

1.3.2 Risk of impairment of plant and equipment (continued)

consequently BPP was unable to reach its profitability breakeven level during the year.

This is an indication that an impairment might have occurred on the carrying amount of the plant and equipment of RM19,303,868 as at 30 June 2017. 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 for purchase of plant and equipment for manufacturing of pulps and papers because these are the key asset investments of the Group arising from the business diversification exercise carried out since the financial year 2016. The delivery of the plant and equipment were behind the planned schedule.

As of 30 June 2017, the carrying value of the non refundable deposits paid for purchase of plant and equipment of the Group amounted to RM27,404,406.

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;
- reviewed and verified the progress claims paid to suppliers during the reporting period;
- performed site visit in China to discuss the progress of the construction of plant and equipment with the suppliers; and
- reviewed approved business plan with committed timeline by board of directors.

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.

Report of the Independent Auditors (con't)

to the members of BHS INDUSTRIES BERHAD (Incorporated in Malaysia)

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.

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

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

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. Other reporting responsibilities

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

3. Engagement partner

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

RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS

Kuala Lumpur

Dated: 16 October 2017

CHIN KIM CHUNG
02006/09/2018J
CHARTERED ACCOUNTANT

Statements of Comprehensive Income

for the year ended 30 June 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4	25,200,483	28,365,125	400,653	567,601
Cost of sales	5	(26,313,993)	(25,359,244)	-	-
Gross (loss)/profit		(1,113,510)	3,005,881	400,653	567,601
Other operating income		1,397,773	2,436,130	24,528	364,817
Other operating expenses		(12,489,777)	(8,641,456)	(2,965,786)	(2,959,527)
Loss from operations	7	(12,205,514)	(3,199,445)	(2,540,605)	(2,027,109)
Finance income	8	42,224	695,062	10,753	569,545
Finance costs	9	(406,541)	(283,704)	-	-
Net finance (costs)/income		(364,317)	411,358	10,753	569,545
Loss before tax		(12,569,831)	(2,788,087)	(2,529,852)	(1,457,564)
Income tax expense	10	2,509,557	(363,116)	-	-
Net loss for the year		(10,060,274)	(3,151,203)	(2,529,852)	(1,457,564)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		122,344	1,115	-	-
Other comprehensive income for the year, net of tax		122,344	1,115	-	-
Total comprehensive loss for the year		(9,937,930)	(3,150,088)	(2,529,852)	(1,457,564)
Basic loss per shares (sen)	11	(2.39)	(0.84)		

Statements of Financial Position

as at 30 June 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Non current assets					
Property, plant and equipment	12	42,591,370	41,165,436	395,705	421,943
Land held for property development	13	18,298,979	10,370,113	-	-
Intangible asset	14	500,000	500,000	-	-
Investment in subsidiaries	15	-	-	60,582,684	58,699,680
Other investments	16	12,689	12,689	-	-
Deferred tax assets	17	1,226,089	-	-	-
		62,629,127	52,048,238	60,978,389	59,121,623
Current assets					
Inventories	18	8,762,252	13,885,930	-	-
Trade receivables	19	18,261,210	18,616,966	-	-
Other receivables, deposits and prepayments	20	38,160,863	29,188,495	74,996,706	57,397,528
Tax recoverable		1,798,983	1,701,248	148,718	108,968
Short term investments	21	-	9,479,861	-	8,574,268
Fixed deposits with licensed banks		-	800,000	-	-
Cash and bank balances	22	1,487,520	6,426,164	1,776	448,436
		68,470,828	80,098,664	75,147,200	66,529,200
Total assets		131,099,955	132,146,902	136,125,589	125,650,823
Equity					
Share capital	23	114,591,680	104,786,300	114,591,680	104,786,300
Reserves	24	2,193,455	7,171,705	20,239,563	17,809,735
Total equity		116,785,135	111,958,005	134,831,243	122,596,035
Non current liabilities					
Hire purchase liabilities	29	169,637	160,614	-	-
Term loan	30	5,859,384	6,605,529	-	-
Deferred tax liabilities	17	-	1,269,659	-	-
		6,029,021	8,035,802	-	-
Current liabilities					
Trade payables	26	2,668,915	4,940,275	-	-
Other payables and accruals	27	4,441,498	3,494,474	1,294,346	3,054,788
Tax payable		317	158,659	-	-
Short term borrowings	28	982,931	3,461,440	-	-
Hire purchase liabilities	29	192,138	98,247	-	-
		8,285,799	12,153,095	1,294,346	3,054,788
Total liabilities		14,314,820	20,188,897	1,294,346	3,054,788
Total equity and liabilities		131,099,955	132,146,902	136,125,589	125,650,823

