exempt interim dividend of 1.20 sen per ordinary share in respect of the financial year ended 30 June 2017, paid on 30 August 2017	–	1,308,000
	3,232,253	2,118,000

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

32. RELATED PARTIES

(a) Identity of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Group and the Company that gives it significant influence over the Group's and the Company's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

Related parties of the Group include:

(i) subsidiaries as disclosed in Note 7 to the financial statements;
(ii) entities in which the directors have substantial financial interests;
(iii) close members of the family of directors; and
(iv) key management personnel of the Group and of the Company, comprises persons (including directors) having the authority and responsibility for planning, diversifying and controlling the activities directly or indirectly.

(b) Significant related party transactions

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Management fee received/ receivable from subsidiaries:				
- Federal Furniture Industries Sdn. Bhd.	–	–	202,053	206,658
- Federal Furniture Lifestyle Sdn. Bhd.	–	–	–	20,666
- Federal Furniture (1982) Sdn. Bhd.	–	–	909,237	826,634
- Cathay Interior Design (M) Sdn. Bhd.	–	–	60,000	61,998
- Pembinaan Federal Sdn. Bhd.	–	–	909,237	867,965
Progress billing received/ receivable from:				
- Directors	2,649,471	393,214	–	–
- Companies in which directors have substantial interests	131,129,300	93,084,051	–	–
Dividend income				
- Pembinaan Federal Sdn. Bhd.	–	–	4,500,000	–

NOTES TO THE FINANCIAL STATEMENTS
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33. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Salaries, bonus and allowances	15,507,806	16,278,409	2,125,300	2,136,067
Defined contribution plan	1,588,760	1,628,337	184,022	189,295
Other employee benefits	263,768	733,182	4,301	34,091
	17,360,334	18,639,928	2,313,623	2,359,453

Included in employee benefits expenses are directors' remuneration as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Executive director's remuneration:				
- salaries and other emoluments	1,917,580	1,950,960	1,393,200	1,393,200
- fees	90,000	90,000	90,000	90,000
Non-executive director's remuneration:				
- fees	150,000	150,000	150,000	150,000
- non-fees	326,000	328,000	326,000	328,000
	2,483,580	2,518,960	1,959,200	1,961,200

The number of directors of the Group and the Company whose total remuneration are analysed into the bands of RM50,000 is as follows:

	Group		Company	
	Number of Directors			
	2019	**2018**	**2019**	**2018**
Executive Directors				
RM150,001 - RM200,000	2	2	–	–
RM200,001 - RM250,000	1	1	–	–
RM300,001 - RM350,000	1	1	1	1
RM500,001 - RM550,000	1	1	1	1
RM600,001 - RM650,000	1	1	1	1
	6	6	3	3
Non-executive Directors				
Less than RM50,000	3	3	3	3
RM350,001 - RM400,000	1	1	1	1
	4	4	4	4

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

33. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

Key management personnel compensation

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

Included in employee benefits expenses are key management personnel as follow:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Key management personnel				
- salaries and other emoluments	3,110,968	3,127,548	1,481,820	1,485,180
- fees	90,000	90,000	90,000	90,000
	3,200,968	3,217,548	1,571,820	1,575,180

34. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment.

(a) Business segments

The Group is organised into four major business segments:
(i) manufacturing and trading of furniture;
(ii) renovation and interior design;
(iii) construction business; and
(iv) investment holding

Inter-segment pricing is determined on negotiated basis.

Segment profit

Segment performance is used to measure performance as the chief operating decision maker believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment assets are measured based on all assets (excluding investment in associates, deferred tax assets and current tax assets) of a segment, as included in the internal reports that are reviewed by the chief operating decision maker.

Segment liabilities

The total of segment liabilities are measured based on all liabilities (excluding deferred tax liabilities and current tax liabilities) of a segment, as included in the internal reports that are reviewed by the chief operating decision maker.

34. SEGMENTAL INFORMATION (CONTINUED)

(b) Measurement of reportable segments (continued)

