

ANNUAL REPORT



BHS Industries Berhad

(719640-W)

20

Quality • Efficiency • Delivery

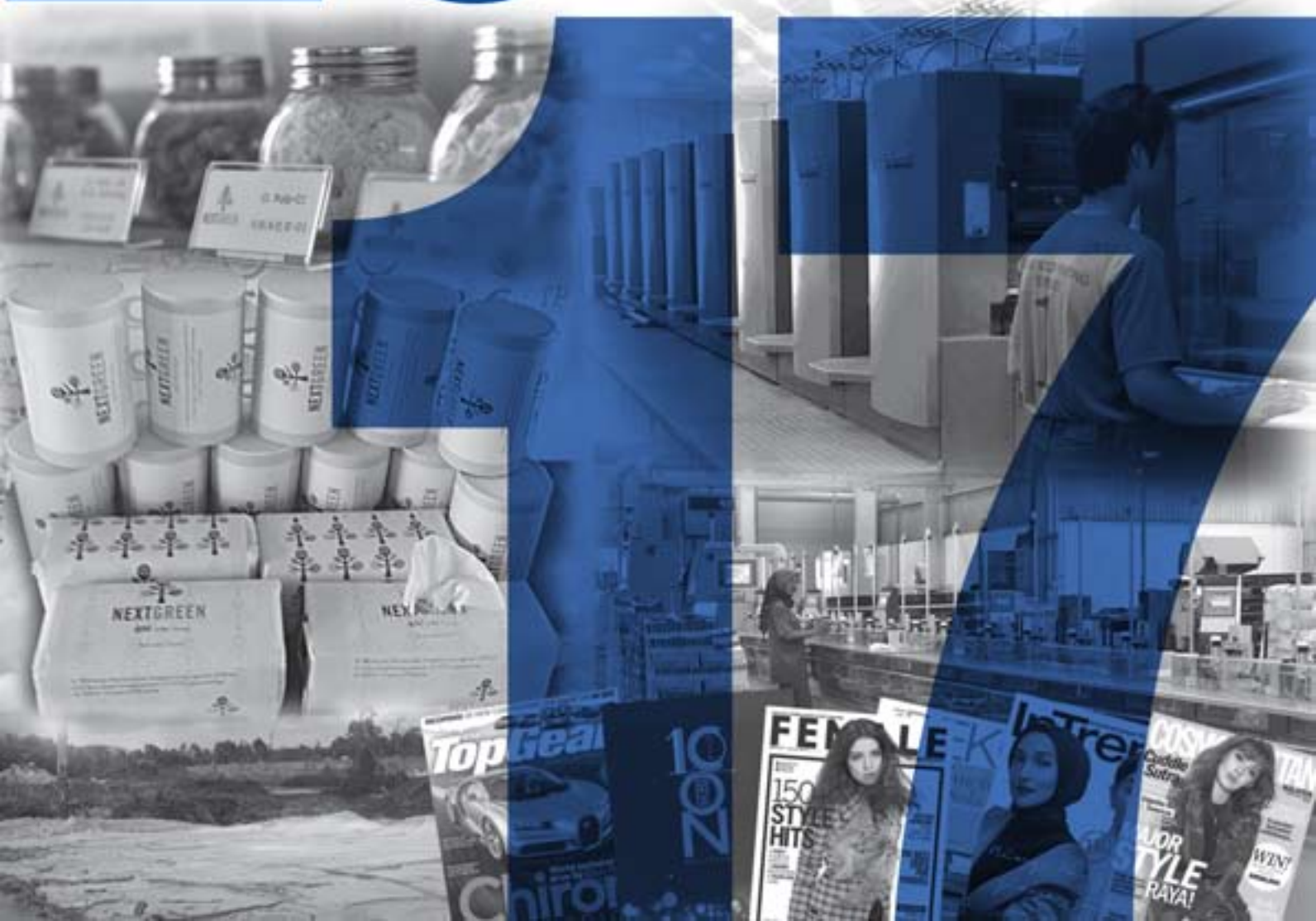


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Notice of 12th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the **12th Annual General Meeting** of the Company
will be held at:

**Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3,
Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 28 November 2017 at 10.30 a.m.**

AGENDA

Please refer Note 1 1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 and the Reports of Directors and Auditors thereon.