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

Statements of Changes In Equity

for the year ended 30 June 2017

Group	Share capital (Note 23) RM	Share premium RM	Foreign currency translation reserve RM	Merger reserve RM	Treasury shares (Note 25) RM	Warrant reserve RM	Retained profits RM	Total 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
Transactions with owners:								
Issue of shares pursuant to private placement	9,805,380	4,963,826	-	-	-	-	-	14,769,206
Repurchase of shares	-	-	-	-	(4,146)	-	-	(4,146)
Total transactions with owners	9,805,380	4,963,826	-	-	(4,146)	-	-	14,765,060
Foreign currency translation	-	-	122,344	-	-	-	-	122,344
Other comprehensive income for the year	-	-	122,344	-	-	-	-	122,344
Net loss for the year	-	-	-	-	-	-	(10,060,274)	(10,060,274)
Total comprehensive income/(loss) for the year	-	-	122,344	-	-	-	(10,060,274)	(9,937,930)
At 30 June 2017	114,591,680	4,963,826	123,459	(16,832,846)	(14,272,720)	16,854,684	11,357,052	116,785,135

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

Statements of Changes In Equity (con't)

for the year ended 30 June 2017

Group	Share capital (Note 23) RM	Foreign currency translation reserve RM	Merger reserve RM	Treasury shares (Note 25) RM	Warrant reserve RM	Retained profits RM	Total RM
At 1 July 2015	80,000,000	-	(16,832,846)	(4,256,378)	-	24,568,529	83,479,305
Transactions with owners:							
Rights issue of shares with free warrants	24,786,300	-	-	-	16,854,684	-	41,640,984
Repurchase of shares	-	-	-	(10,012,196)	-	-	(10,012,196)
Total transactions with owners	24,786,300	-	-	(10,012,196)	16,854,684	-	31,628,788
Foreign currency translation	-	1,115	-	-	-	-	1,115
Other comprehensive income for the year	-	1,115	-	-	-	-	1,115
Net loss for the year	-	-	-	-	-	(3,151,203)	(3,151,203)
Total comprehensive income/(loss) for the year	-	1,115	-	-	-	(3,151,203)	(3,150,088)
At 30 June 2016	104,786,300	1,115	(16,832,846)	(14,268,574)	16,854,684	21,417,326	111,958,005

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

Statements of Changes In Equity (con't)

for the year ended 30 June 2017

Company	Share capital (Note 23) RM	Share premium RM	Treasury shares (Note 25) 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
Transactions with owners:						
Issue of shares pursuant to private placement	9,805,380	4,963,826	-	-	-	14,769,206
Repurchase of shares	-	-	(4,146)	-	-	(4,146)
Total transactions with owners	9,805,380	4,963,826	(4,146)	-	-	14,765,060
Net loss/Total comprehensive loss for the year	-	-	-	-	(2,529,852)	(2,529,852)
At 30 June 2017	<u>114,591,680</u>	<u>4,963,826</u>	<u>(14,272,720)</u>	<u>16,854,684</u>	<u>12,693,773</u>	<u>134,831,243</u>

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

Statements of Changes In Equity (con't)

for the year ended 30 June 2017

Company	Share capital (Note 23) RM	Treasury shares (Note 25) RM	Warrant reserve RM	Retained profits RM	Total RM
At 1 July 2015	80,000,000	(4,256,378)	-	16,681,189	92,424,811
Transactions with owners:					
Rights issue of shares with free warrants	24,786,300	-	16,854,684	-	41,640,984
Repurchase of shares	-	(10,012,196)	-	-	(10,012,196)
Total transactions with owners	24,786,300	(10,012,196)	16,854,684	-	31,628,788
Net loss/Total comprehensive loss for the year	-	-	-	(1,457,564)	(1,457,564)
At 30 June 2016	<u>104,786,300</u>	<u>(14,268,574)</u>	<u>16,854,684</u>	<u>15,223,625</u>	<u>122,596,035</u>