2019	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Construction RM	Total RM	Inter-Segment Elimination RM		Consolidated RM
Revenue								
External sales	25,014,704	28,128,570	–	150,441,749	203,585,023	–		203,585,023
Inter-segment sales	325,675	6,134,980	6,580,527	–	13,041,182	(13,041,182)	(i)	–
Total revenue	25,340,379	34,263,550	6,580,527	150,441,749	216,626,205	(13,041,182)		203,585,023
Results								
Segments results	2,753,759	(973,742)	3,871,435	12,044,589	17,696,041	(5,601,498)	(ii)	12,094,543
Finance costs	(127,023)	(307,433)	–	(360,114)	(794,570)	–		(794,570)
Income tax expense	(722,956)	–	–	(3,221,675)	(3,944,631)	–		(3,944,631)
Profit/(Loss) for the financial year	1,903,780	(1,281,175)	3,871,435	8,462,800	12,956,840	(5,601,498)		7,355,342
2019								
Assets								
Segment assets	62,041,012	48,373,547	109,753,424	104,046,411	324,214,394	(149,866,866)	(iii)	174,347,528
Deferred tax assets	–	–	–	338,371	338,371	–		338,371
Goodwill on consolidation	–	–	–	18,555,889	18,555,889	–		18,555,889
	62,041,012	48,373,547	109,753,424	122,940,671	343,108,654	(149,866,866)		193,241,788
Liabilities								
Segment liabilities	41,787,179	44,755,329	34,907,346	68,344,404	189,794,258	(100,731,061)	(iv)	89,063,197
Tax payable	6,663	–	–	638,265	644,928	–		644,928
Deferred tax liabilities	3,007,055	47,727	679,403	–	3,734,185	–		3,734,185
	44,800,897	44,803,056	35,586,749	68,982,669	194,173,371	(100,731,061)		93,442,310

34. SEGMENTAL INFORMATION (CONTINUED)

(b) Measurement of reportable segments (continued)

2019	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Construction RM	Total RM	Inter-Segment Elimination RM	Consolidated RM
Other information							
Acquisition of property, plant and equipment	1,412,484	498,538	–	643,248	2,554,270	–	2,554,270
Amortisation of intangible assets	–	–	454,445	–	454,445	–	454,445
Bad debts written off	–	52,122	–	–	52,122	–	52,122
Depreciation of investment properties	–	1,600	–	108,061	109,661	–	109,661
Depreciation of property, plant and equipment	1,390,507	405,673	1,055	768,153	2,565,388	–	2,565,388
Gain on disposal of property, plant and equipment	–	–	(37,100)	(27,707)	(64,807)	–	(64,807)
Impairment loss on:							
- trade receivables	573,544	–	–	–	573,544	–	573,544
- other receivables	–	–	–	237,719	237,719	–	237,719
Interest expenses	127,023	307,433	–	360,114	794,570	–	794,570
Interest income	(191)	(78,459)	(25,597)	(11,376)	(115,623)	–	(115,623)
Inventories written off	–	214,570	–	–	214,570	–	214,570
Property, plant and equipment written off	38,385	–	–	–	38,385	–	38,385

34. SEGMENTAL INFORMATION (CONTINUED)

(b) Measurement of reportable segments (continued)

2018	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Construction RM	Total RM	Inter-Segment Elimination RM		Consolidated RM
Revenue								
External sales	25,875,048	17,343,075	–	105,933,558	149,151,681	–		149,151,681
Inter-segment sales	445,250	8,488,564	1,983,921	–	10,917,735	(10,917,735)	(i)	–
Total revenue	26,320,298	25,831,639	1,983,921	105,933,558	160,069,416	(10,917,735)		149,151,681
Results								
Segments results	2,351,523	(987,194)	(1,494,450)	11,490,344	11,360,223	(883,848)	(ii)	10,476,375
Finance costs	(209,032)	(259,930)	–	(249,095)	(718,057)	–		(718,057)
Taxation	(739,791)	(17,072)	–	(1,927,172)	(2,684,035)	–		(2,684,035)
Profit/(Loss) for the financial year	1,402,700	(1,264,196)	(1,494,450)	9,314,077	7,958,131	(883,848)		7,074,283
2018								
Assets								
Segment assets	62,827,973	60,336,607	101,508,777	71,764,222	296,437,579	(154,408,419)	(iii)	142,029,160
Deferred tax assets	–	–	–	806,922	806,922	–		806,922
Goodwill on consolidation	–	–	–	18,555,889	18,555,889	–		18,555,889
	62,827,973	60,336,607	101,508,777	91,127,033	315,800,390	(154,408,419)		161,391,971
Liabilities								
Segment liabilities	43,394,142	55,992,495	27,605,465	37,598,061	164,590,163	(103,007,061)	(iv)	61,583,102
Tax payable	15,859	–	–	1,456,181	1,472,040	–		1,472,040
Deferred tax liabilities	2,920,436	47,727	679,403	–	3,647,566	–		3,647,566
	46,330,437	56,040,222	28,284,868	39,054,242	169,709,769	(103,007,061)		66,702,708

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

34. SEGMENTAL INFORMATION (CONTINUED)

(b) Measurement of reportable segments (continued)

