

Aged 55, Female, Malaysian, is our Senior Manager of Operations. She is in charge of the day to day operations of the Printing business. She has been with our Group for more than 32 years. She joined our Group in 1985 as a Clerk in Sistem and steadily moved up the ranks to Manager in our Group in 1991. Prior to joining our Group, she was previously attached to Jemco Sdn Bhd as a Clerk from 1980 to 1985. She now manages the printing production with the assistance of the Production Manager, Production Executive and Senior Operators. In addition, she manages the sourcing of paper as well as monitors our Group's paper stock level. She is also responsible in liaising with the printing business's suppliers and customers.



**Senior Manager**

**Vivian Yat**



**Project Director**

**Oh Kim Heng**

Age 52, Male, Malaysian, is our Project Director who joined our Group in 2014. He holds a Diploma in Building Technology (TARC). He has been involved with the project undertaken by Nextgreen Pulp and Paper Sdn Bhd in setting up a Pulp and Paper mill. Before joining us, Mr Oh was actively involved in the construction industry over the past 26 years; he was overall in charge of the contracts management and administration and procurement of materials for the projects undertaken which included the preparation of feasibility study, preliminary costs estimates, cost planning and analysis, tender pricing, projects budgeting, cashflow projection, main and sub-contract agreements, cost control, monitoring of variation claims, client's payment certifications and finalisation of accounts. In addition, he was also involved in sourcing and procurement of the right materials for the projects and all necessary forwarding arrangements and assist in the bank financing applications of the projects undertaken. The projects which he was involved included hospital, industrial buildings, residential developments, shopping complexes and colleges and universities.

#### Notes:

1. None of the above personnel has any family relationship with any director and/or major shareholders of the Company except as disclosed above for Koo Thiam Yen.
2. None of the above personnel has any conviction for offences other than traffic offences in the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
3. None of the above personnel has any conflict of interest with the Company.

# 18 Management Discussion & Analysis

## A. Overview of Group's Business and Operation

**N**extgreen Global Berhad ("NGGB") (formerly known as BHS Industries Bhd) through its subsidiary companies have been involved in the printing and publishing business since it was listed in Bursa Malaysia in 2007. However, in 2014 there was a change of major shareholder who brought the green technology into the Group. This technology is a breakthrough and it is able to convert the empty fruit bunches ("EFB") of palm oil tree into pulp and paper.

In 2015, the Group obtained the approval of the shareholders to diversify its business activities to include the manufacturing of renewable pulp and paper products. Initially, the Company intended to build a plant with a production capacity of 10,000 metric ton. This fits well with the existing business of the Group as the imported paper which would otherwise be used by the printing business would be replaced with the paper produced by its mill. Any excess can be sold in the market.

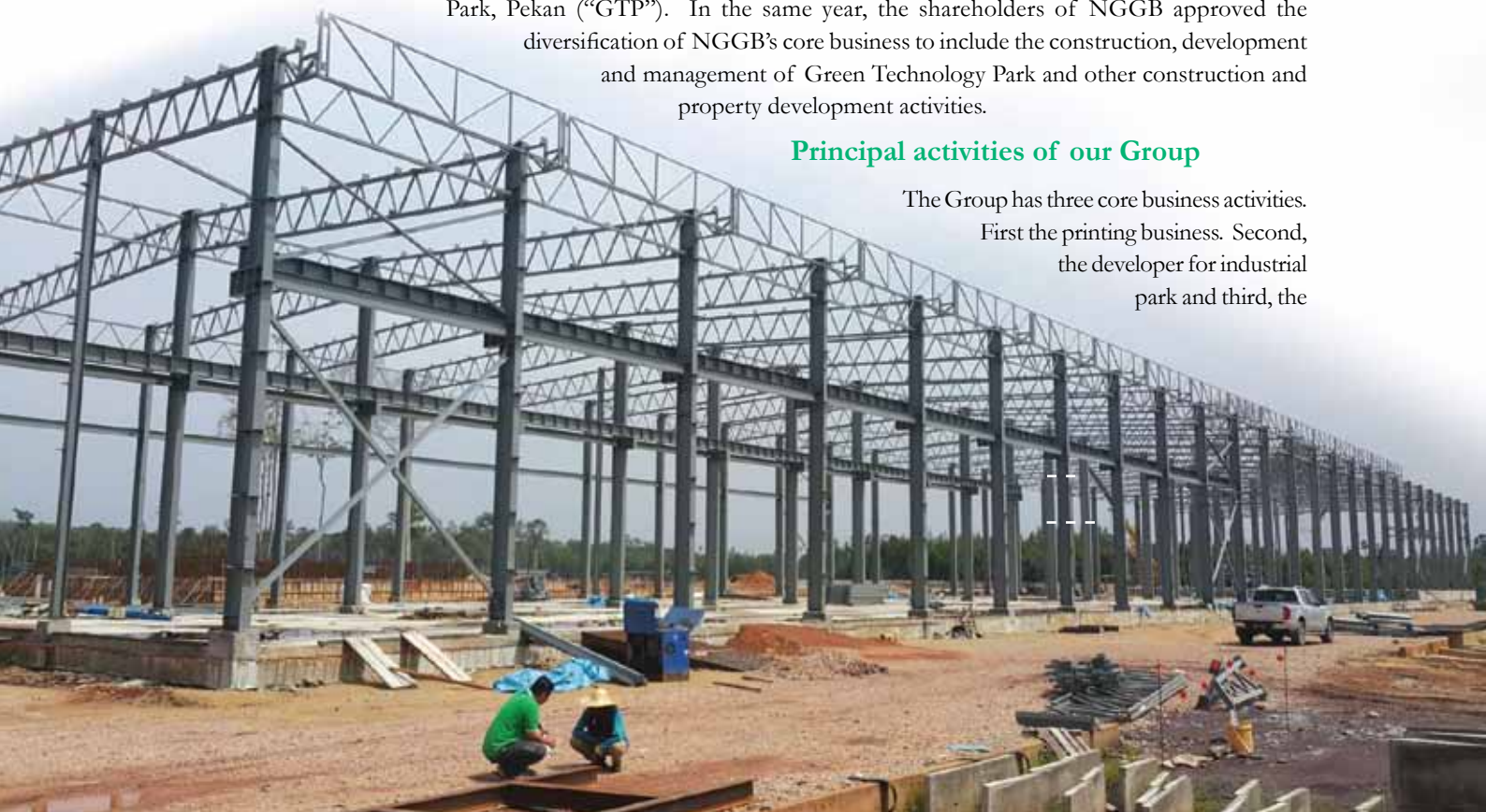


In 2016, the Pahang State Government approved and granted Ultimate Ivory Sdn Bhd, a wholly owned subsidiary of NGGB, 410 acres of land in Kg. Paloh Hinai, Mukim Lepar, Daerah Pekan, Pahang for development into Green Technology Park, Pekan ("GTP"). In the same year, the shareholders of NGGB approved the diversification of NGGB's core business to include the construction, development and management of Green Technology Park and other construction and property development activities.

### Principal activities of our Group

The Group has three core business activities.

First the printing business. Second, the developer for industrial park and third, the





manufacturer of renewable pulp and paper products. During 2018, only first and second businesses are operational and the third business's factory is at an advanced stage of construction. Part of the pulp making machinery has been delivered to the factory site and it is expected that the factory and the plant will be ready for production in April 2019.

### Printing business

The printing factory is located at Lot 4, Lorong CJ 1/1B, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor. The factory was bought in Dec 2014 and it was extensively renovated to house the printing business. Sales amounted to RM26.81 million made-up of RM16.81 million (62.7%) local and RM10 million (37.3%) overseas were generated in the financial year ended ("FYE") 30 June 2018.

Local sales comprised mainly magazines, leaflets and educational books whereas overseas sales were primarily educational books. In 2018, the print



orders from the overseas' Government started to resume and the local sales also picked up mainly for the educational books printing. These help increased the sales revenue to RM26.8 million from RM19.7 million.

### Industrial Park Developer and Manager

In 2016, the Pahang State Government approved and granted 410 acres of land in Pekan to Ultimate Ivory Sdn Bhd, a wholly owned subsidiary of NGGB. The entire areas have been earmarked as GTP. The Company planned to develop the industrial park in five phases over a period of 5 years. First phase is for the construction and development of two plants and these are being constructed. Initially, under a Memorandum of Agreement dated 1 November 2016 entered into between China Nuclear Industry Huaxing Construction Co Ltd ("CNIHCC") and the

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Company, Second and Third phases were planned for cooperation and development with CNIHCC. However, on 24 July 2018, the Company announced the termination of the Memorandum of Agreement with CNIHCC. On 16 October 2018, the Company secured a new investor, Asia Capital Investment Fund (“ACIF”) who had agreed to invest RM400 million into several special purpose vehicle companies wholly owned by NGGB ultimately. The invested funds are for projects based in Green Technology Park (“GTP”) in Pekan as well as in GTP Johor and GTP Sarawak. These funds will provide working capital for the projects and also cover other operational costs for the projects.



During the year, the Company had developed a piece of land measuring 6.88 acres for disposal to Dawei Fertilizer Sdn Bhd for a sale value of RM3 million for the construction and building of a fertilizer plant.

### B. Review of Financial Results and Financial Condition

#### Printing Activity

For FYE 30 June 2018 the printing activity generated sales of RM 26.81 million compared with the preceding year of RM19.84 million. It had increased its revenue on both local and overseas sales from RM13.1 million to RM16.7 and from RM6.75 million to RM10.12 million respectively. Although the increase of RM6.97 million representing 35% increase over last year, it still incurred a loss after tax of RM0.5 million compared with a loss of RM8.7 million in FYE2017.

The Group incurred Loss After Tax of RM1.77 million compared with the preceding year loss of RM10.1 million. A higher revenue from printing activity, the recovery of debts of RM3.1 million and the profits arising from the disposal of a subsidiary of RM0.77 million have contributed to a lower loss in the year. The other businesses' pre-operating expenses of RM1.2 million were incurred.

The finance costs incurred for the current year were RM0.34 million compared with the preceding year of RM0.41 million. The improvement was due to a lower term loan interest.

#### Park Development and Management Activities

For the FYE 30 June 2018, the Group was able to dispose of a piece of developed land measuring 6.876 acres to Dawei Fertilizer Sdn Bhd for a revenue of RM3 million. This contributed a profit of RM0.87 million to the Group. In addition, Ultimate Ivory Sdn Bhd enjoys a 10 year 100% tax exemption on the profits arising from the sales of the developed land subject to certain conditions.

#### Land Held for Property Development

For the FYE 30 June 2018, the accounts show that the Group has a piece of 99 year leasehold land measuring 16.225 square metres at a cost of RM6.78 million in the Republic of Palau. This land is earmarked for development in the near future.

## Property Development Costs

During the year a long term leasehold land of RM1.23 million and development costs of RM10.29 million were reclassified to Property Development Costs from Land Held for Property Development. The development cost incurred in the year was RM11.39 million and the cost of land and development expenses related to the property disposed of were RM0.99 million leaving the carrying amount of property development costs of RM21.92 million. At the year end, the construction was at an advanced stage of construction and it is expected that the pulp and paper factory will be ready for production in April 2019.

## Inventories

The inventories comprised mainly of paper of RM5.8 million, printed books of RM1.4 million and partly printed books of RM1.5 million. Compared the inventories with FYE 30.6.2017, it had remained stable at RM8.7 million despite 35% higher sales in the year.

## Trade receivable

The trade receivable for FYE 30.6.2018 was RM15.3 million compared with FYE 2017 of RM18.3 million, a reduction of RM3 million despite increased revenue of RM6.98 million. This would mean that the Group was able to improve on the collectability of the debts and also to recover the RM3.1 million debts which were provided in the previous year.

During the year, our main export market remained a tough market for collection. However, the Group only dealt with established publishers which have a long relationship with the Group with proven reliability for payments.

## Other receivables, deposits and prepayments

There was a decrease of RM1.85 million other receivables, deposits and prepayment in the FYE 30.6.2018 over that of FYE 30.6.2017. The deposit of RM4.1 million paid for the construction and development cost had been expended and included on the property development costs. In addition, a deposit of RM2.1 million for the acquisition of land together with the disposal proceeds of an associate of RM1 million were included under this heading. There was no movement in the year on the deposit paid for the purchase of plant and equipment of RM28.4 million.

## Cash and Bank Balances

Cash and bank balances have further been reduced from RM1.49 million in 2017 to RM0.6 million in 2018. Part of the cash was spent on development of land and deposits for the plant and machinery. There is a risk that the Group may encounter cash flow difficulty if the situation persists.

To improve the cash flow, the Group continues to lure potential buyers and sell developed land at GTP, monitor the collection of old and new debts from overseas and local customers to ensure that the credit periods allowed have been adhered to, manage and reduce the stock holding to a level to ensure production is smooth and make full use of the credit period extended by trade creditors. As the Group had a low gearing of 0.045 times in 2018 compared with 0.052 times in 2017, it is acceptable for the Group to increase bank borrowings without any undue risk.

During the year the Group had realised proceeds of RM3.9 million from the resale of treasury shares in the open market. It may also consider releasing the balance of the treasury shares to the market as and when it deems appropriate.



### C. Review of Operating Activities

#### Printing Business

As noted above, the sales of printing business had increased from RM19.84 million in FYE 2017 to RM26.81 in FYE 2018. The increased sales of RM6.97 million were insufficient to bring about an economy of scale in production and the printing activity made a loss of RM0.5 million.

For the first time in 3 years, the print orders resumed by the overseas' government in 2018 were not substantial as expected, nevertheless it had contributed to an increased revenue of RM3.37 million together with increased local sales of RM3.6 million giving a total increase of RM6.97 million.

It is expected that the orders from overseas will improve further in FYE 2019 because of higher government orders and also the positive enquiries arising from the other overseas markets' orders. In addition, the Group has also aimed to improving its presence at local market to boost sales.

#### Industrial Park Developer and Manager

The Pahang State Government approved and granted 410 acres of land in Pekan to NGGB Group. The land is designated as Green Technology Park Pekan. During the year, the Group developed a piece of land measuring 6.876 acres and sold it to Dawei Fertilizer Sdn Bhd for a profit of RM0.87 million. The Group is also developing a piece of land measuring about 14 acres for use by its Paper and Pulp factory.

Following the termination of the Memorandum of Agreement with CNIHCC, the Company had on 16 October 2018 entered into an Investment Agreement with ACIF to develop Phase 2 development in GTP Pekan which entailed the construction and development of pulp and paper mill with production capacity of 100,000 metric tons of box liner paper and pulp and paper mill with production capacity of 120,000 metric tons of corrugated paper using our licensed green technology. The investments by ACIF will also cover GTP Johor project and GTP Sarawak project which are currently in negotiation stage.

### D. Anticipated or Known Risks

The Group like any other businesses is subject to prevailing economic conditions and uncertain market forces. A number of these potential risks and uncertainties that could materially and adversely impact on the Group's performance and financial results are as follows:

#### Foreign exchange risk

As the Group operates internationally and is exposed to the risks of fluctuations of the foreign currency. The foreign denominated assets and liabilities together with the expected cash flow from purchases and sales, give rise to foreign exchange exposures. Any significant fluctuations in the exchange rate may have a material impact on the Group's performance.

However, the risk of exchange fluctuation has to a certain extent been mitigated by the natural hedge where import of purchases using foreign currency trade loans are settled in foreign currency derived from export proceeds. In addition, our management is constantly monitoring our Group's foreign exchange exposure and will take the necessary measures to minimise the exposure.



### Single country risk

The Group's exports are mainly to a single country. As we had experienced, when a country's economy was affected, the sales revenue dropped substantially and it was not possible to immediately replace the lost sales with sales from other sources. This gave rise to a material adverse impact on the Group's results.