Ordinary Resolution

- 1 2. To approve the payment of Directors' benefits of RM10,950.00 from 31 January 2017 to 30 June 2017.
- 2 3. To approve the payment of Directors' fees and benefits of up to RM380,000.00 from 1 July 2017 until the next annual general meeting of the Company.
- 3 4. To re-elect the following Directors who retire by rotation in accordance with the Company's Constitution:-
 - 4 (i) Chew Yuit Yoo (Article 84)
 - 5 (ii) Dato' Dr. Koe Seng Kheng (Article 84)
 - 6 (iii) Datuk Lee Hwa Cheng (Article 84)
- 6 5. To appoint Messrs Russell Bedford LC & Company as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.
- 7 6. To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-
 - 7 (A) **PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

"THAT subject to the passing of Ordinary Resolution 3, Madam Chew Yuit Yoo who has served the Board as Senior Independent Non-Executive Director for a cumulative term of more than nine (9) years be and is hereby retained as Senior Independent Non-Executive Director of the Company."
 - 8 (B) **AUTHORITY TO ALLOT SHARES**

"THAT subject always to the Companies Act 2016 ("**Act**") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Act to allot shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being."

Ordinary Resolution

9

(C) PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

"THAT subject always to the Companies Act 2016 ("**Act**"), provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant approvals, the Directors of the Company be and are hereby authorised to purchase the Company's ordinary shares ("**Shares**") through Bursa Securities, subject to the following:

- (a) The maximum number of Shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of the issued Shares of the Company at any point in time;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its Shares shall not exceed the retained profits of the Company;
- (c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:-
 - (i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed; or
 - (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
 - (iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders in general meeting;

whichever occurs first;

- (d) Upon completion of the purchase(s) of the Shares by the Company, the Shares shall be dealt with in the following manner as the Directors of the Company may decide:-
 - (i) cancel the Shares so purchased; or
 - (ii) retain the Shares so purchased as treasury shares; or
 - (iii) retain part of the Shares so purchased as treasury shares and/or cancel the remainder of the Shares/treasury shares; or
 - (iv) distribute the treasury shares as dividends to shareholders; or
 - (v) resell the treasury shares or any of the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; or
 - (vi) transfer the treasury shares or any of the treasury shares for the purposes of or under an employees' share scheme; or
 - (vii) transfer the treasury shares or any of the treasury shares as purchase consideration; or
 - (viii) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe.

THAT the Directors of the Company be and are hereby authorised to take all such steps and enter into all agreements, arrangements and guarantees with any party or parties as are necessary to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

Ordinary Resolution

10

(D) PROPOSED ALLOCATION OF EMPLOYEES' SHARE OPTION SCHEME – OPTIONS TO DATUK LEE HWA CHENG

“THAT approval be and is hereby given to the Board, at any time and from time to time during the duration of the employees' share option scheme (“**ESOS**”), to offer and/or grant to Datuk Lee Hwa Cheng, the Executive Director of the Company, options to subscribe for such number of ordinary shares in the Company (“**BHS Shares**”) to be issued under the ESOS provided that not more than ten percent (10%) of the BHS Shares available under the ESOS at the point in time when the offer is made, should be allocated to any individual eligible person who, either singly or collectively through persons connected (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) to the eligible person, holds twenty percent (20%) or more of the total issued shares of the Company; and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provision of By-Laws of the ESOS.”

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(E) PROPOSED ALLOCATION OF EMPLOYEES' SHARE OPTION SCHEME – OPTIONS TO DATUK LAWRENCE YEO CHUA POH

“THAT approval be and is hereby given to the Board, at any time and from time to time during the duration of the employees' share option scheme (“**ESOS**”), to offer and/or grant to Datuk Lawrence Yeo Chua Poh, the Executive Director of the Company, options to subscribe for such number of ordinary shares in the Company (“**BHS Shares**”) to be issued under the ESOS provided that not more than ten percent (10%) of the BHS Shares available under the ESOS at the point in time when the offer is made, should be allocated to any individual eligible person who, either singly or collectively through persons connected (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) to the eligible person, holds twenty percent (20%) or more of the total issued shares of the Company; and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provision of By-Laws of the ESOS.”