2018	Manufacturing and Trading of Furniture RM	Renovation and Interior Design RM	Investment Holding RM	Construction RM	Total RM	Inter-Segment Elimination RM	Consolidated RM
Other information							
Acquisition of property, plant and equipment	1,990,066	902,104	2,590	7,200	2,901,960	–	2,901,960
Amortisation of intangible assets	–	–	883,849	–	883,849	–	883,849
Bad debts written off	–	500	–	–	500	–	500
Depreciation of investment properties	–	2,400	–	95,410	97,810	–	97,810
Depreciation of property, plant and equipment	1,171,427	385,739	1,827	774,855	2,333,848	–	2,333,848
Gain on disposal of property, plant and equipment	(23,585)	(500)	(625)	–	(24,710)	–	(24,710)
Impairment losses on other receivables	–	2,270	–	–	2,270	–	2,270
Interest expenses	209,032	259,930	–	249,095	718,057	–	718,057
Interest income	–	(79,285)	(144,234)	–	(223,519)	–	(223,519)
Inventories written down	30,603	–	–	–	30,603	–	30,603
Inventories written off	237,164	–	–	–	237,164	–	237,164
Loss on disposal of property, plant and equipment	–	–	–	17,031	17,031	–	17,031
Property, plant and equipment written off	258,697	–	–	–	258,697	–	258,697
Reversal of gain on financial liabilities amortised at cost	–	–	–	520,195	520,195	–	520,195
Reversal of impairment losses on trade receivables	–	(446)	–	–	(446)	–	(446)
Reversal of impairment losses on financial assets at amortised cost	–	–	–	(833,115)	(833,115)	–	(833,115)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

34. SEGMENTAL INFORMATION (CONTINUED)

(b) Measurement of reportable segments (continued)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

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

(ii) Profit/(Loss) from inter segment sales are eliminated on consolidation.

(iii) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statements of financial position:

	2019 RM	2018 RM
Property, plant and equipment	2,800,000	2,800,000
Investment in subsidiaries	(82,486,261)	(85,206,261)
Intangible assets	242,968	697,413
Amount owing by subsidiaries	(70,423,573)	(72,699,571)
	(149,866,866)	(154,408,419)

(iv) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statements of financial position:

	2019 RM	2018 RM
Other payables, deposits and accruals	(1,908,442)	1,837,079
Amount owing to subsidiaries	(98,822,619)	(104,844,140)
	(100,731,061)	(103,007,061)

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

From 1 July 2018:
(i) Amortised cost ("AC")

On or before 30 June 2018:
(i) Loans and receivables ("L&R")
(ii) Other financial liabilities ("FL")

	Carrying amount RM	AC RM
2019		
Financial assets		
Group		
Trade and other receivables, net of GST refundable and prepayments	67,718,914	67,718,914
Cash and short-term deposits	10,396,686	10,396,686
	78,115,600	78,115,600
Company		
Other receivables, net of GST refundable and prepayments	25,973,843	25,973,843
Cash and short-term deposits	993,108	993,108
	26,966,951	26,966,951
Financial liabilities		
Group		
Trade and other payables, net of GST payable	66,385,844	66,385,844
Loans and borrowings	10,812,056	10,812,056
	77,197,900	77,197,900
Company		
Other payables	9,588,847	9,588,847

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

	Carrying amount RM	L&R RM	FL RM
2018			
Financial assets			
Group			
Trade and other receivables, net of GST refundable and prepayments	47,473,228	47,473,228	–
Cash and short-term deposits	6,864,514	6,864,514	–
	54,337,742	54,337,742	–
Company			
Other receivables, net of GST refundable and prepayment	23,428,978	23,428,978	–
Cash and short-term deposits	1,416,019	1,416,019	–
	24,844,997	24,844,997	–
Financial liabilities			
Group			
Trade and other payables, net of GST payable	35,851,569	–	35,851,569
Loans and borrowings	10,947,168	–	10,947,168
	46,798,737	–	46,798,737
Company			
Other payables	9,210,490	–	9,210,490

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate to their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The Group and the Company's long term loans bear interest at floating rate and hence their carrying amount approximates fair values.

The fair value of the finance lease liabilities is determined using the discounted cash flow method based on the discount rate that reflects the issuer's borrowing rate as at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

35. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (continued)

(i) Recognised financial instruments

The carrying amount and fair value of financial instruments, other than carrying amount which are reasonably approximate to their fair value are as follows:

	2019		2018	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liabilities				
Finance lease liabilities	1,600,013	1,557,607	2,526,547	2,322,046

Fair value hierarchy

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

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

(c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value of financial instruments not carried at fair value			
Group	**Note**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
2019					
Financial liabilities:					
Bankers' acceptance - secured	18	–	–	690,000	690,000
Bank overdraft - secured	18	–	–	1,920,496	1,920,496
Finance lease liabilities	19	–	–	1,600,013	1,600,013
Invoice financing - secured	18	–	–	4,283,600	4,283,600
Term loans - secured	20	–	–	2,317,947	2,317,947
2018					
Financial liabilities:					
Bankers' acceptance - secured	18	–	–	1,114,000	1,114,000
Bank overdraft - secured	18	–	–	3,135,646	3,135,646
Finance lease liabilities	19	–	–	2,526,547	2,526,547
Invoice financing - secured	18	–	–	1,443,516	1,443,516
Term loans - secured	20	–	–	2,727,459	2,727,459

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, interest rate risk, foreign currency risk and liquidity risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from its trade and other receivables. For cash and bank balances and deposits with licensed bank, the Group and the Company minimise credit risk by dealing exclusively with high credit rating financial institutions.