The Group is taking the following steps to overcome the risks of reliance on a single country's sales:

- diversifying sales to other countries and continue to explore new markets;
- strategize to increase local sales;
- increase the Group's revenue base by increasing other sales products.

### Retention of Key Personnel and Experienced Workforce

Any successful company would rely on its key personnel and experienced workforce to attain its goal. Without an exception, our Group also rely on key personnel and experienced staff to drive its operations into profitability and also to drive its newly diversified businesses to succeed. A loss of certain key personnel may have an adverse impact on the performance of the Group.

The Group has in place competitive remuneration packages, training, conducive working environment, ESOS for its employees and also has available career advancements within the Group.

## E. Forward-Looking Statement

### Possible Trend and Outlook

Printing business has always been very competitive and the Group relied on export sales to boost its revenue. The overseas' Government's orders resumed in 2018 after an absence of 3 years were not substantial as expected.

The Group had taken steps to improve its sales locally and also to explore other overseas markets to reduce over reliance on a single country for orders. For these, it has achieved some measure of success. It will continue its effort to further diversify its customer base.

For FYE 2018 the Group made a profit of RM0.87 million on the disposal of a piece of developed land to Dawei Fertilizer Sdn Bhd. The Group will continue to seek investors who are interested to pursue green projects to be located in GTP Pekan.

The third business activity of the Group, pulp and paper manufacturing is expected to come into production in April 2019. The pulp and paper supply chain in Malaysia comprised both domestic and international elements. However, despite a large forest resource, the majority of virgin fibre inputs in the form of pulp are imported (BAC Report 2017). The consumption of paper in Malaysia remained higher than the production, therefore, the Group's product will first start with the local market.

The Phase 2 projects for the production of 100,000 metric tons of box liner paper and 120,000 metric tons of corrugated paper have attracted overseas potential customers to visit our factory site to learn more of our products. The Group had rounds of discussion recently with potential customers from Japan and China.

It is the first pulp and paper plant the Group will install and commission in April 2019. It is possible that the Group will take longer than expected to undertake the testing to achieve a prescribed standard and quality as required by its potential customers. Moreover, the potential customers may not result in eventual sales.

### Dividend Policy

As the Group is at the stage of developing new business sources and the cash generated from the existing business is ploughed back into the business. Therefore, for FYE 2018 the Group will unlikely be able to declare and pay any dividend. However, the Group will review its dividend policy as and when the circumstances permit.

## 24 Statement on Corporate Governance

This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The objective of this statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 30 June 2018 with reference to the principles of Board Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders set out in the latest Malaysian Code on Corporate Governance (“MCCG”).

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (“CG Report”). The CG Report was announced together with this Annual Report of the Company which could be obtained by accessing this link [www.nextgreenglobal.com](http://www.nextgreenglobal.com). Shareholders are advised to read this overview statement together with the CG Report.

Overall the Board is of the view that the Company has, in all material aspect, complied with the Principles and Practices as set out in the MCCG. The explanation for the departure of the MCCG practices, if any are reported in the announced CG Report.

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### (I) BOARD RESPONSIBILITIES

The Board assumes full responsibilities of the overall performance of the Group. In discharging their fiduciary responsibilities, the Board sets the business direction and overseeing the conduct of the Group based on the periodic performance of the Group reported by management in the quarterly financial results.

Executive Directors are responsible to the Board for implementing operational and corporate decisions while the Non-Executive Directors are responsible for providing independent views, advice and judgment in consideration of the interests of

shareholders at large in order to effectively check and balance the Board’s decision-making process.

The Chairman provides leadership at Board level, chairing the meetings of the Company and the Board, represents the Board to shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group. The position of the Chairman is held by an Independent Director.

The Board has formalised and adopted its Board Charter (“Charter”) and has done a review of its Charter before issuing of this Statement. The Charter is available for reference at the Company’s website at [www.nextgreenglobal.com](http://www.nextgreenglobal.com)

Key matters reserved for the Board’s approval include business plan, annual budget, dividend policy, business continuity plan, new issues of securities, business restructuring and disposal and acquisition of assets/ investments.

The Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee are entrusted with specific responsibilities to oversee the Group’s affairs with authority to act on behalf of the Board and operate within their respective Terms of Reference. Accordingly, the ultimate responsibility for the final decision on all Board Committees’ matters lie with the Board.

The Board is provided with and has access to all Company’s information to enable it to discharge its duties. The management is invited to attend the Board and Board Committees’ meetings and to brief and provide explanation to the directors on the operations in the Group. The Board is also briefed by the Company Secretary, External Auditors and the Internal Auditors on the changes in corporate regulatory requirements. In addition, the Board collectively could engage independent professionals when necessary to seek their advices in furtherance of their duties.

Procedurally, when external advices are necessary, the director who intends to seek such consultation or



advice shall notify the management or Secretary of such request. Upon obtaining the Board Chairman's or Managing Director's approval, the director can engage the services of the adviser and the fee for the independent professional advice shall be borne by the Company. All advices and opinions from the advisers shall then be reported to the Board.

The Board is assisted by two (2) qualified and competent Company Secretaries. Both Company Secretaries are members of Malaysian Institute of Chartered Secretaries and Administrators. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.

Further information of the roles and responsibilities carried out by the Company Secretaries are set out in Practice 1.4 of the Company's CG Report.

The Company has defined its Code of Conduct and Ethics (which is included in its Board Charter) and whistleblowing policy addressing, inter-alia, the following subjects:

- Fraud;

- Conflict of interest;
- Insider trading;
- Sexual harassment;
- Misuse of confidential information;
- Non-compliance of regulatory requirements; and
- Concealment of any or a combination of the above.

For internal whistle blowing, the whistle blower can refer his/ her matters to the immediate superiors, Managing Director, Audit Committee Chairperson and Board Chairman. For external whistle blowing, the external whistle blower is advised to refer the matters to same parties except for the immediate superior.

The Board meets at least every quarter and on other occasions, as and when necessary, to approve quarterly financial results, statutory financial statements, the Annual Report as well as to review the performance of the company and its operating subsidiaries, governance matters, related party transactions, major acquisition or disposal of assets and other business development matters.

During the financial year ended 30 June 2018, five (5) Board meetings were held. The details of attendance by the Board members during their tenure of office are as follows:

Directors	No. of meetings attended by Directors
Dato' Sohaimi Bin Shahadan <i>[Independent Non-Executive Chairman]</i>	5 out of 5
Dato' Lim Thiam Huat <i>[Managing Director]</i>	5 out of 5
Mr. Koo Thiam Yoong <i>[Executive Director]</i>	5 out of 5
Datuk Lee Hwa Cheng <i>[Executive Director]</i>	4 out of 5
Datuk Lawrence Yeo Chua Poh <i>[Executive Director]</i>	4 out of 5
Madam Chew Yuit Yoo <i>[Senior Independent Non-Executive Director]</i>	5 out of 5
Madam Thiang Chew Lan <i>[Independent Non-Executive Director]</i>	5 out of 5
Dato' Dr. Koe Seng Kheng <i>[Independent Non-Executive Director]</i>	5 out of 5

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Board papers are circulated to the Board members prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to deliberate issues raised during Board meetings more effectively. The Company Secretary had attended all the Board and Board Committees meetings.

The Directors recognise the needs to attend training to enable them to discharge their duties effectively. During the financial year and up to the printing time, the Directors have participated in relevant training programmes to enhance their skills and knowledge and to keep abreast with the relevant change in laws, regulations and business environment. The trainings attended by the Directors are listed below:

Director	Training Attended	Date
Dato' Sohaimi Bin Shahadan	1. MFRS 9 Financial Instruments	14 July 2018
Dato' Lim Thiam Huat	1. Wood and biofiber international conference 2. Industrial Park forum 3. Malaysia International Agriculture Technology Exhibition 4. Tokyo International Packaging exhibition 2018 5. South China Morning Post's China Conference 6. MFRS 9 Financial Instruments	21-22 November 2017 8 March 2018 29 September 2018 2-5 October 2018 10 October 2018 14 July 2018
Koo Thiam Yoong	1. MFRS 9 Financial Instruments	14 July 2018
Datuk Lee Hwa Cheng	1. MFRS 9 Financial Instruments	14 July 2018
Datuk Lawrence Yeo Chua Poh	1. MFRS 9 Financial Instruments	14 July 2018
Chew Yuit Yoo	1. Market Professional Enrichment Program 2. MFRS 9 Financial Instruments 3. Battling Money Laundering & Terrorism Financing in Malaysia	14 April 2018 14 July 2018 19 May 2018
Thiang Chew Lan	1. MFRS 9 Financial Instruments	14 July 2018
Dato' Dr. Koe Seng Kheng	1. MFRS 9 Financial Instruments	14 July 2018

The training needs of each Director would be assessed and proposed by the individual Director. Each Director determines the areas of training that he may require for personal development as a Director or as a member of the Board Committees.

## (II) BOARD COMPOSITION

As of the date of this Statement, the Board consists of ten (10) members, comprising five (5) independent directors and five (5) executive directors. The Board composition complied with the MMLR that requires at least two (2) or one-third (1/3) of the Board members to be independent directors. The Company also complied with the practice recommended in the MCCG having at least 50% independent directors on Board. The Board Chairman is an independent director.

Nonetheless, all board members are mindful of ensuring the objectivity and fairness in board's decision making. The Board also has identified Madam Chew Yuit Yoo to act as the Senior Independent Non-Executive Director, serving as an alternative for shareholders to convey their concerns and seek clarifications from the Board through an independent director.

The Nominating Committee is established and maintained to ensure that there are transparent procedures for selection and appointment of new directors to the Board and assessment of Board's, Board Committees' and individual directors' performance. The Nominating Committee is chaired by an Independent Non-Executive Director. The Nominating Committee considers recommendations from existing board members, management, major shareholders and third-party sources to identify suitably qualified candidates, when necessary before recommending to the Board for further deliberation.

During the financial year, the Nominating Committee conducted a meeting. The results of the evaluation of the Board's and individual board members' performances; the Board's assessment of the Board Committees; the independence of the Independent Directors and explanation for retaining an Independent Director serving more than nine (9) years are reported in the Nominating Committee Statement of this Annual Report.

The appointment of Board is based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

## (III) REMUNERATION

The present members of the Remuneration Committee are:

- Chairperson** : Thiang Chew Lan  
(Independent NonExecutive Director)
- Members** : Chew Yuit Yoo  
(Senior Independent NonExecutive Director)
- : Dato' Dr. Koe Seng Kheng  
(Independent Non-Executive Director)
- : Dr. Hidayah Binti Ariffin  
(Independent Non-Executive Director)  
(appointed as member on 17 October 2018)

During the financial year ended 30 June 2018, one (1) Remuneration Committee meeting was held and attended by all members.

The main function of the Remuneration Committee is to recommend to the Board, the remuneration packages of Managing Director and Executive Directors of the Group. The remuneration packages of Non-Executive Directors are determined by the Board as a whole.

The Remuneration Committee considers the principles recommended by the Code in determining the directors' remuneration, whereby, the remuneration of the executive directors is designed to link rewards to the Group's performance whilst the remuneration of the non-executive directors is determined based on their experience and the level of responsibilities assumed.

The amount of Directors' fee and benefits payable to the non-executive directors proposed for the shareholders' approval at the forthcoming 13th AGM is RM350,000. The foregoing mandate is for payment of fees for the period from the 13th AGM to the date of the next AGM to be held in 2019. In addition,

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shareholders' approval will also be sought at the 13th AGM for the payment of fees in excess of the current approved limit approved by the shareholders

at the 12th AGM held last year. Explanation for the proposed resolutions were set out in the Notice of 13th AGM enclosed in this Annual Report.

The details of Directors' remuneration for the financial year ended 30 June 2018 are as follows:

### RECEIVED FROM THE COMPANY

Director	Directors' fee	Meeting Allowances	Salaries	Bonus	Benefits in-kind	Other Emoluments
Dato' Dr. Haji Sohaimi Bin Shahadan	120,000	-	-	-	7,200	-
Dato' Lim Thiam Huat*	-	-	336,000	-	35,200	-
Koo Thiam Yoong*	-	-	201,600	-	9,900	-
Datuk Lee Hwa Cheng	-	-	107,520	-	-	-
Datuk Lawrence Yeo Chua Poh	-	-	134,400	-	-	-
Dato' Dr. Koe Seng Kheng	42,000	5,000	-	-	-	-
Chew Yuit Yoo	47,460	5,000	-	-	-	-
Thiang Chew Lan	42,000	5,000	-	-	-	-

### RECEIVED FROM THE GROUP

Director	Directors' fee	Meeting Allowances	Salaries	Bonus	Benefits in-kind	Other Emoluments
Dato' Dr. Haji Sohaimi Bin Shahadan	-	-	-	-	-	-
Dato' Lim Thiam Huat*	-	-	-	-	-	-
Koo Thiam Yoong*	-	-	-	-	-	-
Datuk Lee Hwa Cheng	-	-	-	-	-	-
Datuk Lawrence Yeo Chua Poh	-	-	-	-	-	-
Dato' Dr. Koe Seng Kheng	-	-	-	-	-	-
Chew Yuit Yoo	-	-	-	-	-	-
Thiang Chew Lan	-	-	-	-	-	-

\* The Directors are also the key Senior Management of the Company.



## **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **I. AUDIT COMMITTEE**

The Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. Presently, the members of Audit Committee comprising fully Independent Non-Executive Directors and the Chairman of the Audit Committee is not the Chairman of the board.

The Audit Committee take cognizance of its responsibility to review the adequacy and integrity of financial information by considering the results of both the Internal and External Auditors' findings and reports as well as management actions to improve its systems of internal control. The summary of work of Audit Committee is reported in the Audit Committee Report of this Annual Report.

### **II. RISK MANAGEMENT AND INTERNAL CONTROL**

The Board as a whole responsible for the overall and oversight of risk management in the Group covering the system of risk management and internal control for financial, operational and compliance while the Executive Directors together with the senior management team are primary responsible for managing risks in the Group.

Further details of the Group's systems of risk management and internal control are reported in the Statement on Risk Management and Internal Control of this Annual Report. The Board has also commented in the said statement that they are satisfied with the effectiveness and adequacy the existing level of systems of risk management and internal control. Going forward, the Board will review, adopt, implement and disclose an internationally recognised risk management framework; and define its risk policy and risk appetite.

The Internal Audit Function is carried out by IA Essential Sdn. Bhd. an internal audit consulting firm. The internal audit function is headed by a Director who is assisted by a manager and supported by an audit executive. Further details of Internal Audit Function are reported in the CG Report.

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

### **I. COMMUNICATION WITH STAKEHOLDERS**

The Board places importance in ensuring disclosures made to shareholders and investors are accurate, clear, timely and comprehensive as they are critical towards building and maintaining corporate credibility and investor confidence. It is believed that clear and consistent communication with investors promotes better appreciation of the Company's business and activities, reduces share price volatility, and allows the Company's business and prospects to be evaluated fairly.

The Group has also leveraged on its corporate website to communicate, disseminate and add depth to its communication with the public.

### **II. CONDUCT OF GENERAL MEETINGS**

General meetings are an important avenue for Board Members to engage with shareholders. Shareholders are provided with the opportunity to seek clarification on the Group's strategy, performance and major developments during the general meetings. Shareholders' right relating to general meeting is also published on the Company's website at [www.nextgreenglobal.com](http://www.nextgreenglobal.com)

The Board has adopted the recommendation of the MCGG for the Notice of the 13th AGM to be given to the shareholders at least twenty-eight (28) days prior to the meeting. The Board encourages shareholders to participate in the questions and answers session and to interact and feedback to the Chairman for opinions or concerns during the AGM. The Chairman and the respective Chairmen of the Board Committees as appropriate will respond to questions raised by the shareholders during the AGM. The Board had also identified Madam Chew Yuit Yoo to act as the Senior Independent Non-Executive Director to provide shareholders and investors an alternative way to convey their concerns and seek independent view.