7. To consider and if thought fit, to pass the following Special Resolution, with or without modifications:-

Special Resolution

1

PROPOSED CHANGE OF NAME OF THE COMPANY

“THAT the name of the Company be and is hereby changed from “BHS Industries Berhad” to “Nextgreen Global Berhad” with effect from the date of the notice of registration of new name issued by the Companies Commission of Malaysia and that the name of the Company wherever it appears in the Company's Constitution be and is hereby amended accordingly.

AND THAT the Directors of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the change of name.”

8. To transact any other business of which due notice shall have been received.

BY ORDER OF THE BOARD

Kang Shew Meng

Seow Fei San

Company Secretaries

Petaling Jaya

30 October 2017

Notes:-

1. The shareholders' approval on the Audited Financial Statements are not required pursuant to Section 340(1) of the Companies Act 2016 ("**Act**"), hence, the matter will not be put for voting.
2. Only depositors whose names appear in the Record of Depositors as at 20 November 2017 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a Member of the Company and a member may appoint any persons to be his proxy.
4. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
5. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
8. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty eight (48) hours before the time for holding the meeting or any adjournment thereof.
9. Explanatory Notes on Special Business:-
 - (i) Ordinary Resolution No. 1 and 2
Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors

of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the Twelfth Annual General Meeting ("**AGM**") on the Directors' fees and benefits.

The current fees structure (including benefits) of the non-executive directors of the Company is as follows:-

- Monthly fixed fees for duties as Director/Chairman; and
- Meeting allowance for Board/Board Committees meetings attended.

At the 11th AGM held on 20 December 2016, the shareholders has approved an annual mandate of RM228,000 as Directors' fee (excluding benefits) for the financial year commencing 1 July 2016.

The actual amount of fees paid to the non-executive directors for the financial year ended 30 June 2017 was RM257,280, made up of Directors' fees of RM228,000, which is within the annual mandate given by its shareholders and Directors' benefits of RM29,280 for attendance of Board and Board Committees meetings.

In view that meeting allowance (i.e. directors' benefits) is subject to shareholder's approval at general meeting under the new Act, accordingly, specific shareholder's approval will be sought at the 12th AGM for the payment of directors' benefits paid to non-executive directors for the period from 31 January 2017 (i.e. the enforcement date of the new Act) to 30 June 2017, which amounting to RM10,950.00 (Note : Ordinary Resolution 1).

Also, for administrative efficiency, the Board would like to seek shareholder's approval at the 12th AGM for payment of directors' fee and benefits in respect of current year 2017, commencing from 1 July 2017 until the next AGM (17 months). The estimated amount for such payment is around RM380,000 (on the basis that there is no increase in the number of non-executive directors, directors' fee and/or no. of board/ board committees meetings) (Note : Ordinary Resolution 2).

Details of the Directors' fees and benefits of the Non-Executive Directors for the financial year ended 30 June 2017 are disclosed in the Statement on Corporate Governance as contained in the 2017 Annual Report.

(ii) Ordinary Resolution No. 7

The Ordinary Resolution 7 is proposed pursuant to Recommendation of the Malaysian Code of Corporate Governance and if passed, will allow Madam Chew Yuit Yoo to be retained and continue to act as Senior Independent Non-Executive Director of the Company.

Full details of the Board's justifications for the retention of Madam Chew Yuit Yoo is set out in the Statement of Corporate Governance in the 2017 Annual Report.

(iii) Ordinary Resolution No. 8

The Proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company, from the date of the 12th AGM, authority to allot and issue not more than 10% of the total number of issued shares of the Company subject to approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

As at the date of printing of this Annual Report, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Eleventh Annual General Meeting held on 20 December 2016 and which will lapse at the conclusion of Twelfth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, repayment of bank borrowings and/or acquisitions.

(iv) Ordinary Resolution No. 9

The proposed Ordinary Resolution No. 9 if passed, will empower the Directors of the Company to continue to purchase the Company's ordinary shares up to ten percent (10%) of the total number of the issued shares of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. Further information on the Proposed Renewal of the Share Buy-Back Authority is set out in the Share Buy-back Statement dated 30 October 2017 which is despatched together with Company's Annual Report 2017.