The management has a credit policy in place to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

Trade receivables and contract assets

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

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

<u>Credit risk concentration profile</u>

The Group determines concentrations of credit risk by monitoring the profile of its trade receivables on an ongoing basis. As at the reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances arising from the amount due from two (2018: six) customers representing approximately 61% (2018: 47%) of the total trade receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Credit risk concentration profile (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using the provision matrix are as follows:

	Gross carrying amount at default RM
Group	
2019	
Contract assets	42,924,483
Trade receivables	
Current	41,532,172
1 to 30 days past due	5,098,931
31 to 60 days past due	2,562,221
61 to 90 days past due	4,366,325
91 to 120 days past due	7,061,627
More than 121 days past due	2,874,906
	63,496,182
Individually impaired	1,781,786
	65,277,968
	108,202,451

As at 30 June 2018, the ageing analysis of the Group's trade receivables were as follows:

	Group 2018 RM
Neither past due nor impaired	27,572,899
1 to 30 days past due not impaired	6,840,870
31 to 60 days past due not impaired	1,654,827
61 to 90 days past due not impaired	1,818,242
91 to 120 days past due not impaired	1,789,052
More than 121 days past due not impaired	4,534,641
	16,637,632
Individually impaired	1,208,242
	45,418,773

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Other receivables and other financial assets

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

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are incorporated, amongst others:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due from the credit term in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.13(a) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company provides secured and unsecured financial guarantees to financial institution in respect of bank facilities and supplier's credit facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM9 million (2018: RM8 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from its interest-bearing financial instruments which includes deposits placed with licensed banks and loans and borrowings. Loans and borrowings issued at variable rates and fixed rates expose the Group and the Company to cash flow interest rate risk and fair value interest rate risk respectively.

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

	2019		2018	
	Effective interest rate %	**Carrying amount RM**	**Effective interest rate %**	**Carrying amount RM**
Group				
Fixed rate instruments				
Financial assets				
Deposits placed with licensed banks	2.95 - 3.53	3,707,485	3.10 - 3.50	3,729,397
Financial liabilities				
Finance lease liabilities	5.01	1,600,013	6.38	2,526,547
Floating rate instruments				
Financial liabilities				
Bankers' acceptance - secured	5.13	690,000	4.97	1,114,000
Bank overdrafts - secured	8.65	1,920,496	8.57	3,135,646
Invoice financing - secured	6.84	4,283,600	6.85	1,443,516
Term loan - secured	6.49	2,317,947	6.66	2,727,459
Company				
Fixed rate instruments				
Financial assets				
Deposits placed with licensed banks	3.47	753,559	3.47	1,317,961

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

The Group and the Company do not account for any fixed rate financial assets and financial liabilities and therefore change in interest rate at the end of the reporting period would not affect the Group's and the Company's net gain and equity.

A change of 1% in interest rates at the end of reporting period would have increased/(decreased) the Group's profit before tax and equity by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Increase/(Decrease)			
	Decrease 1%		**Increase 1%**	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Group's net profit	70,012	63,997	(70,012)	(63,997)

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign exchange rates.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:

	2019 Trade receivables RM	2019 Cash and short-term deposits RM	2019 Net exposure RM	2018 Trade receivables RM	2018 Cash and short-term deposits RM	2018 Net exposure RM
Australian Dollar	–	13,562	13,562	–	13,562	13,562
Brunei Dollar	–	159	159	–	154	154
Hong Kong Dollar	–	1,061	1,061	–	–	–
Indian Rupee	–	1,065	1,065	–	1,340	1,340
Indonesian Rupiah	–	32	32	–	31	31
United States Dollar	2,769,961	648,894	3,418,855	1,886,355	157,822	2,044,177
	2,769,961	664,773	3,434,734	1,886,355	172,909	2,059,264

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

A 1% strengthening or weakening of the Ringgit Malaysia against following currencies at the end of the reporting period would increase/(decrease) profit before tax and equity as per below. This analysis assumes that all other variables remain unchanged.