The Company may respond to meetings with institutional shareholders, analysts and members of the press to convey information regarding the Group's performance and strategic direction as and when requested.

Shareholders who are unable to attend the AGM are advised that they can appoint proxies to attend and vote on their behalf.

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## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that:

- (i) The annual audited financial statements of the Group and of the Company are drawn up in accordance with applicable Financial Reporting Standards, the provisions of the Companies Act 2016 and the MMLR so as to give a true and fair view of the state of affairs of the Group and of the Company for the financial year, and
- (ii) Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 30 June 2018, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statements with reasonable and prudent judgments and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

## OTHER COMPLIANCE INFORMATION

### 1. Audit and Non-Audit Fees

The amount of audit fees incurred for statutory audit services rendered to the Group by the audit

external auditors for the financial year ended 30 June 2018 amounted to RM155,409 which RM40,000 was incurred by NGGB.

The amount of the non-audit fees incurred for services rendered to Nextgreen Global Berhad by the external auditors for the financial year ended 30 June 2018 amounted to RM14,109.

### 2. Material contracts

There is no material contract entered into by the Company or its subsidiaries involving directors' and major shareholders' interest which was entered into since the end of the previous financial year and/or still subsisting at the end of the financial year.

## UTILISATION OF PROCEEDS FROM RIGHTS ISSUE

The Company raised a total gross proceeds of RM41,640,984 from the Rights Issue exercise with the allotment and issuance of 99,145,199 ordinary shares of RM0.25 each at an issue price of RM0.42 on 19 October 2015.

The Company had on 17 October 2018 announced that the timeline to utilisation of the remaining proceeds raised from the Right Issue exercise allocated for purchase of plant & machinery and other ancillary facilities be extended for another year till 22 October 2019.

The utilisation of proceeds as at 10 October 2018 was as follows:

	Proposed Utilisation (RM'000)	Balance Actual Utilisation (RM'000)	Intended to be Utilised (RM'000)	Timeframe for Utilisation
Acquisition of Land	7,000	7,000	—	Within 24 months
Purchase of plant & machinery & other ancillary facilities	33,641	27,404	5,237	Within 24 months
Estimated expenses in relation to the Corporate Exercise	1,000	1,000	—	Immediate
Total	41,641	35,404	5,237	

The Group presents its first Sustainability Statement in accordance with the requirements as set out in Practice Note 9 of the Main Market Listing Requirements. The Board acknowledges the evolving trend of stakeholders reviewing not merely the financial performance of the Group but also the impacts the businesses have on the Economic, Environmental and Social (“EES”) risks and opportunities. In light of the wider focus, the Board when formulating policies and business strategies have leveraged and embedded sustainability in its decision making process so that it will bring long term benefits and business continuity.

## 1. GOVERNANCE STRUCTURE

The Board has the overall responsibility to ensure that it supports and integrates the recommended sustainability considerations in its decision. To achieve this, the Board has put in place a governance structure to identify, assess, manage and recommend

for adoption the sustainability matters as presented by the business. Therefore, it has delegated the task to an executive director who will head the Group’s Sustainability Drive. The executive director is assisted by a Risk and Sustainability Committee which comprised of the heads of various departments as follows:

### Printing Business



## 2. SCOPE

This Sustainability Statement focuses on the printing business of the Group as the other businesses have yet to be in production and operation.

prioritise the materiality these have on the company and also the stakeholders. Once these have been identified, a list is submitted to the executive director for further deliberation.

The following sustainability matters are considered material both by the management and the stakeholders.

## 3. MATERIAL SUSTAINABILITY MATTERS

The objective of the Group is to focus on the sustainability matters that is most important to achieving the long term goal of the company. The Committee has identified through an assessment process the issues on EES affecting the business and

## 4. ECONOMIC ISSUES

### 4.1 Export Proceeds

The Company has been exporting its products for many years. It has contributed to the positive inflow

of foreign currency and helped the country achieved a balanced of payment surplus.

## 4.2 Business Ethics and Transparency

The Company cultivates a code of high ethics, integrity and transparency in the conduct of its employees in discharging their duties and responsibility. It has always adopted zero tolerance policy towards corrupt practices which prohibit all employees directly or indirectly soliciting from and offering to any parties bribe or reward in relation to the dealings in the business of the Company.

The Company also provides a level playing field for its suppliers and business partners where they are selected solely based on merit of their products and services to promote fair competition and equal opportunity.

## 5. ENVIRONMENTAL ISSUES

The company has complied with the legal and regulatory requirements of the Department of Environment in respect of the disposal of waste generated from the production processes. Waste is separated into hazardous and non-hazardous, packed and stored away in a room and collected by a licensed agent under the Environment Quality Act 1974. Solid wastes are segregated into their respective categories before they are collected by the approved company for disposal or recycling.

The Company has also contracted with agents to collect waste paper, paper core, used plates for recycling.

## 6. SOCIAL ISSUES

The company pursues an employment policy of human rights and non-discrimination. It adheres to the minimum wage policy as implemented by the Government and complies with the Employment Act and Regulations. It also promotes workplace equality and diversity.

### 6.1 Safety and Health

The Occupational Safety and Health Committee continue to monitor the safety and health procedures are appropriately adhered to by all employees in the work place. During the year a 2-day course on safety was conducted for the benefits of its employees by an external company specialized in industrial safety and management. The training is titled “Emergency Response Plan & Preparedness Combined Drill”.

### 6.2 Training and Skill Development

The Company continues to upgrade its machinery and software. This has provided on going personal improvement opportunities to our employees. The suppliers would organise and provide training to member of staff who have been selected to run the machine. Some staff were sent for external courses. In addition, the production meetings are conducted regularly to deliberate and brief the employees on the job training to improve on the quality of the print products.

### 6.3 Staff Gathering and Lucky Draws

The gathering is intended to promote staff mingling and communication to provide a friendly workplace and conducive work environment.

## 7. OTHER SUSTAINABILITY ISSUES -DIVERSIFICATION OF CORE BUSINESS

The Group started off as a printing business and now has ventured into the production of renewable paper using oil palm biomass like empty fruit bunches. It has 410 acres land designated as Green Technology Park (“GTP”) Pekan. The masterplan of GTP is driven by the natural topography of the land. We maximise the usage of land, plan according to the land contour, design water flows with gravity from high level of wetlands to low level of lake and plan to put in mini hydro. During site cleaning, trees chopped are kept for producing fertilizer, large trees are still remained for landscaping. This green project with 410 acres of land will contribute in the reduction of deforestation, promote renewable energy in industrial use and reduce carbon emissions.

The factory is located on the 14 acres land and will commence production in April 2019. The project will contribute to a reduction of:

- deforestation;
- green house effects on gas and carbon emission;
- waste by using by-product to produce valuable products;
- reliance on fossil fuel for energy generation;

The project will reduce the import of paper for use locally and thereby save on the foreign currency and when the scale of the project gets bigger, it may even generate substantial foreign currency for the country in future in addition to providing many employment opportunities to Malaysian.



# 33 Statement of Risk Management and Internal Control

as at 30 June 2018



This Statement of Risk Management and Internal Control is made in pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) with regard to the disclosure of the Group’s state of risk management and internal control. In making this Statement, the Board is guided by the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” (“Guidelines”) issued by the Task Force on Internal Control with the endorsement of the Bursa Securities.

## RISK MANAGEMENT

The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Group’s systems of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks.

Presently, the Group’s risk management continues to be driven by all Executive Directors and assisted by management. The Executive Directors and management are accountable to the Board for identifying, evaluating, managing, monitoring risks, and providing assurance to the Board that the processes thereof have been carried out as part of the Group’s operating and business management processes. External and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. The Board will also deliberate the options for the international risk management framework and adopt a suitable framework for the Group going forward.

The key risk focus of the management in the forthcoming year is to improve the cash flows positions of the Group by[1]:

- Strengthening the credit control;
- Exploring and securing new printing orders;
- Generating profits from the disposal of developed land at Pekan Green Technology Park;
- Leveraging on its low gear position to seek financing from financial institutions;
- Releasing its treasury shares as and when appropriate in the market; and
- Seeking the shareholders’ approval for private placement of shares.

## INTERNAL CONTROLS

Apart from the above, the present key internal controls and review processes in the Group are as follows:

- i. Management organization structure defining the management responsibilities and hierarchical structure of reporting lines and accountability;
- ii. Limit of authority and approval facilitating delegation of authority;
- iii. Periodic performance reports for the management monitoring and ensuring that the business operations are progressed in accordance with the objectives and targets;
- iv. Preparation of annual sales forecast, budgeted profit or loss and cash flow projection for monthly monitoring and tracking of performance;
- v. Provision of on-job training to employees in order to strengthen our controls on the business competitiveness and capability of our organisation; and
- vi. Financial exposure arising from burglary, consequential loss and fire are covered by appropriate insurance policies.

## BOARD REVIEW MECHANISM

In order to ensure the objectivity of the review of the systems of risk management and internal control framework in the Group, the Audit Committee (“AC”) is instituted by the Board to undertake this oversight role.

The AC assesses the adequacy and effectiveness of internal controls based on the internal audit findings presented by the Internal Auditors. These reviews were done quarterly where the Internal Auditors will present their internal audit report to the AC and audit issues and action taken by management to address control deficiencies will be deliberated.

Management also supplements the Audit Committee review on control and risk assessment when presenting their quarterly financial performance and results to the

# 34 Statement of Risk Management and Internal Control

(continued)



Audit Committee. In this process, the Audit Committee will review and analyse the interim financial results in corroboration with management representations on operations, the performance of its subsidiaries vis-à-vis the risks and challenges in the business. As part of this process, AC also deliberates the integrity of the financial results, annual report and audited financial statements before recommending to the Board to be presented to the shareholders and public investors.

Annually, upon completion of audit, the External Auditors will report to the AC on their audit findings. As part of this review, AC will obtain feedback from the External Auditors on control deficiencies noted by them in the course of their statutory audit.

## MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa's Guidelines, management is responsible to the Board for identifying risks; implementing and maintaining sound systems of risk management and internal control and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

Before producing this Statement, the Board has received assurance from Managing Director that, to the best of his knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

## BOARD ASSURANCE AND LIMITATION

The Board derives its comfort of the state of internal control and risk management of the Group from the following processes and information:

- Periodic review of financial information covering financial performance, quarterly financial results and key business indicators;
- Audit Committee's review and consultation with the management on the integrity of the financial results, annual report and audited financial statements;
- Audit findings and reports on the review of the systems of internal control from the Internal Auditors; and

- Management assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

For the financial year under review, the Board is satisfied that the existing level of systems of risk management and internal control are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses.

The Board wishes to reiterate that risk management and internal control would be continuously improved in line with the evolving business development. However, it should also be noted that systems of risk management and internal control are only designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG3") [Previously known as "RPG5 (Revised) 2015"] issued by Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group. However, AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is it factually inaccurate.

This Statement on Risk Management and Internal Control was made in accordance with the approval of the Board on 17 October 2018.

The Board of Directors is pleased to present the Audit Committee Report for the financial year ended 30 June 2018.

## COMPOSITION OF AUDIT COMMITTEE

	Name of Director
<b>Chairman:</b>	Chew Yuit Yoo <i>Senior Independent Non-Executive Director</i>
<b>Members:</b>	Thiang Chew Lan <i>Independent Non-Executive Director</i>
	Dato' Dr. Koe Seng Kheng <i>Independent Non-Executive Director</i>

The Audit Committee ("AC") composition is in line with Para 15.09 of Main Market Listing Requirement ("MMLR"). As at the date of this Annual Report, the AC comprises three (3) members who are wholly independent and non-executive directors and the Chairperson of the AC is a fellow member of the Malaysian Institute of Accountants. Details of the members of the AC are contained in the Profile of Directors as set out on pages 12 to 15 of this Annual Report.

The AC conducted five (5) meetings during the financial year and these meetings were attended by all members of the AC.

## TERMS OF REFERENCE

The Terms of Reference of AC are published on the corporate website of the Company at <http://bhs.listedcompany.com/>. for shareholders' reference pursuant to Paragraph 9.25 of MMLR. These terms of reference were updated in accordance with the latest practices in the MCCG on the provisions of the composition requirements of AC members as well as the roles of AC Chair and members [1].

On 17 October 2018, the Nominating Committee had reviewed the performance of the AC and reported that

the performance of the AC and its members displayed commendable efforts and satisfactory. Accordingly, the terms of office of its members remained.

## SUMMARY OF WORK

The work carried out by the AC in discharging its duties and functions with respect to their responsibilities during the financial periods were summarized as follows:

- Reviewed the unaudited quarterly financial results, cash flows and financial positions for each financial quarter by considering any significant transactions or changes in accounting that may impact the Group's financial position and performance before submitting these interim financial statements to the Board for review and approval and announcement to the public;
- Reviewed the annual audited financial statement, auditors' report and accounting issues arising from the audit of the financial year ended 30 June 2017 and discussed with Management and the External Auditors on the accounting principles and standards that were applied in the annual audited financial statements;
- Considered changes in and implementation of major accounting policies and practices to the Group; significant matters and unusual events or transaction highlighted by the External Auditors and how these significant matters were addressed including the basis for the exercise of judgement arising from the audit;
- Reviewed the External Auditors' Audit Progress Memorandum and deliberated the key audit observations and risks as well as key audit matters brought up by the External Auditors;
- Reviewed the External Auditors' audit strategy and audit approach via Audit Planning Memorandum for 2018;
- Reviewed the control deficiencies noted and reported by the External Auditors in their management letter;
- Conducted private meeting session with the External Auditors without the presence of executive board members and management personnel to further discuss matters arising from audit and assess the assistance given by the Management to the External Auditors;

- (h) Reviewed the performance, effectiveness and independence of the External Auditors and made recommendations to the Board on the appointment and remuneration of auditors including the position of non-audit services;
- (i) Reviewed the progress of internal audit plan to ensure that the direction of the audit and risk assessment is appropriate to the environment in which the Group is operating;
- (j) Reviewed the impact of the audit findings and the recommendations for improvement highlighted in Internal Audit Report presented by the Internal Auditors;
- (k) Followed-up the status of past audit findings raised by the Internal Auditors to ensure the proposed action plans are implemented by the management; and
- (l) Reviewed the Corporate Governance Statement, Audit Committee Report, and Statement on Risk Management and Internal Control for Board's consideration and approval for inclusion in the annual report;
- (m) Updated the quarterly status of related party transactions to ensure these transactions were transacted on an arm's length basis and are not detrimental to the interests of minority shareholders; and
- (n) Reported to the Board on matters addressed in the AC meetings.
- (o) Reviewed and approved the Terms of Reference of AC aligned with the developments of MMLR and MCCG.

## INTERNAL AUDIT FUNCTION

The MMLR provides that a listed company must establish an internal audit function which is independent of the activities it audits and reports directly to the AC.

The Group had established an internal audit function. This function is outsourced to IA Essential Sdn Bhd, an independent internal audit professional services firm. The primary responsibility of this internal audit function

is to assist the Board and the AC in reviewing the systems of internal control and providing recommendations to strengthen these systems.