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

Statements of Cash Flows

for the year ended 30 June 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from/(used in) operating activities				
Loss before tax	(12,569,831)	(2,788,087)	(2,529,852)	(1,457,564)
Adjustments for:				
Allowance for doubtful debts	4,055,198	-	-	-
Depreciation	2,811,017	1,744,591	41,369	117,738
Deposit written off	500	-	500	-
Impairment loss on investment in a subsidiary	-	-	618,000	-
Interest expense	406,541	283,704	-	-
(Gain)/Loss on foreign exchange - unrealised	(849,560)	90,294	-	-
Allowance for doubtful debts no longer required	(1,499)	(370,236)	-	-
Plant and equipment written off	145,330	2,988	-	-
Dividend income from financial assets at fair value through profit or loss	(945)	(840)	-	-
Fair value gain on financial assets at fair value through profit or loss	(24,528)	(384,454)	(24,528)	(364,817)
Gain on disposal on plant and equipment	-	(392,498)	-	-
Income distributed from financial assets at fair value through profit or loss	(21,880)	(643,897)	(10,570)	(555,770)
Interest income	(20,344)	(51,165)	(183)	(13,775)
Provision for expected goods returns no longer required	-	(50,000)	-	-
Operating loss before working capital changes	(6,070,001)	(2,559,600)	(1,905,264)	(2,274,188)
Decrease/(Increase) in inventories	5,123,678	(1,581,027)	-	-
Decrease in development costs	1,046,008	-	-	-
(Increase)/Decrease in trade and other receivables	(5,592,894)	(4,273,532)	18,566	(2,985)
(Decrease)/Increase in trade and other payables	(1,602,488)	2,528,173	193,539	10,210
Cash used in operations	(7,095,697)	(5,885,986)	(1,693,159)	(2,266,963)
Income tax refunded	-	585,306	-	66,788
Income tax paid	(242,041)	(589,490)	(39,750)	(90,000)
Net cash used in operating activities	(7,337,738)	(5,890,170)	(1,732,909)	(2,290,175)

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

Statements of Cash Flows (con't)

for the year ended 30 June 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from/(used in) investing activities				
Purchase of property, plant and equipment	(2,476,647)	(14,855,535)	(15,131)	(3,888)
Acquisition of land held for development	-	(6,616,025)	-	-
Additions in development costs	(9,670,674)	(3,829,693)	-	-
Acquisition of shares in subsidiaries	-	-	(2,501,004)	(12,295,453)
Decrease in fixed deposit pledged	-	35,000	-	-
Decrease in fixed deposit with maturity of more than three months	-	1,000,000	-	1,000,000
Income received from financial assets at fair value through profit or loss	21,880	643,897	10,570	555,770
Investment in financial assets at fair value through profit or loss	(2,000,000)	(35,643,897)	(2,000,000)	(35,555,770)
Proceeds from disposal of				
- financial assets at fair value through profit or loss	11,504,389	50,228,138	10,598,796	36,764,283
- plant and equipment	-	392,500	-	-
Advances to subsidiaries	-	-	(20,068,244)	(50,780,406)
Dividends received	718	630	-	-
Dividends received from subsidiaries	-	-	-	27,900,000
Deposits paid for purchase of				
- plant and equipment	(6,245,200)	(21,801,216)	-	-
- land held for development	(200,000)	(200,000)	-	-
Interest received	20,344	51,165	183	13,775
Net cash used in investing activities	(9,045,190)	(30,595,036)	(13,974,830)	(32,401,689)
Cash flows from/(used in) financing activities				
Proceeds from				
- foreign currency trade loan	2,840,951	3,507,152	-	-
- private placement	14,769,206	-	14,769,206	-
- right issues	-	41,640,984	-	41,640,984
- short term loan	-	5,000,000	-	-
Repayments of				
- foreign currency trade loan	(5,375,582)	(708,905)	-	-
- hire purchase liabilities	(177,086)	(3,439)	-	-
- term loan	(690,023)	(5,724,230)	-	-
Payments for repurchase of shares	(4,146)	(11,312,787)	(4,146)	(11,312,787)
Advances from subsidiaries	-	-	496,019	2,615,775
Interest paid	(406,541)	(283,704)	-	-
Net cash from financing activities	10,956,779	32,115,071	15,261,079	32,943,972

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

Statement of Cash Flows (con't)

for the year ended 30 June 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net decrease in cash and cash equivalents	(5,426,149)	(4,370,135)	(446,660)	(1,747,892)
Cash and cash equivalents at beginning of year	7,226,164	11,510,800	448,436	2,196,328
Effect of exchange rate changes on the balance of cash and cash equivalents of foreign subsidiary	(312,495)	85,499	-	-
Cash and cash equivalents at end of year	<u>1,487,520</u>	<u>7,226,164</u>	<u>1,776</u>	<u>448,436</u>
Cash and cash equivalents comprise:				
Cash and bank balances	1,487,520	6,426,164	1,776	448,436
Fixed deposits with a licensed bank	-	800,000	-	-
	<u>1,487,520</u>	<u>7,226,164</u>	<u>1,776</u>	<u>448,436</u>

Notes to the Financial Statements

for the year ended 30 June 2017

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 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

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2017

2.2.1 Basis of accounting (continued)

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

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 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 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 over the net fair value of the acquiree's net identifiable assets and liabilities is recorded as goodwill in the 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.

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 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

Notes to the Financial Statements

for the year ended 30 June 2017

2.2.2 Significant accounting policies (continued)

Foreign currencies (continued)

(i) Foreign currency transactions (continued)

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.