	Increase/(Decrease)			
	Strengthen 1%		Weaken 1%	
	2019 RM	2018 RM	2019 RM	2018 RM
Group's net profit				
Australian Dollar	136	136	(136)	(136)
Brunei Dollar	2	2	(2)	(2)
Hong Kong Dollar	11	–	(11)	–
Indian Rupee	11	13	(11)	(13)
United States Dollar	34,189	20,442	(34,189)	(20,442)

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment at the reporting date are as follows:

		Undiscounted Cash Flows			
	Carrying Amount RM	On Demand or Within 1 Year RM	1 - 5 Years RM	> 5 Years RM	Total RM
Group					
2019					
Financial liabilities:					
Trade and other payables, net of GST payable	66,385,844	60,397,559	5,988,285	–	66,385,844
Bankers' acceptance - secured	690,000	690,000	–	–	690,000
Bank overdraft - secured	1,920,496	1,920,496	–	–	1,920,496
Finance lease liabilities	1,600,013	613,000	1,147,869	–	1,760,869
Invoice financing - secured	4,283,600	4,283,600	–	–	4,283,600
Term loans - secured	2,317,947	679,853	2,076,615	229,139	2,985,607
	77,197,900	68,584,508	9,212,769	229,139	78,026,416
2018					
Financial liabilities:					
Trade and other payables, net of GST payable	35,851,569	30,901,014	4,950,555	–	35,851,569
Bankers' acceptance - secured	1,114,000	1,114,000	–	–	1,114,000
Bank overdraft - secured	3,135,646	3,135,646	–	–	3,135,646
Finance lease liabilities	2,526,547	2,037,485	625,366	–	2,662,851
Invoice financing - secured	1,443,516	1,443,516	–	–	1,443,516
Term loans - secured	2,727,459	679,853	2,482,593	994,730	4,157,176
	46,798,737	39,311,514	8,058,514	994,730	48,364,758

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

The maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment at the reporting date are as follows: (continued)

		Undiscounted Cash Flows			
	Carrying Amount RM	On Demand or Within 1 Year RM	1 - 5 Years RM	> 5 Years RM	Total RM
Company					
2019					
Financial liabilities:					
Other payables	9,588,847	9,588,847	–	–	9,588,847
2018					
Financial liabilities:					
Other payables	9,210,490	9,210,490	–	–	9,210,490

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

37. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group and the Company manage its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the Group and the Company may adjust the dividend payment to shareholders.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total borrowings	10,812,056	10,947,168	–	–
Trade and other payables	66,394,370	35,905,508	9,588,847	9,210,490
Less: Cash and short-term deposits	(10,396,686)	(6,864,514)	(993,108)	(1,416,019)
Net debts	66,809,740	39,988,162	8,595,739	7,794,471
Total equity	99,058,794	93,598,006	99,348,042	97,678,110
Capital and net debts	165,868,534	133,586,168	107,943,781	105,472,581
Gearing ratio	40%	30%	N/A	N/A

A subsidiary of the Group is required to maintain a gearing ratio of 2.5 to comply with a bank covenant. The subsidiary has complied with this requirement.

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 8 May 2019, the Company disposed of a wholly-owned subsidiary, Layang Kaji Sdn. Bhd. ("LKSB") to Dato' Choy Wai Hin and Dr. Choy Sook Kuen for a cash consideration of RM1.

39. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 29 August 2019, the Company's wholly-owned subsidiary, Pembinaan Federal Sdn. Bhd. ("PFSB"), accepted a letter of award amounting to RM259.95 million from Masteron Sdn. Bhd. ("MSB") for main building works in respect of the construction of two blocks of apartments on Lot 6656 PJS5 Mukim Petaling.

NOTES TO THE FINANCIAL STATEMENTS
(Cont'd)

40. COMPARATIVE FIGURES

The following comparative figures in the statements of financial position have been reclassified to conform with the current year presentation:

	As previously classified RM	Reclassification RM	As reclassified RM
30.6.2018			
Current assets			
Contract assets	18,042,646	14,730,426	32,773,072
Current liabilities			
Contract liabilities	–	14,730,426	14,730,426

STATEMENT BY DIRECTORS

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

We, **DATO' CHOY WAI HIN** and **DATUK CHOY WAI CEONG**, being two of the directors of Federal International Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on page 51 to 145 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

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

………………………………………………

DATO' CHOY WAI HIN
Director

………………………………………………

DATUK CHOY WAI CEONG
Director

Petaling Jaya

Date: 25 October 2019

STATUTORY DECLARATION

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

I, **JAMES SHII LIHTON**, being the officer primarily responsible for the financial management of Federal International Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on page 51 to 145 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

………………………………………………

JAMES SHII LIHTON
MIA Membership No: 3420

Subscribed and solemnly declared by the abovenamed at Petaling Jaya, Selangor Darul Ehsan on 25 October 2019.

Before me,

PESURUHJAYA SUMPAH
No. B 508
WONG CHOY YIN
1.7.2018 - 31.12.2020
MALAYSIA

………………………………………………

Commissioner for Oaths

3 Damansara Shopping Mall
3, Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT
To the members of Federal International Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Federal International Holdings Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Key Audit Matters

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

<u>Group</u>

Goodwill on consolidation (Notes 4(a) and 9 to the financial statements)

The Group has significant goodwill as at 30 June 2019. The goodwill is tested for impairment annually. We focused on this area because the annual test for impairment of goodwill requires significant judgements by the directors on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin.