The Internal Auditors have organized their work with reference to the principles of the international professional practice framework on internal auditing covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. In order to ensure that the audit focus is on relevant and appropriate risk areas, the internal audit plan is developed in consultation with management taking into consideration the Group's structure, concerns and the challenges faced. The proposed internal audit plan is presented to the AC for deliberation and approval before internal audit reviews are carried out.

Internal audit reviews are carried out quarterly in accordance with the internal audit plan approved by the AC. Prior to the presentation of report to the AC, comments from the management are obtained and incorporated into the internal audit findings and reports. The summary of work conducted and reported by the Internal Auditors to the AC during the AC's meetings in the current financial year are as follows:

- i. Evaluated the effectiveness of management control procedures and adherence to the operating instructions in property development of Perumahan Makmur Karak Setia Jaya;
- ii. Conducted follow-up audits to ascertain status of management implementation of audit recommendations; and
- iii. Identified, analysed and reported to the AC of the new corporate governance ("CG") practices and the disclosure requirements in accordance with the latest Malaysian Code of Corporate Governance ("the new MCCG").
- iv. Identified and reported to AC the proposed internal audit plan for approval.

The Internal Auditors attended five (5) AC meetings during the financial year under review. The total cost incurred during the current financial year for the internal audit function of the Group is RM57,434.



## 37 Nominating Committee's Statement

The current members of the Nominating Committee are:

- Chairperson : Chew Yuit Yoo  
*(Senior Independent Non-Executive Director)*
- Member : Dato' Dr. Koe Seng Kheng  
*(Independent Non-Executive Director)*
- : Thiang Chew Lan  
*(Independent Non-Executive Director)*

The Terms of Reference of the Nominating Committee are available at the Company's website at [www.nextgreenglobal.com](http://www.nextgreenglobal.com)

The Nominating Committee assists the Board in reviewing the new candidate in terms of the candidates' skill, knowledge, expertise and experience before recommending to the Board for decision. For assessment and selection of director candidate, consideration would be taken on the need to meet the regulatory requirements such as Companies Act 2016, the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") and other criteria such as:

- Age
- Industrial experience, skillsets and knowledge
- Academic qualification
- Expected contributions to the existing and new businesses
- Expected enhancement to the board's strength and network

For appointment of Independent Directors, the Nominating Committee would also assess whether the candidate meets the requirements for independence based on criteria prescribed in the Listing Requirements.

The Nominating Committee is empowered to identify and recommend new appointments to the Board. The potential candidates may be proposed by existing directors, senior management staff, shareholders or third-party referral. Under normal circumstances, the Nominating Committee would review new board candidates proposed by the Executive Directors to fill vacancy arises from

resignation, retirement or any other reasons and make the recommendation to the Board thereon for decision. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

The Malaysian Code of Corporate Governance ("MCCG") emphasises the importance of right board composition in bringing value to the Board deliberation and transparency of policies and procedures in selection and evaluation of board members. Upon receipt of the proposal, the Nominating Committee is responsible to conduct as assessment and evaluation on the proposed candidate. The assessment/evaluation process may include, at the Nominating Committee's discretion, reviewing the candidate's resume, biographical information, candidate's qualifications and conducting background searches, etc.

The Board is supportive of gender diversity and encourages female participation in the board. Presently, out of the ten (10) board members, three (3) of the board members are female (i.e. 30% women directors).

In accordance with the constitution of the Company, all newly appointed Directors are subject to retirement by rotation and are entitled for re-election at the first annual general meeting after their appointment. Pursuant to Article 84 of the Company's Constitution, at each annual general meeting one-third (1/3) of the Directors for the time being or if their number is not three (3) or a multiple of three (3), the number nearest to one-third (1/3) shall retire from office at least once in every (3) years but shall be eligible for re-election.

In recommending the Directors for re-election to the Board, the Nominating Committee would also refer to the individual Directors' annual assessment result to ensure that feedback given and scoring achieved by the relevant directors who are retiring by rotation are satisfactory.

The Nominating Committee undertakes annual assessment to evaluate the performance of each individual Directors, the effectiveness of the Board and the Board Committees.

The effectiveness of the Board and Board Committees are assessed in the areas of board structure/mix, decision making and boardroom participation and activities, meeting

## 38 Nominating Committee's Statement

(continued)

administration and conducts, skill and competencies and role and responsibilities whilst the performance of the individual Directors is assessed in the areas of contribution and interaction with peer, quality of the input of the Director, understanding of role, etc.

Directors are given a performance assessment sheets ("PA Sheet") for self and peer evaluation on Individual Director, Board, Audit Committee, Nomination Committee and Remuneration Committee to complete. Respective Directors will abstain from deliberation of his/her own appraisal.

Directors who are members of the Board Committees are given additional performance evaluation sheets for the respective Board Committees to complete. Sufficient time is given to the Directors to complete the forms and upon completion, the forms are submitted to the Chairperson for tabling to the Nominating Committee for review in due course.

An annual assessment exercised had also been carried out on the members of Nominating Committee. For good corporate governance, the Nominating Committee did not review its own effectiveness and the performances of the Nominating Committee members. Instead, such review was carried out by the Board as a whole with the members of the Nominating Committee abstained from deliberation. In view that the Nominating Committee members are also members of the Remuneration Committee and the Audit Committee, the assessment of the effectiveness and performances of the Remuneration Committee and the Audit Committee were also carried out by the Board.

The Director who is subject to re-election and/or reappointment at next Annual General Meeting are assessed by the Nominating Committee (with the relevant Nominating Committee member abstaining on his/her own re-election) before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Outcome of the assessment and recommendation would be reported to the Board for information and decision on areas for improvement.

During the financial year, the Nominating Committee conducted one (1) meeting to review the:-

- (a) performance assessment sheets received in relation to the annual assessment on the performance and effectiveness of the Board of Directors and Board Committees, the performance of each Director and the terms of office and performance of the Audit Committee and each of its member ("Board Annual Evaluation on Effectiveness") for the financial year ended 30 June 2017;
- (b) annual assessment on the board independence under the MCCG ("Annual Assessment on Board Independence" for year 2017); and
- (c) list of Directors standing for re-election at the 12th Annual General Meeting and proposed to the Board the name of retiring Directors for re-election.

Based on these assessments, it was noted that:

- (a) The performance of all Directors was good and above average and therefore all retiring directors be recommended to shareholders for re-election;
- (b) The Company has an effective board and its composition was well balanced after taking into account the Board members' wide experience and exposure in various areas as well as their diverse skills and qualities;
- (c) The performance of the Board Committees is satisfactory;
- (d) Independent Directors were free from influence which could interfere with their ability to exercise impartial judgment on key deliberations and decisions;
- (e) The current composition of the Board their and experience are effective for Board's functions; and
- (f) Ms. Chew Yuit Yoo who has served more than nine (9) years as Independent Director in the Board had:
  - Fulfilled the definition of independent director in Listing Requirements;

- Continuer to exercise independent judgment and act in the best interest of the Company and shareholders during her tenure of service; and
- Shown great integrity and independence and had no transactions with the Group.

The Board also concluded that the Group has benefited from her long serving experience and commitment and therefore agreed to put forth a resolution to retain Ms Chew Yuit Yoo as Senior Independent Non-Executive Director to the shareholders for approval in the forthcoming meeting.

Subsequent to the financial year, the Nominating Committee met two (2) times to:

- (a) review the Board Annual Evaluation on Effectiveness for the financial year ended 30 June 2018 and Annual Assessment on Board Independence for year 2018 in respect of Ms. Chew Yuit Yoo and Ms. Thiag Chew Lan (who have served more than nine (9) years as Independent Director in the Board), where the outcome of the assessment were similar to those reported in 2017; and the list of Directors standing for re-election at the 13th Annual General Meeting and

proposed to the Board the name of retiring Directors for re-election; and

- (b) consider the appointment of two (2) new directors, namely, En. Nor'Azamin Bin Salleh and Dr. Hidayah Binti Ariffin, which appointment were approved by the Board and announced on 19 July 2018 and 6 September 2018, respectively.

The Board does not have term limit for its Independent Directors and is of the view that the independence of the Independent Directors should not be determined solely or arbitrary by their tenure of service. However, the Board embraces the MCCG practice for retaining an independent director beyond nine (9) years and shall provide justification for doing so and seek shareholders' approval annually in that respect. If the Board continues to retain the Independent Directors after year 12th, in addition to providing justification as explained above, the Board will seek shareholders' approval through a two tier voting process, unless the said Independent Director wishes to be re-designated as non-independent non-executive Director which shall be decided by the Board.

# 40 Directors' Report

as at 30 June 2018

The directors submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2018.

## Change of name

The Company changed its name from BHS Industries Berhad to Nextgreen Global Berhad with effect from 4 December 2017.

## Principal activities

The principal activities of the Company are that of investment holding and the provision of management services. The details of the subsidiaries, including their principal activities, are disclosed in Note 15 to the financial statements.

## Financial results

	Group RM	Company RM
Net loss for the financial year attributable to owners of the Company	<u>1,771,248</u>	<u>1,200,361</u>

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

## Dividend

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

## Reserves and provisions

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

## Issue of shares and debentures

The Company has not issued any shares or debentures during the financial year.

## Warrants 2015/2020

The Company had in October 2015 issued 198,290,398 warrants in conjunction with its rights issue exercise. The warrants are constituted by a deed poll dated 13 October 2015 ("Deed Poll").

The salient features of the warrants are as follows:

- The issue date of the warrants is 19 October 2015 and the expiry date is on 18 October 2020. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;
- Each warrant entitles the registered holder the right to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.60 per ordinary share until the expiry of the exercise period;
- The exercise price and the number of warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions in the Deed Poll;
- The warrant holders are not entitled to participate in any distribution and/or offer of further securities in the Company (except for the issue of new warrants pursuant to adjustment as mentioned in item (c) above), unless and until such warrant holders exercise their rights to subscribe for new ordinary shares; and
- The new ordinary shares to be issued upon exercise of the warrants, shall upon issuance and allotment, rank pari passu with the then existing ordinary shares, except that they will not be entitled to dividends, rights, allotments and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.



The movement in the Company's warrants during the financial year are as follows:

Entitlement for ordinary shares				
	Balance at 1.7.2017	Exercised	Expired	Balance at 30.6.2018
Number of unexercised warrants	198,290,398	—	—	198,290,398

### Treasury shares

During the financial year, the Company disposed of 10,574,900 treasury shares for a total cash consideration of RM3,912,063 to the open market.

As at 30 June 2018, the Company held a total of 16,365,100 treasury shares of its 458,366,718 issued ordinary shares. The treasury shares are held at a carrying amount of RM8,194,763. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016. Further relevant details on treasury shares are disclosed in Note 25.2 to the financial statements.

### Share options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

### Directors

The directors of the Company in office since the end of the previous financial year to the date of this report are:

Dato' Lim Thiam Huat  
 Datuk Lee Hwa Cheng  
 Dato' Sohaimi Bin Shahadan  
 Datuk Lawrance Yeo Chua Poh  
 Dato' Dr. Koe Seng Kheng  
 Koo Thiam Yoong  
 Chew Yuit Yoo  
 Thiang Chew Lan  
 Nor' Azamin Bin Salleh - appointed on 19 July 2018  
 Dr Hidayah Binti Ariffin - appointed on 6 September 2018

### Directors' interests in shares

The shareholdings in the Company and its related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept under Section 59 of the Companies Act 2016, are as follows:

Number of ordinary shares				
Balance as at	1.7.2017	Bought	Balance as at Sold	30.6.2018
Shareholdings registered in the name of director:				
<b>In the Company</b>				
<b>Direct interest</b>				
Dato' Lim Thiam Huat	79,075,998	3,309,290	—	82,385,288
Dato' Dr. Koe Seng Kheng	6,250,602	—	(5,800,000)	450,602
Koo Thiam Yoong	5,570,368	100,000	—	5,670,368
Thiang Chew Lan	554,805	—	—	554,805
Datuk Lee Hwa Cheng	4,177,776	2,184,300	—	6,362,076
Other shareholdings in which directors are deemed to have interests:				
Thiang Chew Lan *	280,186	—	—	280,186
Chew Yuit Yoo *	261,248	—	—	261,248
Datuk Lee Hwa Cheng #	4,177,776	—	—	4,177,776
Datuk Lawrance Yeo Chua Poh #	30,000,000	—	—	30,000,000
Dato' Lim Thiam Huat *	—	4,810,000	—	4,810,000

# 42 Directors' Report

(continued)

## Directors' interests in shares (continued)

Number of warrants over ordinary shares				
	Balance as at 1.7.2017	Bought	Sold	Balance as at 30.6.2018
Warrants registered in the name of director: <b>In the Company</b>				
<b>Direct interest</b>				
Dato' Lim Thiam Huat	76,432,004	—	—	76,432,004
Dato' Dr. Koe Seng Kheng	3,125,300	—	—	3,125,300
Koo Thiam Yoong	2,785,184	—	—	2,785,184
Thiang Chew Lan	277,402	—	—	277,402
Other holdings in which directors are deemed to have interests:				
Thiang Chew Lan *	140,092	—	—	140,092
Chew Yuit Yoo *	130,624	—	—	130,624

\* Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016

# Deemed interested by virtue of Section 8(4) of the Companies Act 2016

Other than as stated, none of the other directors in office at the end of the financial year had any interest in the shares of the Company and its related companies during the financial year, according to the register required to be kept under Section 59 of the Companies Act 2016.

## Directors' benefits

Since the end of previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 31.1 to the financial statements.

The amount of remuneration paid to and receivable by the directors for their services to the Company and its subsidiaries during the financial year is as follows:

	RM
Fees	266,460
Remuneration other than fees	779,520
Estimated money value of benefits other than in cash	<u>52,300</u>

There were no arrangements during or at the end of the financial year, which had the object of enabling directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Other statutory information

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps:

- to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision

for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

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

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

### Auditors' remuneration

The total remuneration paid to or receivable by the statutory auditors for the financial year were RM155,409 for the Group and RM40,000 for the Company.

Signed on behalf of the Board

in accordance with a resolution of the directors,

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DATO' LIM THIAM HUAT

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KOO THIAM YOONG

Kuala Lumpur

Dated: 17 October 2018

## Statement by Directors

The directors of NEXTGREEN GLOBAL BERHAD (formerly known as BHS Industries Berhad) state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the year ended on that date.

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

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DATO' LIM THIAM HUAT

Kuala Lumpur

Dated: 17 October 2018

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KOO THIAM YOONG

## Statutory Declaration

I, KOO THIAM YEN (MIA Membership Number: 6933), being the officer primarily responsible for the financial management of NEXTGREEN GLOBAL BERHAD (formerly known as BHS Industries Berhad), do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the )  
above named KOO THIAM YEN at )  
Kuala Lumpur in Wilayah Persekutuan )  
on 17 October 2018. )

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KOO THIAM YEN

Before me,

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COMMISSIONER FOR OATHS

# 45 Independent Auditors' Report

to the members of Nextgreen Global Berhad (Formerly known as BHS Industries Berhad)



## 1. Report on the audit of the financial statements

### 1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and the Company as at 30 June 2018, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with the Companies Act 2016 ("Act") and the Malaysian Financial Reporting Standards.

### 1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.6.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA 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.

## 1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for current 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. We have determined that there are no key audit matters to report with respect to our audit of the financial statements of the Company.

### 1.3.1 Recoverability of trade receivables

The recoverability of trade receivables is a key audit matter in our audit as this involves management's estimates in relation to credit risk exposure. The Group also has a significant number of receivable balances that are overdue, leading to the risk that the Group's impairment for trade receivables is insufficient if the amounts are not recoverable.