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

	2017 RM	2016 RM
United States Dollar	4.2900	4.0200
Nigerian Naira	0.0133	–

(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.

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 contributions 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.

2.2.2 Significant accounting policies (continued)

Income Tax (continued)

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 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.

Land held for property development

Land held for property development consists of land where no significant development activities have been carried out 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 within non current assets and is stated at cost less any impairment losses.

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.

Notes to the Financial Statements

for the year ended 30 June 2017

2.2.2 Significant accounting policies *(continued)*

Land held for property development *(continued)*

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

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.

Inventories

Inventories comprising raw materials, 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 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 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

2.2.2 Significant accounting policies *(continued)*

Segment Information *(continued)*

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. 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

Notes to the Financial Statements

for the year ended 30 June 2017

2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

(iv) Interest bearing borrowings (continued)

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.

Financial assets, designated other than at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting date.

(i) Loans and receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company 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 Company's past experience of collecting payments, an increased in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

2.2.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

(i) Loans and receivables *(continued)*

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 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 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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2017

4. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Management fees	-	-	400,653	567,601
Printing services	19,746,296	28,091,509	-	-
Sales of books	187,783	273,616	-	-
Sales of land	5,266,404	-	-	-
	<u>25,200,483</u>	<u>28,365,125</u>	<u>400,653</u>	<u>567,601</u>

5. Cost of sales

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Printing services	25,148,247	25,248,819	-	-
Sales of books	119,738	110,425	-	-
Sales of land	1,046,008	-	-	-
	<u>26,313,993</u>	<u>25,359,244</u>	<u>-</u>	<u>-</u>

6. Staff costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Defined contribution plan	528,902	397,697	107,428	91,004
Salaries, bonus, allowances and overtime	6,027,089	5,267,484	1,107,483	973,666
Other employee related expenses	152,307	41,288	4,497	1,626
	<u>6,708,298</u>	<u>5,706,469</u>	<u>1,219,408</u>	<u>1,066,296</u>
Staff costs comprise:				
- directors of the Company				
- remuneration other than fees	842,613	713,561	842,613	713,561
- fees	253,680	259,590	253,680	259,590
- remuneration other than fees of a director of subsidiaries	197,120	218,400	-	-
- other staff costs	5,414,885	4,514,918	123,115	93,145
	<u>6,708,298</u>	<u>5,706,469</u>	<u>1,219,408</u>	<u>1,066,296</u>

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors:				
- remuneration other than fees	842,613	713,561	842,613	713,561
Non executive directors:				
- fees	253,680	259,590	253,680	259,590
Total directors' remuneration	1,096,293	973,151	1,096,293	973,151
Estimated money value of benefits in kind				
- Executive directors	42,700	21,380	42,700	21,380
- Non executive directors	3,600	-	3,600	-
	<u>46,300</u>	<u>21,380</u>	<u>46,300</u>	<u>21,380</u>
Total directors' remuneration including benefits in kind	<u>1,142,593</u>	<u>994,531</u>	<u>1,142,593</u>	<u>994,531</u>

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

	2017	2016
Executive directors:		
Below RM50,000	-	1
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	2	-
RM200,001 – RM250,000	1	1
RM350,001 – RM400,000	1	1
	<u>4</u>	<u>3</u>
Non executive directors:		
Below RM50,000	3	3
RM100,001 – RM150,000	1	1
	<u>4</u>	<u>4</u>

Notes to the Financial Statements

for the year ended 30 June 2017

7. Loss from operation

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loss from operations is arrived at after charging:				
Auditors' remuneration				
- statutory audit	126,200	96,100	33,000	30,000
- other services	9,000	55,000	4,000	55,000
Loss on foreign exchange				
- unrealised	-	90,294	-	-
Operating lease expense on				
- equipment	6,000	6,000	-	-
- machinery	336,727	39,700	-	-
- premises	805,999	870,941	-	-
And crediting:				
Dividend income from financial assets at fair value through profit or loss (quoted)	945	840	-	-
Fair value gain on financial assets at fair value through profit or loss	24,528	384,454	24,528	364,817
Gain on foreign exchange				
- realised	249,894	1,072,316	-	-
- unrealised	849,560	-	-	-
	<u>42,224</u>	<u>695,062</u>	<u>10,753</u>	<u>569,545</u>

8. Finance income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from				
- bank account	13,434	27,419	183	472
- fixed deposits	6,910	23,746	-	13,303
Income distributed from financial assets at fair value through profit or loss	21,880	643,897	10,570	555,770
	<u>42,224</u>	<u>695,062</u>	<u>10,753</u>	<u>569,545</u>