Our response:

Our audit procedures included, among others:

- discussing the valuation methodology adopted by the Group;
- comparing the actual results with previous budget to note the performance of the business and reliability of forecasting process;
- discussing the Group's assumptions with the directors in relation to key inputs such as discount rates, forecast growth rates, inflation rates and gross profit margin;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount.

INDEPENDENT AUDITORS' REPORT
To the members of Federal International Holdings Berhad (Cont'd)

Key Audit Matters (continued)

Group (continued)

Revenue and corresponding costs recognition for construction activities (Notes 4(b), 22 and 23 to the financial statements)

We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the construction costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction contracts projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events.

Our response:

Our audit procedures on a sample of projects included, among others:

- reading the terms and conditions of samle agreements with customers;
- understanding the Group's process in preparing project budget and the calculation of the progress towards anticipated satisfaction of a performance obligation;
- comparing directors' major assumptions to contractual terms and discussing with project manager;
- reading the computed progress towards anticipated satisfaction of a performance obligation against architect or consultant certificate;
- checking the mathematical computation of recognised revenue and corresponding costs during the financial year; and
- discussing with the directors and reading of relevant correspondences in relation to the potential liquidated and ascertained damages.

Company

Investment in subsidiaries (Note 4(c) and 7 to the financial statements)

We focused on this area because significant judgement is required in the directors' estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investments in subsidiaries.

Our response:

Our audit procedures included, among others:

- comparing the actual results with previous budget to note the performance of the business and reliability of the forecasting process;
- discussing the Group's assumptions in relation to key assumptions;
- testing the mathematical accuracy of the assessment; and
- performing a sensitivity analysis around the key assumptions.

INDEPENDENT AUDITORS' REPORT
To the members of Federal International Holdings Berhad (Cont'd)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT
To the members of Federal International Holdings Berhad (Cont'd)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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: (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTERS

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

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

Kuala Lumpur

Date: 25 October 2019

SHAREHOLDERS' STATISTICS
As at 1 October 2019

Class of Shares	:	Ordinary Shares
No. of issued shares	:	109,000,000 Ordinary Shares
Voting Rights	:	1 vote per Ordinary Share
Treasury shares	:	2,724,785 Ordinary shares

ANALYSIS BY SIZE OF SHAREHOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	103	3.74	3,664	0.00
100 - 1,000	212	7.69	59,775	0.06
1,001 - 10,000	1,651	59.91	4,406,533	4.15
10,001 - 100,000	692	25.11	18,733,496	17.63
100,001 to less than 5% of issued shares	97	3.52	69,430,737	65.33
5% and above of issued shares	1	0.04	13,641,010	12.84
Total	2,756	100.00	106,275,215	100.00

SUBSTANTIAL SHAREHOLDERS

	Ordinary Shares Held			
	Direct	%	Indirect	%
Choy Fook On & Son Realty Sdn. Bhd.	13,641,010	12.84	–	–
Dato' Dr. Choy Fook On	6,142,562	5.78	15,029,026 (1) (2)	14.14
Datin Tan Geok Foong	4,565,642	4.30	15,029,026 (1) (2)	14.14
Dato' Choy Wai Hin	5,566,140	5.24	15,991,585 (1) (3)	15.05
Datuk Choy Wai Ceong	5,376,652	5.06	13,641,010 (1)	12.84
Voon Sze Lin	2,771,034	2.61	5,192,820 (4)	4.89

(1) Deemed interested pursuant to Section 8 of the Companies Act by virtue of his/her shareholding in Choy Fook On & Sons Realty Sdn Bhd.
(2) Deemed interested by virtue of his/her child's interest in shares of the Company pursuant to Section 59 (11)(c) of the Companies Act 2016
(3) Deemed interested by virtue of his spouse's interest in shares of the Company pursuant to Section 59 (11)(c) of the Companies Act 2016
(4) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholding in GV Asia Fund Limited.

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1.	CHOY FOOK ON & SONS REALTY SDN BHD	13,641,010	12.84
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHOY WAI CEONG (PB)	5,236,884	4.93
3.	TAN GEOK FOONG	4.565,642	4.30
4.	GV ASIA FUND LIMITED	4,360,908	4.10
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,949,788	3.72
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHOY WAI HIN (PB)	3,035,724	2.86
7.	MEGA GOLD HARVEST SDN BHD	2,901,900	2.73
8.	CHOY FOOK ON	2,696,594	2.54
9.	JF APEX NOMINEES (TEMPATAN) SON BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	2,661,588	2.50

SHAREHOLDERS' STATISTICS
As at 1 October 2019

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (CONTINUED)