#### How the matter was addressed in the audit

- We reviewed and verified the collections received during the reporting period and collections subsequent to the reporting period to bank records;
- On overdue balances where no allowance for impairment was made, we obtained evidence in the form of subsequent receipts, historical payment trend and customer's correspondence to support the recoverability of the balances; and
- We tested the adequacy of the amount of impairment made by management by challenging the relevant assumptions and also taking into account historical data from the Group's previous collections experience. We also considered the adequacy of the amount



of impairment in the light of available evidence including the aging profile of receivables at year end and at the time of audit, the history of bad debt exposure and recent changes in payment profile.

Based on the procedures performed, we did not note any significant exceptions.

## 1.3.2 Risk of impairment of plant and equipment

A subsidiary of the Comapny, BHS Book Printing Sdn Bhd ("BPP") has incurred a gross loss during the year. This is an indication that an impairment might have occurred on the carrying amount of the plant and equipment of RM17,092,236 as at 30 June 2018. Management has performed an impairment review and concluded that there is no impairment in respect of the plant and equipment as the recoverable amount was higher than the carrying amount.

The assessment of recoverable amount requires significant judgement and assumptions used in the calculation, in particular relating to estimation of future sales volume, cash flow projections and discount rates.

We focused on this area due to the significance of the value involved and the nature of judgements and assumptions made by management in determining whether there is any impairment that has occurred.

### How the matter was addressed in the audit

We tested management's impairment review by performing the following work:

- comparing the assumptions used within the impairment review model to approved budgets and business plans and other evidence of future intentions;
- benchmarking of key assumptions including prices of papers, exchange rates, discount rates and inflation against our own internal research data;

- reviewed available qualitative information, supporting the projection of printing orders; and
- performed sensitivity analysis and stress-test over key assumptions in the model in order to assess the potential impact of a range of possible outcomes.

We found the assumptions to be materially consistent with the comparison and benchmarking procedures that we have carried out.

## 1.3.3 Non refundable deposits for purchase of plant and equipment

We focused on the non refundable deposits paid since the financial year 2016 of RM27,404,406 for purchase of plant and equipment for manufacturing of pulps and papers during the business diversification exercise. As at the date of our report, the construction of the pulps and papers factory is in progress and the delivery of the plant and equipment is ongoing. Due to the delayed in the construction of the factory, management has revised its business plan and cash flows projections and also performed impairment assessment on the plant and equipment concerned.

### How the matter was addressed in the audit

We performed the following audit procedures:

- obtained suppliers' confirmation on the total deposits paid as at the reporting date;
- performed site visit in Pekan, Pahang and discussed on the status of the progress of the construction of factory and plant and equipment with contractor and project managers;
- performed site visit and physical sighting of plant and equipment in China and discussed the delivery schedule with the suppliers;
- reviewed approved business plan and cash flows projections with committed timeline by board of directors;

- checked reasonableness of key assumptions of the cash flows projections used to determine the recoverable amount by benchmarking the discount rates, papers prices and inflation to externally available data and checked future development plans including capital expenditure plans and funding requirement as appropriate; and
- Performed sensitivity analysis and stress-test over the key assumptions in the model used in deriving on the recoverable amount.

No significant exception was noted from our work.

#### 1.4 Other information

Management is responsible for the other information. The other information comprises the information included in the Company's directors' report and annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

#### 1.5 Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in

accordance with the Act and the Malaysian Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company and/or its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### 1.6 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, in accordance with Section 266 of the Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements 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 the Approved Standards on Auditing in Malaysia and the 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.

# 48 Independent Auditors' Report

(continued)

## 1.6 Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 and/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 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 and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 Group's financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

## 2. Report on other legal and regulatory requirements

In accordance with the requirements of the Act, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 15 to the financial statements.

RUSSELL BEDFORD LC & COMPANY  
AF 1237  
CHARTERED ACCOUNTANTS

Kuala Lumpur  
Dated: 17 October 2018

## 3. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Chin Kim Chung.

CHIN KIM CHUNG  
02006/09/2020 J  
CHARTERED ACCOUNTANT

# 50 Statements of Comprehensive Income

for the year ended 30 June 2018



	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	4	29,848,582	25,200,483	543,348	400,653
Cost of sales	5	(28,105,478)	(25,957,976)	-	-
<b>Gross profit/(loss)</b>		1,743,104	(757,493)	543,348	400,653
Other operating income		4,327,939	1,397,773	942,000	24,528
Other operating expenses		(8,103,715)	(12,845,794)	(2,685,713)	(2,965,786)
<b>Loss from operations</b>	7	(2,032,672)	(12,205,514)	(1,200,365)	(2,540,605)
Finance income	8	5,234	42,224	4	10,753
Finance costs	9	(340,054)	(406,541)	-	-
Net finance (costs)/income		(334,820)	(364,317)	4	10,753
Share in profit of associate, net of tax		352,335	-	-	-
<b>Loss before tax</b>		(2,015,157)	(12,569,831)	(1,200,361)	(2,529,852)
Income tax expense	10	243,909	2,509,557	-	-
<b>Net loss for the year</b>		(1,771,248)	(10,060,274)	(1,200,361)	(2,529,852)
<b>Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation		(438,690)	122,344	-	-
<b>Other comprehensive (loss)/income for the year, net of tax</b>		(438,690)	122,344	-	-
<b>Total comprehensive loss for the year</b>		(2,209,938)	(9,937,930)	(1,200,361)	(2,529,852)
<b>Basic loss per shares (sen)</b>	11	(0.41)	(2.39)		

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



# 51 Statements of Financial Position

as at 30 June 2018



	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Non current assets</b>					
Property, plant and equipment	12	41,399,778	42,591,370	308,148	395,705
Land held for property development	13	6,372,143	18,298,979	-	-
Intangible asset	14	500,000	500,000	-	-
Investment in subsidiaries	15	-	-	64,914,754	60,582,684
Other investments	16	12,689	12,689	-	-
Other receivables	21	250,000	-	72,807,818	-
Deferred tax assets	17	1,471,774	1,226,089	-	-
		50,006,384	62,629,127	138,030,720	60,978,389
<b>Current assets</b>					
Inventories	18	8,708,054	8,762,252	-	-
Property development costs	19	21,923,050	-	-	-
Trade receivables	20	15,302,410	18,261,210	-	-
Other receivables, deposits and prepayments	21	36,314,772	38,160,863	690,398	74,996,706
Tax recoverable		1,853,233	1,798,983	84,380	148,718
Short term investments	22	-	-	-	-
Cash and bank balances	23	585,558	1,487,520	769	1,776
		84,687,077	68,470,828	775,547	75,147,200
<b>Total assets</b>		<u>134,693,461</u>	<u>131,099,955</u>	<u>138,806,267</u>	<u>136,125,589</u>
<b>Equity</b>					
Share capital	24	114,591,680	114,591,680	114,591,680	114,591,680
Reserves	25	3,895,580	2,193,455	22,951,265	20,239,563
<b>Equity attributable to owners of the Company</b>		<u>118,487,260</u>	<u>116,785,135</u>	<u>137,542,945</u>	<u>134,831,243</u>
Non-controlling interest		30	-	-	-
<b>Total equity</b>		<u>118,487,290</u>	<u>116,785,135</u>	<u>137,542,945</u>	<u>134,831,243</u>
<b>Non current liabilities</b>					
Hire purchase liabilities	26	150,251	169,637	-	-
Term loan	27	5,147,417	5,859,384	-	-
		5,297,668	6,029,021	-	-
<b>Current liabilities</b>					
Trade payables	28	5,162,377	2,668,915	-	-
Other payables and accruals	29	4,791,352	4,441,498	1,263,322	1,294,346
Tax payable		317	317	-	-
Short term borrowings	30	750,722	982,931	-	-
Hire purchase liabilities	26	203,735	192,138	-	-
		10,908,503	8,285,799	1,263,322	1,294,346
<b>Total liabilities</b>		<u>16,206,171</u>	<u>14,314,820</u>	<u>1,263,322</u>	<u>1,294,346</u>
<b>Total equity and liabilities</b>		<u>134,693,461</u>	<u>131,099,955</u>	<u>138,806,267</u>	<u>136,125,589</u>

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

## 52 Statements of Changes in Equity

for the year ended 30 June 2018

Group	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Merger reserve RM	Treasury shares RM	Warrant reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interest RM	Total equity
At 1 July 2017	114,591,680	4,963,826	123,459	(16,832,846)	(14,272,720)	16,854,684	11,357,052	116,785,135	-	116,785,135
<b>Transactions with owners:</b>										
Disposal of treasury shares	-	(2,165,894)	-	-	6,077,957	-	-	3,912,063	-	3,912,063
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	30	30
	-	(2,165,894)	-	-	6,077,957	-	-	3,912,063	30	3,912,093
<b>Net loss for the year</b>	-	-	-	-	-	-	(1,771,248)	(1,771,248)	-	(1,771,248)
<b>Other comprehensive loss for the year:</b>										
Foreign currency translation	-	-	(438,690)	-	-	-	-	(438,690)	-	(438,690)
At 30 June 2018	<u>114,591,680</u>	<u>2,797,932</u>	<u>(315,231)</u>	<u>(16,832,846)</u>	<u>(8,194,763)</u>	<u>16,854,684</u>	<u>9,585,804</u>	<u>118,487,260</u>	<u>30</u>	<u>118,487,290</u>

Group	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Merger reserve RM	Treasury shares RM	Warrant reserve RM	Retained profits RM	Total equity RM
At 1 July 2016	104,786,300	-	1,115	(16,832,846)	(14,268,574)	16,854,684	21,417,326	111,958,005
<b>Transactions with owners:</b>								
Issue of shares pursuant to private placement	9,805,380	4,963,826	-	-	-	-	-	14,769,206
Purchase of treasury shares	-	-	-	-	(4,146)	-	-	(4,146)
	9,805,380	4,963,826	-	-	(4,146)	-	-	14,765,060
<b>Net loss for the year</b>	-	-	-	-	-	-	(10,060,274)	(10,060,274)
<b>Other comprehensive income for the year:</b>								
Foreign currency translation	-	-	122,344	-	-	-	-	122,344
At 30 June 2017	<u>114,591,680</u>	<u>4,963,826</u>	<u>123,459</u>	<u>(16,832,846)</u>	<u>(14,272,720)</u>	<u>16,854,684</u>	<u>11,357,052</u>	<u>116,785,135</u>

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

Company	Share capital RM	Share premium RM	Treasury shares RM	Warrant reserve RM	Retained profits RM	Total RM
At 1 July 2016	104,786,300	-	(14,268,574)	16,854,684	15,223,625	122,596,035
<b>Transactions with owners:</b>						
Issue of shares pursuant to private placement	9,805,380	4,963,826	-	-	-	14,769,206
Purchase of treasury shares	-	-	(4,146)	-	-	(4,146)
	9,805,380	4,963,826	(4,146)	-	-	14,765,060
<b>Net loss/Total comprehensive loss for the year</b>	-	-	-	-	(2,529,852)	(2,529,852)
At 30 June 2017	114,591,680	4,963,826	(14,272,720)	16,854,684	12,693,773	134,831,243
<b>Transactions with owners:</b>						
Disposal of treasury shares	-	(2,165,894)	6,077,957	-	-	3,912,063
<b>Net loss/Total comprehensive loss for the year</b>	-	-	-	-	(1,200,361)	(1,200,361)
At 30 June 2018	114,591,680	2,797,932	(8,194,763)	16,854,684	11,493,412	137,542,945

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

# 54 Statements of Cash Flows

for the year ended 30 June 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from/(used in) operating activities</b>				
Loss before tax	(2,015,157)	(12,569,831)	(1,200,361)	(2,529,852)
Adjustments for:				
Allowance for doubtful debts	282,283	4,055,198	-	-
Depreciation	3,185,250	2,811,017	87,557	41,369
Deposit written off	-	500	-	500
Impairment loss on investment in subsidiaries	-	-	-	618,000
Reversal of impairment loss on investment in subsidiaries	-	-	(332,000)	-
Interest expense	340,054	406,541	-	-
Unrealised gain on foreign exchange	(128,937)	(849,560)	-	-
Allowance for doubtful debts no longer required	(3,052,081)	(1,499)	-	-
Plant and equipment written off	-	145,330	-	-
Dividend income from financial assets at fair value through profit or loss	(1,890)	(945)	-	-
Fair value gain on financial assets at fair value through profit or loss	-	(24,528)	-	(24,528)
Gain on disposal of a subsidiary	(20,680)	-	-	-
Gain on disposal of an associate	(750,950)	-	-	-
Gain on disposal of plant and equipment	(39,999)	-	-	-
Income distributed from financial assets at fair value through profit or loss	-	(21,880)	-	(10,570)
Interest income	(5,234)	(20,344)	(4)	(183)
<b>Operating loss before working capital changes</b>	(2,207,341)	(6,070,001)	(1,444,808)	(1,905,264)
Decrease in inventories	54,198	5,123,678	-	-
(Increase)/Decrease in development costs	(10,399,355)	1,046,008	-	-
Decrease/(Increase) in trade and other receivables	10,235,519	(5,592,894)	(440)	18,566
Increase/(Decrease) in trade and other payables	1,874,168	(1,602,488)	107,683	193,539
<b>Cash used in operations</b>	(442,811)	(7,095,697)	(1,337,565)	(1,693,159)
Income tax refunded	93,050	-	90,000	-
Income tax paid	(149,076)	(242,041)	(25,662)	(39,750)
<b>Net cash used in operating activities</b>	(498,837)	(7,337,738)	(1,273,227)	(1,732,909)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from/(used in) investing activities</b>				
Purchase of property, plant and equipment	(803,925)	(2,476,647)	-	(15,131)
Additions in development costs	-	(9,670,674)	-	-
Acquisition and subscription of shares in subsidiaries	-	-	(4,000,070)	(2,501,004)
Net cash in flow on acquisition of a subsidiary	30	-	-	-
Income received from financial assets at fair value through profit or loss	-	21,880	-	10,570
Investment in financial assets at fair value through profit or loss	-	(2,000,000)	-	(2,000,000)
Proceeds from disposal of				
- financial assets at fair value through profit or loss	-	11,504,389	-	10,598,796
- plant and equipment	40,000	-	-	-
- a subsidiary	115,336	-	-	-
Repayments from/(Advances to) subsidiaries	-	-	1,498,930	(20,068,244)
Dividends received	1,890	718	-	-
Deposits paid for purchase of				
- plant and equipment	-	(6,245,200)	-	-
- land held for development	(2,120,000)	(200,000)	-	-
Interest received	5,234	20,344	4	183
<b>Net cash used in investing activities</b>	<b>(2,761,435)</b>	<b>(9,045,190)</b>	<b>(2,501,136)</b>	<b>(13,974,830)</b>
<b>Cash flows from/(used in) financing activities</b>				
Proceeds from				
- foreign currency trade loan	2,720,854	2,840,951	-	-
- private placement	-	14,769,206	-	14,769,206
- disposal of treasury shares	3,912,063	-	3,912,063	-
Repayments of				
- foreign currency trade loan	(2,984,470)	(5,375,582)	-	-
- hire purchase liabilities	(217,789)	(177,086)	-	-
- term loan	(680,560)	(690,023)	-	-
Payments for purchase of treasury shares	-	(4,146)	-	(4,146)
Repayments to a director	(51,621)	-	-	-
Advances from a subsidiary	-	-	161,293	496,019
Repayments to a former subsidiary	-	-	(300,000)	-
Interest paid	(340,054)	(406,541)	-	-
<b>Net cash from financing activities</b>	<b>2,358,423</b>	<b>10,956,779</b>	<b>3,773,356</b>	<b>15,261,079</b>

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



# 56 Statements of Cash Flows

(continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Net decrease in cash and cash equivalents</b>	(901,849)	(5,426,149)	(1,007)	(446,660)
<b>Cash and cash equivalents at beginning of year</b>	1,487,520	7,226,164	1,776	448,436
Effect of exchange rate changes on the balance of cash and cash equivalents of foreign subsidiary	(113)	(312,495)	-	-
<b>Cash and cash equivalents at end of year</b>	<u>585,558</u>	<u>1,487,520</u>	<u>769</u>	<u>1,776</u>
<b>Cash and cash equivalents are represented by cash and bank balances</b>	<u>585,558</u>	<u>1,487,520</u>	<u>769</u>	<u>1,776</u>
<b>Reconciliation of liabilities arising from financing activities</b>				
	2017 RM	Cash flows RM	Non-cash hire purchase additions RM	2018 RM
<b>Group</b>				
Amount due to a director	157,371	(51,621)	-	105,750
Short term borrowings	263,616	(263,616)	-	-
Term loan	6,578,699	(680,560)	-	5,898,139
Hire purchase liabilities	361,775	(217,789)	210,000	353,986
	<u></u>	<u></u>	<u></u>	<u></u>
		2017 RM	Cash flows RM	2018 RM
<b>Company</b>				
Amount due to a subsidiary		721,794	161,293	883,087
Amount due to a former subsidiary		<u>300,000</u>	<u>(300,000)</u>	<u>-</u>

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

# Notes to the Financial Statements

for the year ended  
30 June 2018





# 59 Notes to the Financial Statements

for the year ended 30 June 2018

## 1. General information

The principal activities of the Company are that of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 15.