(v) Ordinary Resolution No. 10 and 11

The proposed Ordinary Resolutions No. 10 and 11, if passed, will empower the Directors of the Company to offer and grant to Datuk Lee Hwa Cheng and Datuk Lawrence Yeo Chua Poh, who were appointed as Directors of the Company after the implementation of the employee' share option scheme ("**ESOS**") the right to subscribe for such number of new ordinary shares in the Company pursuant to the ESOS in the manner provided in the By-Laws of ESOS. The resolutions 10 and 11 were structured in a similar manner based on the previous resolutions passed by the shareholders relating to granting of ESOS options to the others members of the Board.

(vi) Special Resolution No. 1

The proposed Special Resolution 1 on the change of name to "Nextgreen Global Berhad" is to better reflect the Group's current core focus on green technology in manufacturing of paper pulp while continuing the existing printing of books and magazines and publishing of books.

The proposed Special Resolution 1, if passed, will change the name of the Company from "BHS Industries Berhad" to "Nextgreen Global Berhad" upon issuance of Notice of Registration of new name by the Companies Commission of Malaysia.

Corporate Information

BOARD OF DIRECTORS

Dato' Sohaimi Bin Shahadan
Chairman, Independent Non-Executive Director

Dato' Lim Thiam Huat
Managing Director

Koo Thiam Yoong
Executive Director

Datuk Lee Hwa Cheng
Executive Director

Datuk Lawrence Yeo Chua Poh
Executive Director

Chew Yuit Yoo
Senior Independent Non-Executive Director

Thiang Chew Lan
Independent Non-Executive Director

Dato' Dr. Koe Seng Kheng
Independent Non-Executive Director

AUDIT COMMITTEE

Chew Yuit Yoo - Chairperson
Senior Independent Non-Executive Director

Thiang Chew Lan
Independent Non-Executive Director

Dato' Dr. Koe Seng Kheng
Independent Non-Executive Director

REMUNERATION

Thiang Chew Lan - Chairperson
Independent Non-Executive Director

Chew Yuit Yoo
Senior Independent Non-Executive Director

Dato' Dr. Koe Seng Kheng
Independent Non-Executive Director

NOMINATING COMMITTEE

Chew Yuit Yoo - Chairperson
Senior Independent Non-Executive Director

Thiang Chew Lan
Independent Non-Executive Director

Dato' Dr. Koe Seng Kheng
Independent Non-Executive Director

COMPANY SECRETARIES

Kang Shew Meng (MAICSA 0778565)
Seow Fei San (MAICSA 7009732)

REGISTERED OFFICE

802, 8th Floor, Block C, Kelana Square
17 Jalan SS7/26,
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone No : (03) 7803 1126
Facsimile No : (03) 7806 1387

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Telephone No : (03) 2783 9299
Facsimile No : (03) 2783 9222
E-mail: is.enquiry@my.tricorglobal.com

PRINCIPAL BANKERS

Public Bank Berhad (6463-H)
Menara Public Bank
No. 146, Jalan Ampang, 50450 Kuala Lumpur
Telephone No : (03) 2176 6000
Facsimile No : (03) 2163 9917

AmBank (M) Berhad (8515-D)
Menara AmBank
8 Jalan Yap Kwan Seng, 50450 Kuala Lumpur
Telephone No : (03) 2167 3040
Facsimile No : (03) 2161 2110

AUDITORS

Russell Bedford LC & Company
Chartered Accountants
10th Floor, Bangunan Yee Seng
15, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone No : (03) 2031 8223
Facsimile No : (03) 2031 4223

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock code: 7241



Our Company, **BHS**, was founded in 1982.
It specialises in the printing of **magazines** and **books**.
Today, BHS is one of the leading printing companies in Malaysia.

We have both **sheet-fed** and **web-offset** for printing of books and magazines.
We also have in-house DTP, CTP, book binding and UV facilities. We import paper directly from paper mills overseas and order directly from local paper mills for book printing paper of good quality.

At BHS, we have the **experience** and **performance track record** in delivering **very large volume orders** to overseas as well as to meet **local demands** of **established magazine publishers**. We deliver over 30 magazine titles every month.