9. Finance costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense				
- bank guarantees	-	1,169	-	-
- foreign currency trade loan	74,064	4,359	-	-
- hire purchase	20,608	416	-	-
- term loan	311,869	277,760	-	-
	<u>406,541</u>	<u>283,704</u>	<u>-</u>	<u>-</u>

10. Income tax expense

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Estimated Malaysia income tax payable				
- current year	-	(252,663)	-	-
- over/(under) provision in prior years	13,809	(9,794)	-	-
	<u>13,809</u>	<u>(262,457)</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 17)				
- current year	2,448,748	(53,659)	-	-
- over/(under) provision in prior years	47,000	(47,000)	-	-
	<u>2,495,748</u>	<u>(100,659)</u>	<u>-</u>	<u>-</u>
	<u>2,509,557</u>	<u>(363,116)</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

for the year ended 30 June 2017

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Loss before tax	(12,569,831)	(2,788,087)	(2,529,852)	(1,457,564)
Taxation at statutory tax rate of 24% (2016: 24%)	3,017,000	669,100	607,000	349,800
Expenses not deductible for tax purposes	(486,252)	(949,022)	(289,000)	(574,000)
Income not subject to tax	75,000	257,200	8,000	224,200
Income exempted from tax	725,600	-	-	-
Tax effect of double deduction	-	400	-	-
Utilisation of previously unrecognised deferred tax assets	15,400	105,800	-	-
Deferred tax assets not recognised	(898,000)	(389,800)	(326,000)	-
Over/(Under) provision in prior years				
- income tax	13,809	(9,794)	-	-
- deferred tax	47,000	(47,000)	-	-
Income tax expense	2,509,557	(363,116)	-	-

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	
	2017 RM	2016 RM
Net loss attributable to owners of the Company	<u>(10,060,274)</u>	<u>(3,151,203)</u>
Weighted average number of ordinary shares in issue (net of treasury shares held)	<u>420,269,134</u>	<u>376,119,295</u>
Basic loss per ordinary share (sen)	<u>(2.39)</u>	<u>(0.84)</u>

Diluted

As at 30 June 2017 and 2016, 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
Cost								
At 1 July 2015	16,133,850	25,836,506	249,283	941,952	987,415	1,985,681	-	46,134,687
Additions	-	8,191,650	-	32,611	208,420	550,313	7,174,421	16,157,415
Disposals	-	(1,270,000)	-	-	-	(288,086)	-	(1,558,086)
Write offs	-	-	(100,944)	(356,656)	(454,422)	(3,447)	-	(915,469)
Exchange differences	-	(9,043)	-	-	-	-	-	(9,043)
At 30 June 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
Disposals	-	-	-	-	-	(584,327)	-	(584,327)
Reclassifications	4,182,229	4,318,274	-	-	-	-	(8,500,503)	-
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
Accumulated depreciation								
At 1 July 2015	66,777	16,485,440	115,388	722,652	909,937	1,069,848	-	19,370,042
Charge for the year	133,554	1,243,629	29,670	27,824	66,968	242,946	-	1,744,591
Disposals	-	(1,269,999)	-	-	-	(288,085)	-	(1,558,084)
Write offs	-	-	(100,940)	(356,614)	(451,480)	(3,447)	-	(912,481)
At 30 June 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
Carrying amount								
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
At 30 June 2016	15,933,519	16,290,043	104,221	224,045	215,988	1,223,199	7,174,421	41,165,436

12. Property, plant and equipment (continued)

Company	Computers RM	Motor vehicles RM	Total RM
Cost			
At 1 July 2015	3,199	714,031	717,230
Additions	3,888	-	3,888
As at 30 June 2016	7,087	714,031	721,118
Additions	-	433,898	433,898
Disposals	-	(584,326)	(584,326)
As at 30 June 2017	7,087	563,603	570,690
Accumulated depreciation			
At 1 July 2015	3,040	178,397	181,437
Charge for the year	872	116,866	117,738
At 30 June 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	4,690	170,295	174,985
Carrying amount			
At 30 June 2017	2,397	393,308	395,705
At 30 June 2016	3,175	418,768	421,943

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 30 are as follows:

	Group	
	2017 RM	2016 RM
<u>At carrying amount</u>		
Leasehold land	10,751,175	10,884,729
Leasehold building	9,093,118	5,048,790
	<u>19,844,293</u>	<u>15,933,519</u>

- (ii) the title deeds of the leasehold land of a subsidiary, Ultimate Ivory Sdn Bhd ("UI") of RM195,113 (2016: Nil) have yet to be transferred to UI by the Pahang State Government; and
- (iii) motor vehicles of the Group with carrying amount of RM615,050 (2016: RM363,265) 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Total additions	3,669,843	16,157,415	433,898	3,888
Additions through				
- hire purchase	(280,000)	(262,300)	-	-
- other payables	(913,196)	(1,039,580)	(418,767)	-
Total cash payments	2,476,647	14,855,535	15,131	3,888