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

The Company's registered office is located at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

The Company changed its name from BHS Industries Berhad to Nextgreen Global Berhad with effect from 4 December 2017.

The principal place of business of the Company is located at Lot 4, Lorong CJ 1/1B, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the board of directors on 17 October 2018.

## 2. Principal accounting policies

### 2.1 Statement of compliance

The financial statements of the Group and the Company have been prepared and presented in accordance with the provisions of the Companies Act 2016 and the Malaysian Financial Reporting Standards.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

### 2.2 Basis of preparation of the financial statements

#### 2.2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised in Note 2.2.2.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and amendments

to published standards and IC interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC interpretations does not result in significant changes in the accounting policies of the Group.

The Group has not adopted the new standards, amendments to published standards and interpretations that have been issued but not yet effective. These new standards, amendments to published standards and interpretations do not result in significant changes in accounting policies of the Group upon their initial application other than the following:

- (i) MFRS 9 Financial Instruments (effective for financial periods beginning on or after 1 January 2018)

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at the inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- (ii) MFRS 15 Revenue from Contracts with Customers (effective for financial periods beginning on or after 1 January 2018)

MFRS 15 supersedes MFRS 118 Revenue and introduces a new principle of revenue recognition. The core principle of MFRS 15 is that an entity

# 60 Notes to the Financial Statements

(continued)

## 2.2 Basis of preparation of the financial statements (continued)

### 2.2.1 Basis of accounting (continued)

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. MFRS 15 have established the core principle of revenue recognition by applying the following five (5) steps:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation

MFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Company's contracts with customers.

- (iii) MFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019)

The scope of MFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance lease under MFRS 117. The standard includes two recognition exemptions for lessees – leases of low value assets and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset).

Lessees will be required to separately recognise

the interest expense on the lease liability and the depreciation expense on the right of use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change of lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

Lessor accounting is substantially unchanged. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases which is operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted but not before the entity applies MFRS 15 Revenue from Contracts with Customers.

The Group is in the process of making an assessment where the impact of the above new standards is expected to be in the period of initial application.

### 2.2.2 Significant accounting policies

#### 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 ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The formation of the Group during restructuring exercise on 8 August 2007 has been accounted for as a business combination under common control in which all of



## 2.2.2 Significant accounting policies (continued)

### Basis of consolidation (continued)

the combining entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

When the merger method of accounting is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the cost of the investment and the nominal value of shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that the laws and statutes do not prohibit the use of such reserves. The results and financial positions of the companies being merged are included as if the merger had been effected throughout the current and previous reporting periods.

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when combining entities first came under the control of the controlling parties until the date that such control ceases.

Subsequent acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the reporting periods in which the costs are incurred and the services are received.

Any excess of the sum of their fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented within equity

in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group is presented in the statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the parent.

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

### Revenue and income recognition

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised upon the delivery of goods and risks and rewards of ownership have passed to the customers.

Revenue from management services rendered is recognised in profit or loss when the services are rendered.

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

Interest income is recognised as it accrues (using the effective interest rate method) unless collectability is in doubt.

### Foreign currencies

- (i) Foreign currency transactions  
Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded

# 62 Notes to the Financial Statements

(continued)

## 2.2.2 Significant accounting policies (continued)

### Foreign currencies (continued)

on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

#### (ii) Foreign operations

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

	2018 RM	2017 RM
United States Dollar	4.0385	4.2900
Nigerian Naira	N/A	0.0133

### Employee benefits

#### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expenses in the reporting period in which the associated services are rendered by employees of the Group. Short

term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised in profit or loss as incurred.

### Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, 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 financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

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

### Impairment of non financial assets

The carrying amount of non financial assets subject to accounting for impairment is reviewed at each reporting

## 2.2.2 Significant accounting policies (continued)

### Impairment of non financial assets (continued)

date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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. The reversal is recognised in profit or loss.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

No depreciation is provided on leasehold building and renovation under construction until the asset is ready for its intended use.

Depreciation on property, plant and equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

Leasehold land	over the unexpired lease period of 83 to 99 years
Leasehold building	2%
Factory equipment, plant and machinery	5% - 20%
Renovations	10%- 20%
Office equipment, furniture and fittings	10%
Computers	25%
Motor vehicles	20%

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

### Development property and costs

- (i) Land held for property development
- Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current assets and is stated at the lower of cost and net realisable value.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable selling expenses.

Land held for property development is transferred to property development costs under current assets when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

- (ii) Property development costs
- Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses.

# 64 Notes to the Financial Statements

(continued)

## 2.2.2 Significant accounting policies (continued)

### Intangible asset

Intangible asset comprising a master license acquired separately is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

The costs of the master license is amortised on a straight line basis over its license period of fifteen (15) years.

### Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company is exposed or has rights to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

### Investment in associates

An associate is a company in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in associates is accounted for under the equity method of accounting based on the audited or management financial statements of the associates made up to the reporting date. Under this method of accounting, the investment in an associate is measured in the consolidated statement of financial position at cost plus the Group's post acquisition share of the associate's profit or loss and other comprehensive income while dividend received is reflected as a reduction of the investment.

Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's

share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associates' profit or loss in the reporting period in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of the associates to ensure consistency of accounting policies with the Group.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but the decrease does not result in a loss of significant influence, any retained interest is not remeasured. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

### Inventories

Inventories comprising raw materials, work in progress, trading merchandise and finished goods are stated at the lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in selling and distribution.

Cost of raw materials and trading merchandise comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Cost of work in progress and finished goods comprises the cost of raw materials used, direct labour and appropriate production overheads.

### Leases

Assets acquired under leases or hire purchase which transfers substantially all the risks and rewards incidental to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at their fair values or, if

## 2.2.2 Significant accounting policies (continued)

### Leases (continued)

lower, at the present value of the minimum lease payments of the leased assets at the inception of the respective leases.

Finance costs, which represent the difference between the total lease commitments and the fair values of the assets acquired, are charged to profit or loss over the terms of the relevant lease periods so as to give a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

All other leases which do not meet such criteria are classified as operating lease. Lease payments under operating leases are recognised as an expense in profit or loss on a straight line basis over the terms of the relevant lease.

### Segment information

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.

### Financial instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial

instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

Financial assets are classified as either at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale, as appropriate. Financial liabilities are classified as either at fair value through profit or loss (derivative financial liabilities) or at amortised cost (borrowings and trade and other payables), as appropriate.

#### (i) Loans and receivables

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

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

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

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

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

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

Financial assets at fair value through profit or loss could be presented as current or non-current.



# 66 Notes to the Financial Statements

(continued)

## 2.2.2 Significant accounting policies (continued)

### Financial instruments (continued)

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

Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement dates.

(iii) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iv) Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

(vi) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly

in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 equity 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial assets, other than classified as fair value through profit or loss is impaired.

(i) Loans and receivables

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



## 2.2.2 Significant accounting policies (continued)

### Impairment of financial assets (continued)

#### (i) Loans and receivables (continued)

past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a debtor becomes uncollectible, it is written off against the allowance account.

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

### Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents comprise cash balances and short term deposits with maturities of three months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

## 3. Critical accounting estimates and judgements

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other

factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period other than as follows:

#### (i) Impairment of non financial assets

The Group assesses impairment of plant and equipment and non refundable deposits when events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value (after taking into account the costs to sell) or the value in use of the relevant assets.

The Group assesses for indicators of impairment of plant and equipment and non refundable deposits based on key assumptions made in the approved budgets and business plans such as prices of papers, exchange rates, discount rates, inflation and other available information. Significant variations to these assumptions and estimates could result in changes to the assessment of the recoverability of these non financial assets. To the extent of any future determination that these non financial assets are not recoverable, future financial results in the reporting period in which this determination is made will be affected.

#### (ii) Deferred tax assets

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

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## 3. Critical accounting estimates and judgements (continued)

### (iii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers

factors such as the probability of insolvency or significant financial difficulties of the trade and other receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the impairment loss is determined based on the estimated future cash flows discounted at the financial asset's original effective interest rate.

## 4. Revenue

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Management fees	-	-	543,348	400,653
Printing services	26,756,234	19,746,296	-	-
Sales of books	97,162	187,783	-	-
Sales of land	2,995,186	5,266,404	-	-
	<u>29,848,582</u>	<u>25,200,483</u>	<u>543,348</u>	<u>400,653</u>

## 5. Cost of sales

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Printing services	27,028,550	24,792,230	-	-
Sales of books	82,320	119,738	-	-
Sales of land	994,608	1,046,008	-	-
	<u>28,105,478</u>	<u>25,957,976</u>	<u>-</u>	<u>-</u>

## 6. Staff costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Defined contribution plan	546,141	528,902	101,294	107,428
Salaries, bonus, allowances and overtime	5,719,355	6,027,089	1,057,351	1,107,483
Other employee related expenses	108,235	152,307	4,759	4,497
	<u>6,373,731</u>	<u>6,708,298</u>	<u>1,163,404</u>	<u>1,219,408</u>
Staff costs recognised as property development costs (Note 19)	(748,299)	-	-	-
	<u>5,625,432</u>	<u>6,708,298</u>	<u>1,163,404</u>	<u>1,219,408</u>
Staff costs comprise:				
- directors of the Company				
- remuneration other than fees	779,520	842,613	779,520	842,613
- fees	266,460	253,680	266,460	253,680
- remuneration other than fees of a director of subsidiaries	-	197,120	-	-
- other staff costs	4,579,452	5,414,885	117,424	123,115
	<u>5,625,432</u>	<u>6,708,298</u>	<u>1,163,404</u>	<u>1,219,408</u>

The key management personnel of the Company whose remuneration is analysed as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive directors:				
- remuneration other than fees	779,520	842,613	779,520	842,613
Non executive directors:				
- fees	266,460	253,680	266,460	253,680
Total directors' remuneration	<u>1,045,980</u>	<u>1,096,293</u>	<u>1,045,980</u>	<u>1,096,293</u>
Estimated money value of benefits other than in cash				
- Executive directors	45,100	42,700	45,100	42,700
- Non executive directors	7,200	3,600	7,200	3,600
	<u>52,300</u>	<u>46,300</u>	<u>52,300</u>	<u>46,300</u>
Total directors' remuneration including benefits other than in cash	<u>1,098,280</u>	<u>1,142,593</u>	<u>1,098,280</u>	<u>1,142,593</u>

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## 6. Staff costs (continued)

The number of directors of the Company where total remuneration during the reporting period falls within the following bands is analysed as follows:

Executive directors:

RM100,001 – RM150,000

RM200,001 – RM250,000

RM350,001 – RM400,000

Non executive directors:

Below RM50,000

RM50,001 – RM100,000

RM100,001 – RM150,000

	2018	2017
	2	2
	1	1
	1	1
	<u>1</u>	<u>1</u>
	2	3
	1	-
	1	1
	<u>1</u>	<u>1</u>

## 7. Loss from operations

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss from operations is arrived at after charging:				
Auditors' remuneration				
- statutory audit	141,300	126,200	36,000	33,000
- under provision in prior year	3,710	-	-	-
- other services	14,109	9,000	4,000	4,000
Operating lease expense on				
- machinery and equipment	331,313	342,727	-	-
- premises	674,626	805,999	-	-
Realised loss on foreign exchange	558,215	-	-	-
And crediting:				
Dividend income from financial assets at fair value through profit or loss (quoted)	1,890	945	-	-
Fair value gain on financial assets at fair value through profit or loss	-	24,528	-	24,528
Gain on disposal of				
- a subsidiary	20,680	-	-	-
- an associate	750,950	-	-	-
Gain on foreign exchange				
- realised	-	249,894	-	-
- unrealised	128,937	849,560	-	-
Gain on disposal of plant and equipment	39,999	-	-	-
	<u>39,999</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 8. Finance income

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from				
- bank account	5,234	13,434	4	183
- fixed deposits	-	6,910	-	-
Income distributed from financial assets at fair value through profit or loss	-	21,880	-	10,570
	<u>5,234</u>	<u>42,224</u>	<u>4</u>	<u>10,753</u>

## 9. Finance costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense				
- bank guarantees	4,477	-	-	-
- foreign currency trade loan	30,215	74,064	-	-
- hire purchase	19,454	20,608	-	-
- term loan	285,908	311,869	-	-
	<u>340,054</u>	<u>406,541</u>	<u>-</u>	<u>-</u>

## 10. Income tax expense

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Estimated Malaysia income tax payable				
- current year	-	-	-	-
- (under)/over provision in prior years	(1,776)	13,809	-	-
	<u>(1,776)</u>	<u>13,809</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 17)				
- current year	245,685	2,448,748	-	-
- overprovision in prior years	-	47,000	-	-
	<u>245,685</u>	<u>2,495,748</u>	<u>-</u>	<u>-</u>
	<u>243,909</u>	<u>2,509,557</u>	<u>-</u>	<u>-</u>

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## 10. Income tax expense (continued)

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss before tax	(2,015,157)	(12,569,831)	(1,200,361)	(2,529,852)
Less: Share in profit of associate, net of tax	(352,335)	-	-	-
Adjusted loss before tax	<u>(2,367,492)</u>	<u>(12,569,831)</u>	<u>(1,200,361)</u>	<u>(2,529,852)</u>
Taxation at statutory tax rate of 24% (2017: 24%)	568,000	3,017,000	288,000	607,000
Expenses not deductible for tax purposes	(547,679)	(486,252)	(85,000)	(289,000)
Income not subject to tax	193,464	75,000	80,000	8,000
Income exempted from tax	238,600	725,600	-	-
Utilisation of previously unrecognised deferred tax assets	147,800	15,400	-	-
Deferred tax assets not recognised	(354,500)	(898,000)	(283,000)	(326,000)
(Under)/Over provision in prior years				
- income tax	(1,776)	13,809	-	-
- deferred tax	-	47,000	-	-
Income tax expense	<u>243,909</u>	<u>2,509,557</u>	<u>-</u>	<u>-</u>

A subsidiary of the Company, Ultimate Ivory Sdn Bhd ("Ultimate Ivory") was granted East Coast Economic Region incentives by Malaysian Investment Development Authority. By virtue of this East Coast Economic Region incentives, the statutory income of Ultimate Ivory from property development activities under Income Tax (Exemption) (No. 8) Order 2016/P.U. (A) 161/2016, Income Tax Act 1967 are exempted from income tax for a period of 10 years commencing from first year of assessment of 2017.