No.	Name	No. of Shares	%
10.	CIMSEC NOMINEES (TEMPATAN) SON BHD CIMB BANK FOR CHOY WAr HIN (PBCL-OG0324)	2,530,416	2.38
11.	YEOH SOO KENG	2,350,575	2.21
12.	CHOY FOOK ON	2,038,368	1.92
13.	TUNG SWEE PUAN	1,845,242	1.74
14.	LIEW SOON HIN	1,845,005	1.74
15.	PHANG KWONG YEN @ RAYMOND	1,730,757	1.63
16.	LEE SIEW KIN	1,445,348	1.36
17.	CHOY FOOK ON	1,407,600	1.32
18.	VOON JYE WAH	1,301,214	1.22
19.	CHOY SOOK KUEN	1,287,648	1.21
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	1,277,244	1.20
21.	NG CHAI GO	1,214,922	1.14
22.	MA YBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TUCK JEONG (MARGIN)	975,400	0.92
23.	LIEW SOON HIN	945,030	0.89
24.	LEE KOK LEONG	848,640	0.80
25.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GV ASIA FUND LIMITED (STA 1)	831,912	0.78
26.	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON JYE WAH	741,132	0.70
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO CHIN SER (6000194)	625,000	0.59
28.	NG CHAI GO	589,900	0.56
29.	KOOI TOCK CHIAN @ MICHAEL KOOI	582,828	0.55
30.	TAY HOCK SOOM	543,600	0.51

DIRECTORS' SHAREHOLDINGS

		Ordinary Shares Held			
No.	Directors	Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	6,142,562	5.78	15,029,026 (1) (2)	14.14
2.	Datin Tan Geok Foong	5,566,140	5.24	15,991,585 (1) (2)	15.05
3.	Dato' Choy Wai Hin	4,565,642	4.30	15,029,026 (1) (3)	14.14
4.	Datuk Choy Wai Ceong	5,376,652	5.06	13,641,010 (1)	12.84
5.	Tuan Haji Hussein Bin Hamzah	–	–	–	–
6.	Mohd Arif Bin Mastol	–	–	–	–
7.	Dato' Dr. Hj. Abdul Rasid Bin Ab Malik	–	–	–	–
8.	Choy Kin Mann *(Alternate Director to Dato' Dr. Choy Fook On)*	20,400	0.02	–	–
9.	Choy Yuin Yi *(Alternate Director to Datin Tan Geok Foong)*	–	–	–	–

(1) Deemed interested pursuant to Section 8 of the Companies Act by virtue of his/her shareholding in Choy Fook On & Sons Realty Sdn Bhd.

(2) Deemed interested by virtue of his/her child's interest in shares of the Company pursuant to Section 59 (11) (c) of the Companies Act 2016

(3) Deemed interested by virtue of his spouse's interest in shares of the Company pursuant to Section 59 (11) (c) of the Companies Act 2016

RCPS A HOLDERS' STATISTICS
As at 1 October 2019

ANALYSIS BY SIZE OF RCPS A HOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	0	0.00	0	0.00
100 - 1,000	9	2.69	3,900	0.00
1,001 - 10,000	91	27.25	523,300	0.19
10,001 - 100,000	165	49.40	6,928,500	2.57
100,001 to less than 5% of RCPS A	64	19.16	46,153,700	17.10
5% and above of RCPS A	5	1.50	216,390,600	80.14
Total	334	100.00	270,000,000	100.00

THIRTY (30) LARGEST RCPS A ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1.	CHOY FOOK ON	64,746,800	23.98
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHOY WAIHIN (PB)	40,722,700	15.08
3.	CIMSEC NOMINEES (TEMPATAN) SON BHD CIMB FOR CHOY WAI CEONG (PB)	40,721,100	15.08
4.	CHOY SOOK KUEN	35,100,000	13.00
5.	TAN GEOK FOONG	35,100,000	13.00
6.	LIEW SOON HIN	7,616,900	2.82
7.	TUNG SWEE PUAN	6,170,600	2.29
8.	PHANG KWONG YEN @ RAYMOND	6,161,600	2.28
9.	LEE SIEW KIN	3,413,700	1.26
10.	KENG CHEW HAR	2,050,000	0.76
11.	WONG SIU CHUNG	1,948,000	0.72
12.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SIU CHUNG	1,900,800	0.70
13.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LIAN HOCK (E-SPI)	1,359,900	0.50
14.	LOKE KAIN SENG	1,050,000	0.39
15.	TAN SING HAH	700,000	0.26
16.	TAN BEE CHOO	630,000	0.23
17.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOY SENG LEE	595,200	0.22
18.	LIM YAU CHONG	575,000	0.21
19.	LAI SIANG ANN	530,000	0.20
20.	OH LIANG KIA	530,000	0.20
21.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SON BHD PLEDGED SECURITIES ACCOUNT FOR CHERVY YEOH SWEE MEI (MARGIN)	500,000	0.19

RCPS A HOLDERS' STATISTICS
As at 1 October 2019 (Cont'd)

THIRTY (30) LARGEST RCPS A ACCOUNT HOLDERS (CONTINUED)