13. Land held for property development

	Group	
	2017 RM	2016 RM
At beginning of year		-
- long term leasehold land	6,552,579	-
- development costs	3,817,534	-
	10,370,113	-
Costs incurred during the reporting period:		
- long term leasehold land	-	6,616,025
- development costs	9,670,674	3,829,693
	9,670,674	10,445,718
Transferred to property, plant and equipment (Note 12):		
- long term leasehold land	(195,113)	-
- development costs	(889,697)	-
	(1,084,810)	-
Costs recognised in profit or loss during the year:		
- long term leasehold land	(298,220)	-
- development costs	(747,788)	-
	(1,046,008)	-
Exchange differences	389,010	(75,605)
At end 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

The unexpired lease period of the long term leasehold land ranges from 98 to 99 years.

14. Intangible asset

	Group License
	RM
Cost	
At 1 July 2015/30 June 2016/30 June 2017	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	
	2017 RM	2016 RM
Unquoted shares at cost		
At beginning of year	72,203,015	59,907,562
Additional subscription of shares in subsidiaries	2,499,998	9,999,998
Acquisition of subsidiaries	1,006	2,295,455
At end of year	74,704,019	72,203,015
Accumulated impairment losses		
At beginning year	13,503,335	13,503,335
Addition	618,000	-
At end of year	14,121,335	13,503,335
Carrying amount	60,582,684	58,699,680

The details of the subsidiaries are as follows:

	Country of incorporation	Group's effective interest and voting		Principal activities
		2017 %	2016 %	
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
System Multimedia and Internet Sdn Bhd	Malaysia	100	100	Dormant
BHS DS Solution Sdn Bhd	Malaysia	100	100	Construction and renovation works

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15. Investment in subsidiaries (continued)

	Country of incorporation	Group's effective interest and voting		Principal activities
		2017 %	2016 %	
Subsidiaries of the Company (continued)				
Nextgreen Pulp & Paper Sdn Bhd	Malaysia	100	100	Processing and manufacturing of pulp 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	—	Property developer
BHS Land Development Sdn Bhd	Malaysia	100	—	Dormant
BHS E Education Sdn Bhd	Malaysia	100	—	Dormant
Nextgreen Fertilizer Sdn Bhd	Malaysia	100	—	Manufacture, import, export, and trading of fertilizers
Subsidiary of Pustaka Sistem Pelajaran Sdn Bhd				
Pustaka Yakin Pelajar Sdn Bhd	Malaysia	100	100	Dormant
Subsidiary of System Multimedia and Internet Sdn Bhd				
System Publishing House Sdn Bhd	Malaysia	100	100	Dormant
* No statutory audit requirement				

15. Investment in subsidiaries (continued)**Acquisition of subsidiaries**

During the reporting period:

- (a) the Company has further subscribed for additional 1,500,000 new ordinary shares in the share capital of 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.

The following table summarises the consideration paid, the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition:

	Group 2017 RM
Other receivables, deposits and prepayments	748,572
Cash and equivalents	2
Other payables and accruals	(748,572)
Fair value of net assets acquired/Cost of combination	2
Less: Cash and cash equivalents	(2)
Net cash outflow arising from acquisition	—

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

In the previous reporting period:

- (a) the Company has further subscribed for additional 9,999,998 new ordinary shares of RM1 each in the share capital of Nextgreen Pulp & Paper Sdn Bhd for a total cash consideration of RM9,999,998;
- (b) the Company acquired 500,000 ordinary shares of RM1 each representing 100% of the issued and paid up share capital of Ultimate Ivory Sdn Bhd, for a total consideration of RM486,455. The reason for the acquisition is to expand into property development and management business; and
- (c) the Company incorporated a wholly-owned subsidiary namely BHS Palau Incorporated ("BPI") in Republic of Palau. The Company has subscribed for 4,500 ordinary shares of USD100 each representing 100% of the issued and paid up share capital of BPI for a total consideration of USD450,000 (equivalent to approximately RM1,809,000). BPI's intended activity is to expand into property development and management business.

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15. Investment in subsidiaries (continued)

Impairment of investment in subsidiaries

During the reporting period, the directors performed an impairment test for the investment in BHS DS Solution Sdn Bhd ("BHS DS") which had been making losses. An impairment loss of RM618,000 was recognised to write down the investment in BHS DS to its recoverable amount. The recoverable amount of the investment in BHS DS has been determined based on its fair value less costs of disposal. The fair value of the investment in BHS DS is determined by reference to the net assets of BHS DS.