## 11. Loss per share

### Basic

Basic loss per ordinary share is calculated based on the net loss attributable to owners of the Company and the weighted average number of ordinary shares in issue as follows:

	Group	
	2018 RM	2017 RM
Net loss attributable to owners of the Company	<u>(1,771,248)</u>	<u>(10,060,274)</u>
Weighted average number of ordinary shares in issue (net of treasury shares held)	<u>433,654,836</u>	<u>420,269,134</u>
Basic loss per ordinary share (sen)	<u>(0.41)</u>	<u>(2.39)</u>

### Diluted

Diluted loss per share are not presented in the financial statements as at 30 June 2018 as the fair value of the ordinary shares of the Company during the reporting period is below the exercise price of the warrants. These potential ordinary shares have a diluted effect only if the fair value of the ordinary shares during the reporting period exceeds the exercise price of these potential ordinary shares.

As at 30 June 2017, diluted loss per share is not presented in the financial statements as there is an anti dilutive effect on loss per share.

## 12. Property, plant and equipment

Group	Leasehold land and building RM	Factory equipment, plant and machinery RM	Renovations RM	Office equipment, furniture and fittings RM	Computers RM	Motor vehicles RM	Leasehold building and renovation under construction RM	Total RM
<b>Cost</b>								
At 1 July 2016	16,133,850	32,749,113	148,339	617,907	741,413	2,244,461	7,174,421	59,809,504
Additions	-	1,160,038	-	69,796	8,131	871,224	1,560,654	3,669,843
Transfer from land held for property development (Note 13)	-	-	-	-	-	-	1,084,810	1,084,810
Reclassification	4,182,229	4,318,274	-	-	-	-	(8,500,503)	-
Disposals	-	-	-	-	-	(584,327)	-	(584,327)
Write offs	-	(951,050)	-	(301,299)	(356,529)	-	-	(1,608,878)
Exchange differences	-	46,488	-	-	-	-	-	46,488
At 30 June 2017	20,316,079	37,322,863	148,339	386,404	393,015	2,531,358	1,319,382	62,417,440
Additions	3,106	80,525	73,479	173,484	120,460	252,280	1,331,352	2,034,686
Disposals	-	-	-	-	-	(260,000)	-	(260,000)
Reclassifications	-	-	234,572	-	-	-	(234,572)	-
Exchange differences	-	(46,278)	-	-	-	-	-	(46,278)
At 30 June 2018	20,319,185	37,357,110	456,390	559,888	513,475	2,523,638	2,416,162	64,145,848
<b>Accumulated depreciation</b>								
At 1 July 2016	200,331	16,459,070	44,118	393,862	525,425	1,021,262	-	18,644,068
Charge for the year	271,455	2,090,040	29,670	28,815	75,404	315,633	-	2,811,017
Disposals	-	-	-	-	-	(165,559)	-	(165,559)
Write offs	-	(848,231)	-	(258,789)	(356,528)	-	-	(1,463,548)
Exchange differences	-	92	-	-	-	-	-	92
At 30 June 2017	471,786	17,700,971	73,788	163,888	244,301	1,171,336	-	19,826,070
Charge for the year	314,926	2,297,381	57,150	39,795	92,122	383,876	-	3,185,250
Disposals	-	-	-	-	-	(259,999)	-	(259,999)
Exchange differences	-	(5,251)	-	-	-	-	-	(5,251)
At 30 June 2018	786,712	19,993,101	130,938	203,683	336,423	1,295,213	-	22,746,070
<b>Carrying amount</b>								
At 30 June 2018	19,532,473	17,364,009	325,452	356,205	177,052	1,228,425	2,416,162	41,399,778
At 30 June 2017	19,844,293	19,621,892	74,551	222,516	148,714	1,360,022	1,319,382	42,591,370

## 12. Property, plant and equipment (continued)

Company	Computers RM	Motor vehicles RM	Total RM
<b>Cost</b>			
At 1 July 2016	7,087	714,031	721,118
Additions	-	433,898	433,898
Disposals	-	(584,326)	(584,326)
As at 30 June 2017/2018	<u>7,087</u>	<u>563,603</u>	<u>570,690</u>
<b>Accumulated depreciation</b>			
At 1 July 2016	3,912	295,263	299,175
Charge for the year	778	40,591	41,369
Disposals	-	(165,559)	(165,559)
At 30 June 2017	<u>4,690</u>	<u>170,295</u>	<u>174,985</u>
Charge for the year	<u>778</u>	<u>86,779</u>	<u>87,557</u>
At 30 June 2018	<u>5,468</u>	<u>257,074</u>	<u>262,542</u>
<b>Carrying amount</b>			
At 30 June 2018	<u>1,619</u>	<u>306,529</u>	<u>308,148</u>
At 30 June 2017	<u>2,397</u>	<u>393,308</u>	<u>395,705</u>

### 12.1 At the reporting date:

- (i) property, plant and equipment of the Group have been charged as collaterals to secure the term loan referred to in Note 27 are as follows:

	Group	
	2018 RM	2017 RM
<u>At carrying amount</u>		
Leasehold land	10,617,621	10,751,175
Leasehold building	<u>8,914,852</u>	<u>9,093,118</u>
	<u>19,532,473</u>	<u>19,844,293</u>

- (ii) the title deeds of the leasehold land of a subsidiary, Ultimate Ivory Sdn Bhd ("UI") of RM195,113 (2017: RM195,113) have yet to be transferred to UI by the Pahang State Government; and
- (iii) motor vehicles of the Group with carrying amount of RM641,216 (2017: RM615,050) are acquired under hire purchase arrangements.

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## 12. Property, plant and equipment (continued)

12.2 During the reporting period, cash payments made to purchase property, plant and equipment are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total additions	2,034,686	3,669,843	-	433,898
Additions through				
- hire purchase	(210,000)	(280,000)	-	-
- other payables	(1,054,463)	(913,196)	-	(418,767)
	770,223	2,476,647	-	15,131
Payments made for previous year acquisition	33,702	-	-	-
Total cash payments	803,925	2,476,647	-	15,131

## 13. Land held for property development

	Group	
	2018 RM	2017 RM
At beginning of year		
- long term leasehold land	6,385,046	6,552,579
- development costs	11,913,933	3,817,534
	18,298,979	10,370,113
Costs incurred during the reporting period:		
- development costs	-	9,670,674
Transferred to property, plant and equipment (Note 12)		
- long term leasehold land	-	(195,113)
- development costs	-	(889,697)
	-	(1,084,810)
Transferred to property development costs (Note 19)		
- long term leasehold land	(1,232,246)	-
- development costs	(10,291,449)	-
	(11,523,695)	-
Costs recognised in profit or loss during the year		
- long term leasehold land	-	(298,220)
- development costs	-	(747,788)
	-	(1,046,008)
Exchange differences	(403,141)	389,010
At end of year		
- long term leasehold land	4,846,200	6,385,046
- development costs	1,525,943	11,913,933
	6,372,143	18,298,979

The unexpired lease period of the long term leasehold land is 97 years (2017: 98 years).

#### 14. Intangible asset

**Group  
License  
RM**

##### Cost

At 1 July 2016/30 June 2017/30 June 2018

500,000

The Group had entered into a Master License Agreement with Green Patent Technologies Sdn Bhd ("GPTSB"), a company which is 65% owned by Dato' Lim Thiam Huat, a major shareholder and a director of the Company for the grant of a master licence at purchase consideration of RM500,000 to use the inventions and designs owned by GPTSB as licensor upon the terms and conditions contained in the agreement. The licence is granted for an initial period of fifteen (15) years commencing the date when the intended factory or plant for manufacturing of pulps and papers is constructed and commissioned.

#### 15. Investment in subsidiaries

	Company	
	2018 RM	2017 RM
Unquoted shares at cost		
At beginning of year	74,704,019	72,203,015
Subscription of additional shares in existing subsidiaries	3,999,998	2,499,998
Acquisition of subsidiaries	72	1,006
At end of year	<u>78,704,089</u>	<u>74,704,019</u>
Accumulated impairment losses		
At beginning year	14,121,335	13,503,335
Impairment loss for the year	610,000	618,000
Reversal of impairment loss	(942,000)	-
At end of year	<u>13,789,335</u>	<u>14,121,335</u>
Carrying amount	<u>64,914,754</u>	<u>60,582,684</u>

The details of the subsidiaries are as follows:

	Country of incorporation	Group's effective interest and voting		Principal activities
		2018 %	2017 %	
Subsidiaries of the Company				
BHS Book Printing Sdn Bhd	Malaysia	100	100	Printing of books and magazines
Pustaka Sistem Pelajaran Sdn Bhd	Malaysia	100	100	Book publisher

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## 15. Investment in subsidiaries (continued)

	Country of incorporation	Group's effective interest and voting		Principal activities
		2018 %	2017 %	
<b>Subsidiaries of the Company</b>				
System Multimedia and Internet Sdn Bhd	Malaysia	100	100	Dormant
BHS DS Solution Sdn Bhd	Malaysia	100	100	Construction and renovation works
Nextgreen Pulp & Paper Sdn Bhd	Malaysia	100	100	Processing and manufacturing of pulps and papers and related products
Ultimate Ivory Sdn Bhd	Malaysia	100	100	Industrial park developer and manager
BHS Palau Incorporated*	Republic of Palau	100	100	Property development and management
Firasat Prima Sdn Bhd	Malaysia	100	100	Property developer
BHS Land Development Sdn Bhd	Malaysia	100	100	Dormant
BHS E Education Sdn Bhd	Malaysia	100	100	Dormant
Nextgreen Fertilizer Sdn Bhd	Malaysia	100	100	Manufacture, import, export, and trading of fertilizers
Nextgreen Energy Sdn Bhd	Malaysia	100	-	Dormant
Nextgreen (Sarawak) Sdn Bhd	Malaysia	70	-	Dormant
<b>Subsidiary of Pustaka Sistem Pelajaran Sdn Bhd</b>				
Pustaka Yakin Pelajar Sdn Bhd	Malaysia	-	100	Dormant
<b>Subsidiary of System Multimedia and Internet Sdn Bhd</b>				
System Publishing House Sdn Bhd	Malaysia	100	100	Dormant

\* No statutory audit requirement



## 15. Investment in subsidiaries (continued)

During the reporting period:

- (a) On 11 September 2017, The Company subscribed for 2 ordinary shares for RM2 representing 100% of the issued and paid up share capital of Nextgreen Energy Sdn Bhd ("NESB"). With the subscription, NESB became a subsidiary of the Company. The intended principal activity of NESB is produce and supply of biomass power and energy;
- (b) On 25 September 2017, the Company subscribed 70 ordinary shares of Nextgreen (Sarawak) Sdn Bhd ("NSSB"), for RM70 representing 70% of the issued and paid up share capital of NSSB. With the acquisition and subscription, NSSB became a subsidiary of the Company. The intended principal activity of NSSB is manufacturing, trading and selling of pulp, paper and its related products and development of Integrated Green Technology Park;

The acquisition did not have a significant impact to the financial results of the Group.

- (c) On 11 October 2017, Pustaka Sistem Pelajaran Sdn Bhd, a wholly owned subsidiary of the Company disposed of 50% equity interest in Pustaka Yakin Pelajar Sdn Bhd ("Yakin") for a total consideration of RM146,717. Yakin became an associate of the Group. Subsequently, on 29 December 2017, the remaining 50% equity interest was disposed of for a total consideration of RM1,250,000. Following the disposal, Yakin ceased to be an associate of the Group;
- (d) On 29 June 2018, the Company further subscribed for additional 999,998 ordinary shares in Nextgreen Fertilizer Sdn Bhd ("NFSB") by way of capitalisation of amount due from NFSB of RM999,998; and
- (e) On 29 June 2018, the Company further subscribed for additional 3,000,000 ordinary shares in Ultimate Ivory Sdn Bhd ("UISB") by way of capitalisation of amount due from UISB of RM3,000,000.

In the previous reporting period:

- (a) the Company has further subscribed for additional 1,500,000 new ordinary shares in Ultimate Ivory Sdn Bhd for a total cash consideration of RM1,500,000;
- (b) the Company acquired 2 ordinary shares for a total consideration of RM2 representing 100% of the issued and paid up share capital of Firasat Prima Sdn Bhd ("Firasat Prima"). Subsequently, the Company has further subscribed for additional 999,998 new ordinary shares in the share capital of Firasat Prima for a total consideration of RM999,998. The reason for the acquisition is to expand into property development;
- (c) the Company incorporated a wholly-owned subsidiary namely BHS Land Development Sdn Bhd ("BHS Land"). The Company has subscribed for 1,000 ordinary shares for a total consideration of RM1,000 representing 100% of the issued and paid up share capital of BHS Land. BHS Land's intended activity is to expand into property development business;
- (d) the Company incorporated a wholly-owned subsidiary namely BHS E Education Sdn Bhd ("BHS Education"). The Company has subscribed for 2 ordinary shares for a total consideration of RM2 representing 100% of the issued and paid up share capital of BHS Education. BHS Education's intended activity is to expand into electronic based education book business; and
- (e) the Company incorporated a wholly-owned subsidiary namely Nextgreen Fertilizer Sdn Bhd ("Nextgreen Fertilizer"). The Company has subscribed for 2 ordinary shares for a total consideration of RM2 representing 100% of the issued and paid up share capital of Nextgreen Fertilizer. Nextgreen Fertilizer's intended activity is to expand into manufacture, import and export and trading of fertilizer business.

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## 15. Investment in subsidiaries (continued)

### Disposal of subsidiary

The disposals of Yakin had the following financial effects on the Group financial statements:

	<b>Group 2018 RM</b>
Plant and equipment	3,078
Other receivables, deposits and prepayments	373,395
Cash and cash equivalents	31,381
Other payables and accruals	(135,100)
	<u>272,754</u>
Less: Cash consideration received and receivable	(146,717)
Fair value of investment in associate retained	(146,717)
	<u>(20,680)</u>
Gain on disposal of a subsidiary	<u>(20,680)</u>
Cash consideration received and receivable	146,717
Less: Cash and cash equivalents disposed of	(31,381)
Net cash inflow on disposal of a subsidiary	<u>115,336</u>

The disposal did not have a significant impact to the financial results of the Group.

The gain on disposal of a subsidiary has been recognised in the Group's profit or loss under "Other operating income" line item.

### Impairment of investment in subsidiaries

During the reporting period, the directors performed an impairment test on the investment in the following subsidiaries. Reversal of impairment loss and impairment loss have been recognised to write back and down respectively the investments to their recoverable amounts:

	<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<u>Reversal of impairment loss recognised</u>		
Pustaka Sistem Pelajaran Sdn Bhd	(942,000)	-
<u>Impairment loss recognised</u>		
BHS DS Solution Sdn Bhd	-	618,000
Firasat Prima Sdn Bhd	350,000	-
Nextgreen Fertilizer Sdn Bhd	260,000	-
Net	<u>(332,000)</u>	<u>618,000</u>

The recoverable amount is determined based on the respective fair value less costs of disposal (arrived at based on the audited net assets) of these subsidiaries.

The amount of reversal of impairment loss recognised has been included in the Company's profit or loss under "Other operating income" line item.

The amount of impairment loss recognised has been included in the Company's profit or loss under "Other operating expenses" line item.