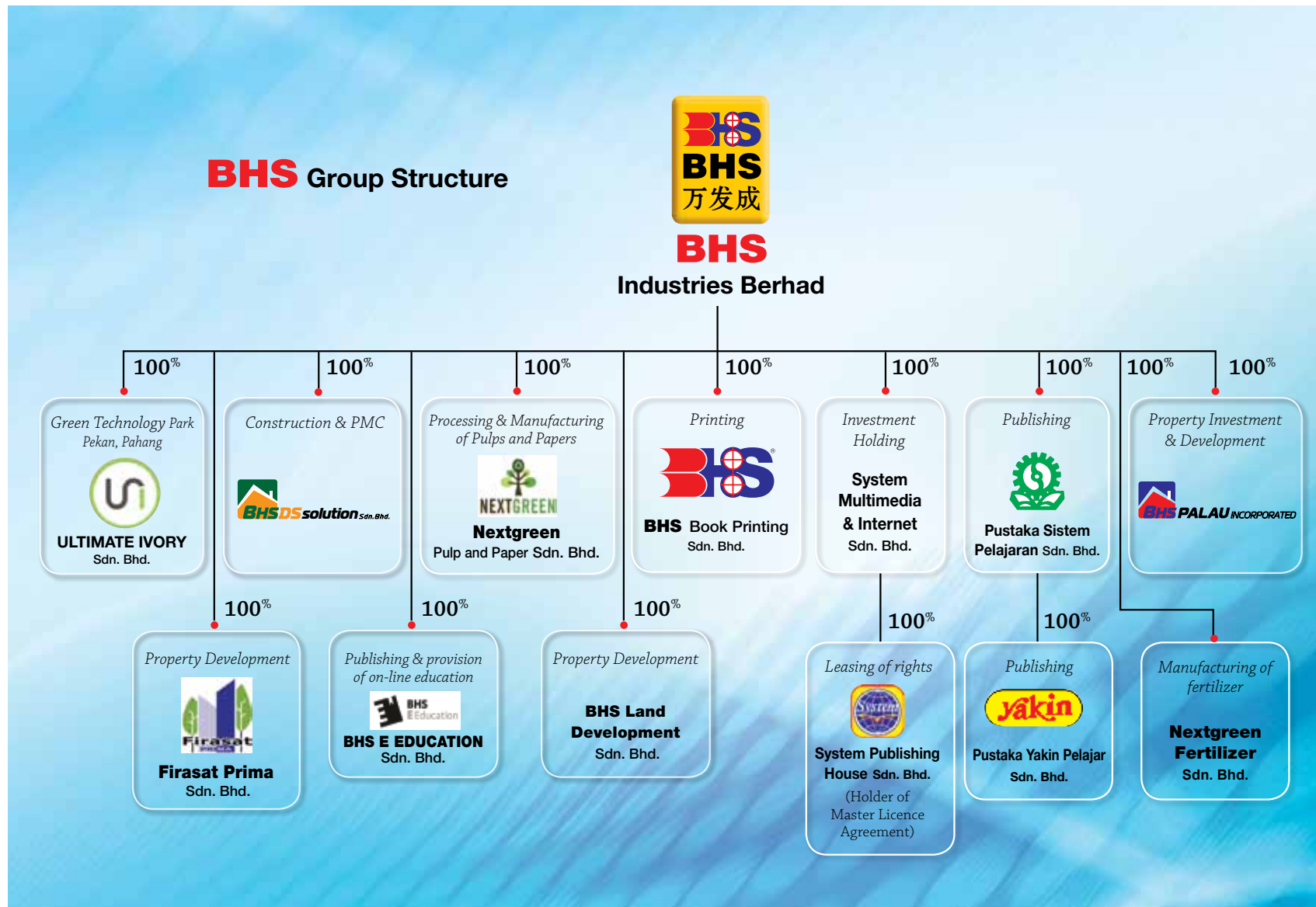


BHS BOOK PRINTING SDN. BHD. (95134 K)
(Wholly owned by BHS Industries Berhad 719660-W)

Lot 4, Lorong CJ 1/1 B, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor. Malaysia.
Tel: (+603) 9076 3399 (Hunting line) Fax: (+603) 9074 7573
Email: bhs@bhsbookprint.com Website: www.bhs.my