The amount of impairment losses has been recognised in the profit or loss under "Other operating expenses" line item in the statement of comprehensive income.

16. Other investments

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	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At initial measurement				
Equity shares quoted in Malaysia designated as at fair value through profit or loss				
At beginning of year	12,689	1,023,289	-	1,010,600
Disposals	-	(1,010,600)	-	(1,010,600)
At end of year	12,689	12,689	-	-
Fair value adjustments				
At beginning of year	-	155,890	-	155,890
Changes for the year				
- recognised in profit or loss:				
- gain on changes	-	321,720	-	321,720
- disposal	-	(477,610)	-	(477,610)
	-	(155,890)	-	(155,890)
At end of year	-	-	-	-
Carrying amount				
Equity shares quoted in Malaysia designated as at fair value through profit or loss	12,689	12,689	-	-

17. Deferred tax assets / (liabilities)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At beginning of year			(1,269,659)	(1,169,000)
Recognised in profit or loss (Note 10)				
- current year			2,448,748	(53,659)
- over/(under) provision in prior years			47,000	(47,000)
			2,495,748	(100,659)
At end of year			1,226,089	(1,269,659)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	3,850,089	547,541	3,000	-
Deferred tax liabilities	(2,624,000)	(1,817,200)	(3,000)	-
	1,226,089	(1,269,659)	-	-

Deferred tax liabilities are in respect of the following:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax effects of:				
Unrealised gain on foreign exchange	(143,000)	(17,000)	-	-
Excess of tax capital allowances over related depreciation of plant and equipment	(2,481,000)	(1,800,200)	(3,000)	-
	(2,624,000)	(1,817,200)	(3,000)	-

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

	Group			
	2017 RM	Gross 2016 RM	2017 RM	Tax effects 2016 RM
Unabsorbed capital allowances	5,211,000	1,663,800	1,251,000	399,300
Unutilised business losses	13,405,000	3,221,700	3,217,000	773,200
Allowance for doubtful debts	5,990,000	1,935,900	1,438,000	465,400
Sales commission payable	1,097,000	570,000	263,000	137,000
	25,703,000	7,391,400	6,169,000	1,774,900
Less: Deferred tax assets recognised	(16,042,000)	(2,277,300)	(3,850,089)	(547,541)
Deferred tax assets not recognised	9,661,000	5,114,100	2,318,911	1,227,359

Notes to the Financial Statements

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

	Group			
	Gross		Tax effects	
	2017 RM	2016 RM	2017 RM	2016 RM
Unabsorbed capital allowances	15,000	-	4,000	-
Unutilised business losses	2,394,000	1,040,000	574,000	250,000
	2,409,000	1,040,000	578,000	250,000
Less: Deferred tax assets recognised	(13,000)	-	(3,000)	-
Deferred tax assets not recognised	2,396,000	1,040,000	575,000	250,000

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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	
	2017 RM	2016 RM
Raw materials		
- on hand	8,344,511	13,100,072
- in transit	-	243,729
	8,344,511	13,343,801
Trading merchandise	4,818	12,784
Finished goods	412,923	529,345
	8,762,252	13,885,930

During the reporting period, the amount of inventories recognised as an expense in cost of sales of the Group was RM25,230,648 (2016: RM25,281,050).

19. Trade receivables

	Group	
	2017 RM	2016 RM
Trade receivables	24,250,927	20,552,984
Less: Allowance for doubtful debts	(5,989,717)	(1,936,018)
	<u>18,261,210</u>	<u>18,616,966</u>

The Group's normal trade credit terms range from 30 to 120 days (2016: 30 to 120 days).

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

	Group	
	2017 RM	2016 RM
Not impaired or past due	7,762,505	9,352,225
1 - 30 days past due not impaired	981,983	4,820,256
31 - 60 days past due not impaired	549,050	966,578
61 - 90 days past due not impaired	674,590	267,615
91 to 120 days past due not impaired	281,534	352,504
More than 120 days past due not impaired	8,011,548	2,857,788
	<u>18,261,210</u>	<u>18,616,966</u>
Impaired	<u>5,989,717</u>	<u>1,936,018</u>
	<u>24,250,927</u>	<u>20,552,984</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	
	2017 RM	2016 RM
At beginning of year	1,936,018	2,499,434
Allowance for the year	4,055,198	-
Allowance no longer required	(1,499)	(370,236)
Write offs	-	(193,180)
At end of year	<u>5,989,717</u>	<u>1,936,018</u>

The allowance for doubtful debts amount is included in the "Other operating expenses" line item in the statement of comprehensive income.