## 16. Other investments

Designated as at fair value through profit or loss  
- equity shares quoted in Malaysia at fair value

Group	
2018 RM	2017 RM
12,689	12,689

## 17. Deferred tax assets/(liabilities)

At beginning of year  
Recognised in profit or loss (Note 10)  
- current year  
- overprovision in prior years

At end of year

Group			
		2018 RM	2017 RM
At beginning of year		1,226,089	(1,269,659)
Recognised in profit or loss (Note 10)			
- current year		245,685	2,448,748
- overprovision in prior years		-	47,000
		245,685	2,495,748
At end of year		1,471,774	1,226,089

Group		Company	
2018 RM	2017 RM	2018 RM	2017 RM
Presented after appropriate offsetting as follows:			
Deferred tax assets	4,175,874	3,850,089	3,000
Deferred tax liabilities	(2,704,100)	(2,624,000)	(3,000)
	1,471,774	-	-

Deferred tax liabilities are in respect of the following:

Group		Company	
2018 RM	2017 RM	2018 RM	2017 RM
Tax effects of:			
Unrealised gain on foreign exchange	(31,000)	-	-
Excess of tax capital allowances over related depreciation of plant and equipment	(2,673,100)	(3,000)	(3,000)
	(2,704,100)	(3,000)	(3,000)

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### 17. Deferred tax assets/(liabilities) (continued)

The analysis of unrecognised deductible temporary differences, unused tax losses and unused tax credits is as follows:

	Group			
	Gross		Tax effects	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed capital allowances	8,806,000	5,211,000	2,114,000	1,251,000
Unutilised business losses	14,587,000	13,405,000	3,500,000	3,217,000
Allowance for doubtful debts	3,220,000	5,990,000	773,000	1,438,000
Sales commission payable	465,000	1,097,000	112,000	263,000
	<u>27,078,000</u>	<u>25,703,000</u>	<u>6,499,000</u>	<u>6,169,000</u>
Less: Deferred tax assets recognised	(17,399,000)	(16,042,000)	(4,175,874)	(3,850,089)
Deferred tax assets not recognised	<u>9,679,000</u>	<u>9,661,000</u>	<u>2,323,126</u>	<u>2,318,911</u>
	Company			
	Gross		Tax effects	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed capital allowances	25,000	15,000	6,000	4,000
Unutilised business losses	3,530,000	2,394,000	847,000	574,000
	<u>3,555,000</u>	<u>2,409,000</u>	<u>853,000</u>	<u>578,000</u>
Less: Deferred tax assets recognised	(13,000)	(13,000)	(3,000)	(3,000)
Deferred tax assets not recognised	<u>3,542,000</u>	<u>2,396,000</u>	<u>850,000</u>	<u>575,000</u>

Portion of the deferred tax assets of the Group and the Company have not been recognised as it is not probable that taxable profit will be available in the foreseeable future to utilise these unused tax benefits.

## 18. Inventories

	Group	
	2018 RM	2017 RM
Raw materials	5,751,553	8,344,511
Work in progress	1,516,125	-
Trading merchandise	6,265	4,818
Finished goods	1,434,111	412,923
	<u>8,708,054</u>	<u>8,762,252</u>

During the reporting period, the amount of inventories recognised as an expense in cost of sales of the Group was RM28,105,478 (2017: RM24,874,631).

## 19. Property development costs

	Group	
	2018 RM	2017 RM
At beginning of year	-	-
Transferred from land held for property development (Note 13)		
- long term leasehold land	1,232,246	-
- development costs	10,291,449	-
	11,523,695	-
Cost incurred during the reporting period		
- development costs	11,393,963	-
Costs recognised in income statement		
- long term leasehold land	(169,608)	-
- development costs	(825,000)	-
	(994,608)	-
At end of the year		
- long term leasehold land	1,062,638	-
- development costs	20,860,412	-
Carrying amount of property development costs	<u>21,923,050</u>	<u>-</u>

Included in development costs of the Group during the reporting period is other staff costs of RM748,299 (2017: RM Nil).

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### 20. Trade receivables

	Group	
	2018 RM	2017 RM
Trade receivables	18,522,329	24,250,927
Less: Allowance for doubtful debts	(3,219,919)	(5,989,717)
	<u>15,302,410</u>	<u>18,261,210</u>

The Group's normal trade credit terms is range from 30 to 120 days (2017: 30 to 120 days). Other credit terms are determined on a case to case basis.

The following table provides information on the trade receivables' credit risk exposure.

	Group	
	2018 RM	2017 RM
Not impaired or past due	8,579,201	7,762,505
1 - 30 days past due not impaired	4,902,003	981,983
31 - 60 days past due not impaired	1,125,664	549,050
61 - 90 days past due not impaired	45,936	674,590
91 - 120 days past due not impaired	472,934	281,534
More than 120 days past due not impaired	176,672	8,011,548
	<u>15,302,410</u>	<u>18,261,210</u>
Impaired	<u>3,219,919</u>	<u>5,989,717</u>
	<u>18,522,329</u>	<u>24,250,927</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

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

The movements in the allowances account for trade receivables that are individually impaired at reporting date are as follows:

	Group	
	2018 RM	2017 RM
At beginning of year	5,989,717	1,936,018
Allowance for the year	282,283	4,055,198
Allowance no longer required	(3,052,081)	(1,499)
At end of year	<u>3,219,919</u>	<u>5,989,717</u>

The allowance no longer required and allowance for doubtful debts amounts have been included in the "Other operating income" and "Other operating expenses" line item respectively in the Group's profit or loss.



## 21. Other receivables, deposits and prepayments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Amount due from subsidiaries	-	-	73,494,802	74,993,732
Advance payment to suppliers	87,081	749,081	-	-
Advance payment for development costs	2,578,843	-	-	-
Sundry deposits	333,257	461,714	500	-
Other receivables	218,477	460,805	2,914	2,974
Disposal proceeds receivable arising from disposal of an associate	1,250,000	-	-	-
Goods and services tax recoverable	192,364	138,355	-	-
Prepayments	492,322	493,851	-	-
Commitment fee and earnest deposits for:				
- purchase of raw materials	388,333	388,333	-	-
- PRIMA housing development project	-	861,288	-	-
Deposit paid for acquisition of land - refundable	2,120,000	-	-	-
Deposits paid for purchase of land held for development - non refundable	400,000	400,000	-	-
Deposits paid for purchase of plant and equipment and construction of factory building:				
- refundable	99,689	5,803,030	-	-
- non refundable	28,404,406	28,404,406	-	-
	<u>36,564,772</u>	<u>38,160,863</u>	<u>73,498,216</u>	<u>74,996,706</u>
Less: non current portion				
Disposal proceeds receivable arising from disposal of an associate	(250,000)	-	-	-
Amount due from subsidiaries	<u>-</u>	<u>-</u>	<u>(72,807,818)</u>	<u>-</u>
	<u><u>36,314,772</u></u>	<u><u>38,160,863</u></u>	<u><u>690,398</u></u>	<u><u>74,996,706</u></u>

	Group	
	2018 RM	2017 RM
The non current portion of the disposal proceeds receivable arising from disposal of an associate is as follows:		
Later than 1 year and not later than 2 years	<u>250,000</u>	<u>-</u>

The amount due from subsidiaries represents unsecured interest free advances receivable on demand.

Following the issuance of the Financial Reporting Standards Implementation Committee ("FRSIC"), FRSIC Consensus 31 – Classification of Amount Due from Subsidiaries and Amount Due to Holding Company that is Repayable on Demand by The Malaysian Institute of Accountants on 4 July 2018, the directors of the Company have reassessed the amount due from subsidiaries and determined that RM72,807,818 shall be classified as non current as the amounts are unlikely to be realised within twelve months after the reporting date.

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## 22. Short term investments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Designated as at fair value through profit or loss				
Quoted funds in Malaysia at fair value upon initial recognition				
At beginning of year	-	9,413,112	-	8,571,104
Additions	-	2,010,570	-	2,010,570
Disposals	-	(11,423,682)	-	(10,581,674)
At end of year	-	-	-	-
Fair value adjustments:				
At beginning of year	-	66,749	-	3,164
Changes recognised in profit or loss	-	24,528	-	24,528
Disposals	-	(91,277)	-	(27,692)
At end of year	-	-	-	-
Carrying amount	-	-	-	-

Short term investments relate to portfolio of money market fund investments placed with licensed banks/ fund management companies. These funds aim to provide a regular stream of monthly income through direct investment portfolio investing in short term money market instruments and other fixed income instruments.

## 23. Cash and bank balances

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash in hand	31,000	1,000	-	-
Cash at banks				
- interest bearing	297,083	802,089	769	1,776
- non interest bearing	257,475	684,431	-	-
	585,558	1,487,520	769	1,776

## 24. Share capital

	Group and Company			
	2018 RM No. of ordinary shares	2017 RM No. of ordinary shares	2018 RM	2017 RM
Issued and fully paid:				
At beginning of year	458,366,718	419,145,199	114,591,680	104,786,300
Issue of shares pursuant to private placement	-	39,221,519	-	9,805,380
At end of year	<u>458,366,718</u>	<u>458,366,718</u>	<u>114,591,680</u>	<u>114,591,680</u>

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

### Warrants 2015/2020

The Company had in October 2015 issued 198,290,398 warrants in conjunction with its rights issue exercise. The warrants are constituted by a deed poll dated 13 October 2015 ("Deed Poll").

The salient features of the warrants are as follows:

- The issue date of the warrants is 19 October 2015 and the expiry date is on 18 October 2020. Any warrants not exercised at the expiry date will lapse and cease to be valid for any purpose;
- Each warrant entitles the registered holder the right to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.60 per ordinary share until the expiry of the exercise period;
- The exercise price and the number of warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions in the Deed Poll;
- The warrant holders are not entitled to participate in any distribution and/or offer of further securities in the Company (except for the issue of new warrants pursuant to adjustment as mentioned in item (c) above), unless and until such warrant holders exercise their rights to subscribe for new ordinary shares; and
- The new ordinary shares to be issued upon exercise of the warrants, shall upon issuance and allotment, rank pari passu with the then existing ordinary shares, except that they will not be entitled to dividends, rights, allotments and/or other distributions, declared by the Company which entitlement thereof precedes the allotment date of the new ordinary shares allotted pursuant to the exercise of the warrants.

The movement in the Company's warrants during the reporting period are as follows:

	Entitlement for ordinary shares		
	Balance at 1.7.2017	Exercised	Balance at 30.6.2018
Number of unexercised warrants	<u>198,290,398</u>	<u>-</u>	<u>198,290,398</u>

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## 25. Reserves

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Distributable :				
Retained profits	9,585,804	11,357,052	11,493,412	12,693,773
Non distributable:				
Share premium (Note 25.1)	2,797,932	4,963,826	2,797,932	4,963,826
Foreign currency translation reserve	(315,231)	123,459	-	-
Merger reserve	(16,832,846)	(16,832,846)	-	-
Treasury shares (Note 25.2)	(8,194,763)	(14,272,720)	(8,194,763)	(14,272,720)
Warrant reserve	16,854,684	16,854,684	16,854,684	16,854,684
	(5,690,224)	(9,163,597)	11,457,853	7,545,790
	<u>3,895,580</u>	<u>2,193,455</u>	<u>22,951,265</u>	<u>20,239,563</u>

Share premium represents the excess of the consideration received over the nominal value of the shares issued by the Company.

The Group's foreign exchange translation 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.

Merger reserve represents the difference between the nominal value of shares issued by the Company over the nominal value of shares acquired in exchange for those shares, accounted for using the merger method of accounting.

Warrant reserve represents the reserves arising from the rights issue with free detachable warrants effected in October 2015. This reserve is determined based on the estimated fair value of the warrants immediately upon the listing and quotation thereof.

### 25.1 Share premium

The movements in the share premium account at reporting date are as follows:

	Group and Company	
	2018 RM	2017 RM
At beginning of year	4,963,826	-
Issue of shares pursuant to private placement	-	4,963,826
Disposals of treasury shares	(2,165,894)	-
At end of year	<u>2,797,932</u>	<u>4,963,826</u>

## 25. Reserves (continued)

### 25.1 Share Premium (continued)

Share premium represents the excess of the consideration received over the nominal value of the shares issued by the Company. Section 618(2) of the Companies Act 2016 states that upon the commencement of Section 74, the share premium account shall become part of the share capital. The share premium account is currently maintained pursuant to the transitional provisions set out in Section 618(3) and shall become part of the share capital within twenty-four months upon commencement of Section 74.

### 25.2 Treasury shares

	Group and Company			
	2018 RM No. of treasury shares	2017 RM No. of treasury shares	2018 RM	2017 RM
At beginning of year	26,940,000	26,930,000	(14,272,720)	(14,268,574)
Shares repurchased	-	10,000	-	(4,146)
Shares disposed	(10,574,900)	-	6,077,957	-
At end of year	<u>16,365,100</u>	<u>26,940,000</u>	<u>(8,194,763)</u>	<u>(14,272,720)</u>

Treasury shares relate to ordinary shares of the Company that are held by the Company in accordance with Section 127(4)(b) of the Companies Act 2016 and are presented as a deduction from shareholders' equity.

Of the total 458,366,718 (2017: 458,366,718) issued and fully paid ordinary shares as at 30 June 2018, 16,365,100 (2017: 26,940,000) are held as treasury shares by the Company. As at 30 June 2018, the number of outstanding ordinary shares in issue after the setoff is therefore 442,001,618 (2017: 431,426,718) ordinary shares.

## 26. Hire purchase liabilities

	Company	
	2018 RM	2017 RM
Amount outstanding	389,276	379,869
Less: Interest in suspense	(35,290)	(18,094)
Principal portion	<u>353,986</u>	<u>361,775</u>
Less: Portion due within one year	(203,735)	(192,138)
Non current portion	<u>150,251</u>	<u>169,637</u>
The non current portion of the hire purchase obligations is payable as follows:		
Later than 1 year and not later than 2 years	58,642	153,027
Later than 2 years and not later than 5 years	91,609	16,610
	<u>150,251</u>	<u>169,637</u>

The weighted average effective interest rate of the hire purchase obligations is 5.61% (2017: 4.82%).

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## 27. Term loan

Amount outstanding  
Less: Portion due within one year (Note 30)  
Non current portion

The non current portion of the term loan is payable as follows:  
Later than 1 year and not later than 2 years  
Later than 2 years and not later than 5 years  
Later than 5 years

Group	
2018 RM	2017 RM
5,898,139 (750,722)	6,578,699 (719,315)
<u>5,147,417</u>	<u>5,859,384</u>
785,366	752,510
2,580,326	2,472,378
1,781,725	2,634,496
<u>5,147,417</u>	<u>5,859,384</u>

The term loan is secured by way of:

- A registered open all monies first party charge stamped nominally over the leasehold land and building as disclosed in Note 12; and
- Corporate guarantee given by the Company.

## 28. Trade payables

The normal trade credit terms granted to the Group range from 30 to 120 days (2017: 30 to 120 days).

## 29. Other payables and accruals

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Amount due to				
- A subsidiary	-	-	883,087	721,794
- A former subsidiary	-	-	-	300,000
Amount due to a director of the Company	105,750	157,371	-	-
Overpayments from customers	122,797	127,768	-	-
Factory construction and renovation costs payable to suppliers	1,054,463	494,429	-	-
Goods and services tax payable	5,993	6,135	5,993	6,135
Accruals				
- sales commission	465,042	1,096,944	-	-
- others	293,444	299,606	131,126	60,370
Rental related expenses payable	1,588,247	1,562,712	-	-
Other payables	1,155,616	696,533	243,116	206,047
	<u>4,791,352</u>	<u>4,441,498</u>	<u>1,263,322</u>	<u>1,294,346</u>

The amounts due to a subsidiary, a former subsidiary and a director of the Company represent unsecured interest free advances repayable on demand.