No.	Name	No. of Shares	%
22.	NARAYAN RAO APPANAN	440,000	0.16
23.	KOH PAO CHEEN	431,600	0.16
24.	HUANG WIE POH	420,000	0.16
25.	CHIA FRASER	400,000	0.15
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEE HERNG CHING	400,000	0.15
27.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOHNSON CHEAH CHOON SIONG (E-BMM/SAT)	400,000	0.15
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIEW WAI CHOONG	360,000	0.13
29.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEOK THIAM YEW (E-SKN)	340,000	0.13
30.	ONG KEEN JYE	325,000	0.12

DIRECTORS' RCPS A HOLDINGS

		No. of Shares			
No.	Directors	Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	64,746,800	23.98	–	–
2.	Dato' Choy Wai Hin	40,722,700	15.08	–	–
3.	Datin Tan Geok Foong	35,100,000	13.00	–	–
4.	Datuk Choy Wai Ceong	40,721,100	15.08	–	–
5.	Tuan Haji Hussein Bin Hamzah	–	–	–	–
6.	Mohd Arif Bin Mastol	–	–	–	–
7.	Dato' Dr. Hj. Abdul Rasid Bin Ab Malik	–	–	–	–
8.	Choy Kin Mann *(Alternate Director to Dato' Dr. Choy Fook On)*	–	–	–	–
9.	Choy Yuin Yi *(Alternate Director to Datin Tan Geok Foong)*	–	–	–	–

RCPS B HOLDERS' STATISTICS
As at 1 October 2019

ANALYSIS BY SIZE OF RCPS B HOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	0	0.00	0	0.00
100 - 1,000	2	1.44	300	0.00
1,001 - 10,000	86	61.87	402,200	0.23
10,001 - 100,000	46	33.09	996,200	0.59
100,001 to less than 5% of RCPS B	0	0.00	0	0.00
5% and above of RCPS B	5	3.60	168,601,300	99.18
Total	139	100.00	170,000,000	100.00

THIRTY (30) LARGEST RCPS B ACCOUNT HOLDERS

No.	Name	No. of Shares	%
1.	CHOY FOOK ON	46,201,300	27.18
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHOY WAI HIN (PB)	39,100,000	23.00
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHOY WAI CEONG (PB)	39,100,000	23.00
4.	CHOY SOOK KUEN	22,100,000	13.00
5.	TAN GEOK FOONG	22,100,000	13.00
6.	CHIN SWEE KEE @ CHIN KUEN KEE	56,000	0.03
7.	NG CHEE KWONG	50,600	0.03
8.	SUM AH CHONG	50,600	0.03
9.	JAMES SHII LIHTON	44,800	0.03
10.	LEE ONG PING	35,600	0.02
11.	CHIANG SWEE KEN	32,800	0.02
12.	LIM SENG HO	31,700	0.02
13.	LIM CHENG THIAN	30,400	0.02
14.	GOH CHOOI SEN	28,500	0.02
15.	PANG WAI MEI	27,300	0.02
16.	TEH PHAIK YONG	26,700	0.02
17.	LIM KIAN HOCK	25,000	0.01
18.	PANG GO FATT	25,000	0.01
19.	PANG KOO MING	25,000	0.01
20.	LIEW LI PING	23,500	0.01
21.	WONG CHEE HONG	23,000	0.01
22.	CHAN CHEE MENG	22,900	0.01
23.	LIM POH FONG	22,500	0.01

RCPS B HOLDERS' STATISTICS
As at 1 October 2019 (Cont'd)

THIRTY (30) LARGEST RCPS B ACCOUNT HOLDERS

No.	Name	No. of Shares	%
24.	GOOI CHEAN FOONG	22,300	0.01
25.	GOI JOO HENG	22,000	0.01
26.	SEETHA A/P NARAYANAN	20,800	0.01
27.	LEE HOOI MIN	19,900	0.01
28.	NG CHEE KUN	19,500	0.01
29.	LIM LEAN LENG	18,900	0.01
30.	CHAN LAN HING	18,700	0.01

DIRECTORS' RCPS B HOLDINGS

		No. of Shares			
No.	Directors	Direct	%	Indirect	%
1.	Dato' Dr. Choy Fook On	46,201,300	27.18	–	–
2.	Dato' Choy Wai Hin	39,100,000	23.00	–	–
3.	Datin Tan Geok Foong	22,100,000	13.00	–	–
4.	Datuk Choy Wai Ceong	39,100,000	23.00	–	–
5.	Tuan Haji Hussein Bin Hamzah	–	–	–	–
6.	Mohd Arif Bin Mastol	–	–	–	–
7.	Dato' Dr. Hj. Abdul Rasid Bin Ab Malik	–	–	–	–
8.	Choy Kin Mann *(Alternate Director to Dato' Dr. Choy Fook On)*	–	–	–	–
9.	Choy Yuin Yi *(Alternate Director to Datin Tan Geok Foong)*	–	–	–	–

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