Notes to the Financial Statements

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20. Other receivables, deposits and prepayments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Advance payments to suppliers	749,081	52,436	-	-
Amount due from subsidiaries	-	-	74,993,732	57,375,488
Sundry deposits	461,714	410,860	-	500
Other receivables	460,805	151,617	2,974	21,540
Goods and services tax recoverable	138,355	233,846	-	-
Prepayments	493,851	177,500	-	-
Commitment fee and earnest deposits for:				
- purchase of raw materials	388,333	-	-	-
- PRIMA housing development project	861,288	-	-	-
Deposits paid for purchase of land held for development	400,000	200,000	-	-
Deposits paid for purchase of plant and equipment and construction of factory building:				
- refundable	5,803,030	5,073,030	-	-
- non refundable	28,404,406	22,889,206	-	-
	<u>38,160,863</u>	<u>29,188,495</u>	<u>74,996,706</u>	<u>57,397,528</u>

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

21. Short term investments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 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	22,433,088	8,571,104	8,237,088
Additions	2,010,570	35,643,897	2,010,570	35,555,770
Disposals	(11,423,682)	(48,663,873)	(10,581,674)	(35,221,754)
At end of year	<u>-</u>	<u>9,413,112</u>	<u>-</u>	<u>8,571,104</u>

21. Short term investments (continued)

Fair value adjustments:				
At beginning of year	66,749	80,070	3,164	14,386
Changes recognised in profit or loss	24,528	62,734	24,528	43,097
Disposals	(91,277)	(76,055)	(27,692)	(54,319)
At end of year	-	66,749	-	3,164
Carrying amount	-	9,479,861	-	8,574,268

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.

22. Cash and bank balances

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash in hand	1,000	20,000	-	-
Cash at banks				
- interest bearing	802,089	3,111,849	1,776	70,292
- non interest bearing	684,431	3,294,315	-	378,144
	1,487,520	6,426,164	1,776	448,436

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23. Share capital

	Group and Company			
	2017 No. of ordinary shares	2016 No. of ordinary shares	2017 RM	2016 RM
Issued and fully paid:				
At beginning of year	419,145,199	320,000,000	104,786,300	80,000,000
Issue of shares pursuant to private placement	39,221,519	-	9,805,380	-
Rights issue of shares	-	99,145,199	-	24,786,300
At end of year	458,366,718	419,145,199	114,591,680	104,786,300

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").

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23. Share capital (continued)

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 30.6.2017
	Balance at 1.7.2016	Issued	Exercised	Expired	
Number of unexercised warrants	198,290,398	-	-	-	198,290,398

24. Reserves

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Distributable :				
Retained profits	11,357,052	21,417,326	12,693,773	15,223,625
Non distributable:				
Share premium	4,963,826	-	4,963,826	-
Foreign currency translation reserve	123,459	1,115	-	-
Merger reserve	(16,832,846)	(16,832,846)	-	-
Treasury shares (Note 25)	(14,272,720)	(14,268,574)	(14,272,720)	(14,268,574)
Warrant reserve	16,854,684	16,854,684	16,854,684	16,854,684
	(9,163,597)	(14,245,621)	7,545,790	2,586,110
	2,193,455	7,171,705	20,239,563	17,809,735

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. These reserves are determined based on the estimated fair value of the warrants immediately upon the listing and quotation thereof.

25. Treasury shares

	Group and Company			
	2017 No. of treasury shares	2016 No. of treasury shares	2017 RM	2016 RM
At beginning of year	26,930,000	7,351,000	(14,268,574)	(4,256,378)
Shares repurchased	10,000	19,579,000	(4,146)	(10,012,196)
At end of year	26,940,000	26,930,000	(14,272,720)	(14,268,574)

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 (2016: 419,145,199) issued and fully paid ordinary shares as at 30 June 2017, 26,940,000 (2016: 26,930,000) are held as treasury shares by the Company. As at 30 June 2017, the number of outstanding ordinary shares in issue after the setoff is therefore 431,426,718 (2016: 392,215,199) ordinary shares.

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26. Trade payables

The normal trade credit terms granted to the Group range from 30 to 120 days (2016: 30 to 120 days).

27. Other payables and accruals

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amount due to subsidiaries	-	-	1,021,794	2,975,775
Amount due to a director of the Company	157,371	51,125	-	-
Overpayments from customers	127,768	119,972	-	-
Factory construction and renovation costs payable to suppliers	494,429	1,039,580	-	-
Goods and services tax payable	6,135	-	6,135	-
Accruals				
- sales commission	1,096,944	572,394	-	-
- others	299,606	193,094	60,370	61,544
Rental related expenses payable	1,562,712	1,339,465	-	-
Other payables	696,533	178,844	206,047	17,469
	4,441,498	3,494,474	1,294,346	3,054,788

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