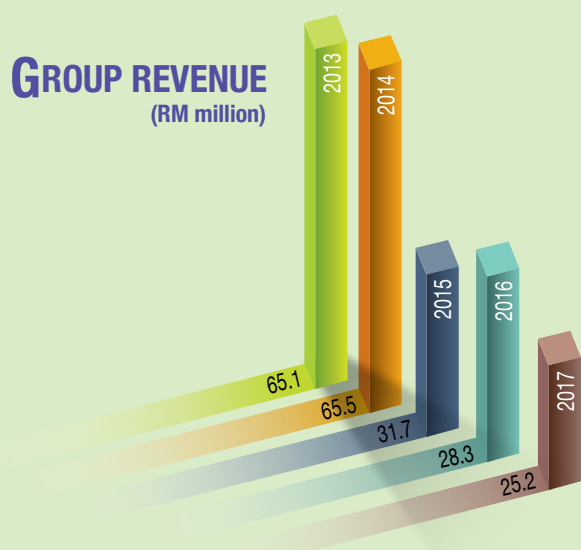
Corporate Structure

as at 30 June 2017



Financial Highlights

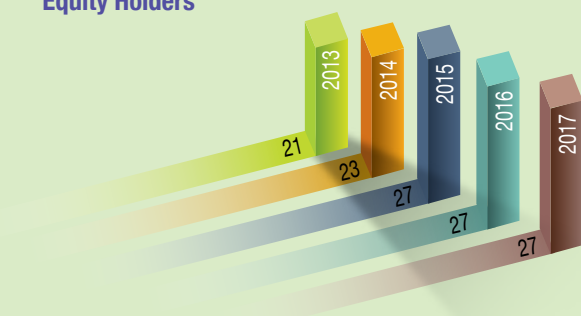
GROUP REVENUE (RM million)



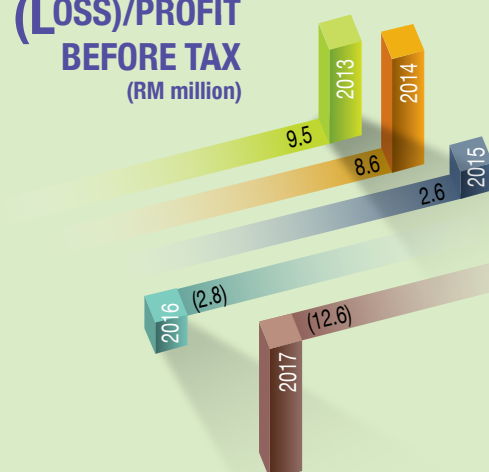
GROSS PROFIT (RM million)



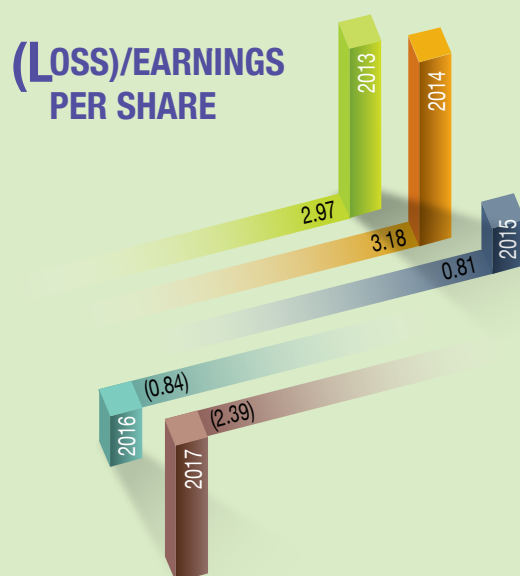
NET ASSETS PER SHARE attributable to Ordinary Equity Holders



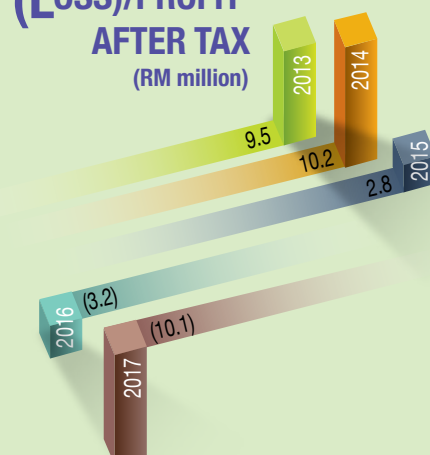
(LOSS)/PROFIT BEFORE TAX (RM million)



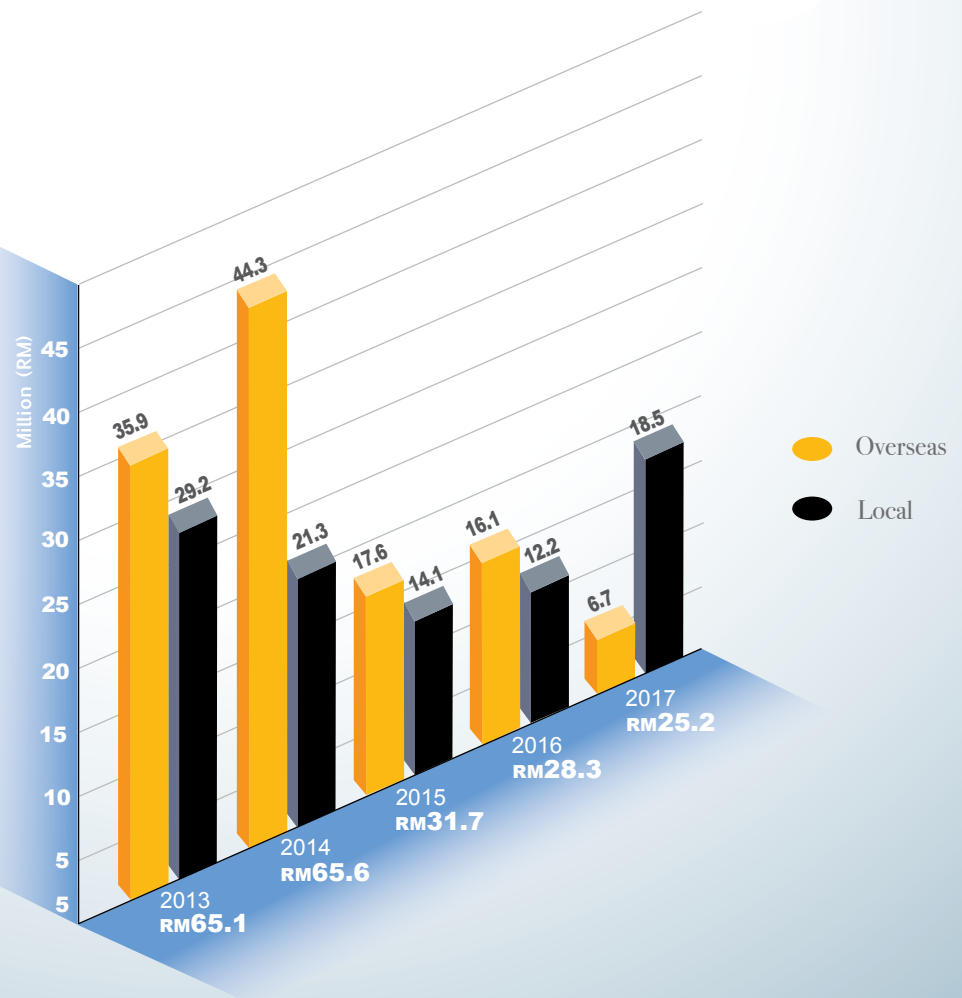
(LOSS)/EARNINGS PER SHARE



(LOSS)/PROFIT AFTER TAX (RM million)



Revenue Analysis by location



Board of Directors & Profiles

Director



Dato' Dr. Haji Sohaimi Bin Shahadan
Chairman, Independent Non-Executive Director

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Dato' Dr. Haji Sohaimi Bin Shahadan, Male, Malaysian, aged 48, was appointed as the Non-Independent Non-Executive Chairman of the Company on 8 August 2014. On 6 October 2016, Dato' Sohaimi had been redesignated as Independent Non-Executive Chairman. He graduated with a Bachelor Degree in Business Administration from Universiti Kebangsaan Malaysia in 2000 and obtained a Master Degree in Business Administration from West Coast Institute of Technology & Management, Perth, Australia in 2002. He also holds a Master Degree in Corporate Communication from University Pertanian Malaysia in 2004. He has been awarded Honorary Ph.D. from Geomatika University College for Entrepreneur achievement and works for Malaysia in 2015.

Dato' Dr. Haji Sohaimi is the Independent Non-Executive Chairman for Eka Noodles Berhad, a public listed company engaged in rice and vermicelli business from 2014 – 2017.

He is also a Non-Independent Non-Executive Chairman of PDZ Holdings Berhad, a public listed company from 2014 – 2017.

From 1998 to 2010, he was the Director of Institute of Bumiputra Entrepreneurs and from 2013 to 2015 he was entrusted by the Ministry of Rural and Regional Development (KKLW) to lead the investment entity for Majlis Amanah Rakyat, Pelaburan MARA Berhad from 2013 to 2015. He served as the Chairman of Kraftangan Malaysia from 2011 to 2014. He was also the Chairman of Kolej Poly-Tech MARA (KPTM) from 2010 until 2013.

While engaging in his business, Dato' Dr. Haji Sohaimi is also passionate in the political arena. In 2009, he was entrusted as the Chairman of the Economic Development Bureau of UMNO Youth (BePU) until elected as a member of UMNO High Supreme Council since 2013. In addition, he also served as the Chairman of Asean Young Entrepreneurs Secretariat (1998

– 2000), the Chairman of PERDASAMA MUDA Malaysia before appointed as Vice President IV of PERDASAMA, the Committee Member of Selangor Malay Chamber of Commerce Malaysia (DPMM)(2009 – 2010), the Patron of Consortium Cartoonist at Work (CaW), the Entrepreneurs Speaker for Institute Keusahawan Negara (INSKEN) and the Entrepreneur Speaker for Pusat Pembangunan Usahawan Malaysia (MEDEC).

Despite his busy schedule engaging in business and politics, Dato' Dr. Haji Sohaimi also working closely with charity organization and founded an orphanage shelter, "Teratak Che Dah" in Kuang, Selangor. The orphanage house set to provide better education, protection and housing to the unfortunates. Dato' Dr. Haji Sohaimi also founded Yayasan Jamin as Non Government Organisation aimed at social services regardless of religion, ethnicity and political affiliation. Yayasan Jamin has carried out hundreds of welfare activities by helping people in need around Malaysia.

Director



Dato' Lim Thiam Huat
Managing Director

Aged 53, Male, Malaysian, is our Managing Director. He was appointed to the Board on 17 December 2014. Dato' Lim has vast experience in managing construction and development projects for more than 28 years. He had successfully completed projects like commercial high rise cum shopping complexes, industrial buildings, housing projects, hotel/resorts, hospital and luxurious apartments. In 2003, Dato Lim diversified his business focus to environmental friendly business and entered into a partnership with a Chinese partner to research into using Empty Fruit Bunches ("EFB") from palm oil waste to manufacture pulp and paper. In 2008, Dato' Lim and his partner incorporated Green Patent Technologies

Sdn Bhd to patent the technology in Malaysia, China, Indonesia and Thailand.

This technology is called Pre Conditioning Refiner Chemical Recycled Bleached Mechanised Pulp ("PRC RBMP"). Dato' Lim 's experience and involvement in PRC RBMP technology started from the incubation stage of the technology. PRC RBMP was specially researched and developed to solve the palm oil industry and paper industry problems without harming the ecological system. The design of PRC RBMP uniquely allow for the creation of multiple business ventures that are "green" in nature and groundbreaking.

Dato' Lim drives the business direction of the Group and sets the missions and objectives for the Group to achieve.

Dato' Lim was appointed as Economic Consultant to the Republic of Palau in Malaysia on 28 August 2015 and he was also appointed as Honorary Consul of the Republic of Palau to Malaysia on 5 November 2015.

Board of Directors & Profiles

Directors

EXECUTIVE DIRECTOR



Koo Thiam Yoong

Aged 64, Male, Malaysian, is our Executive Director. He was appointed to the Board of our Company on 28 April 2014. He obtained his LCC Higher Diploma in Accounting in 1973 and has about 40 years of working experience. Mr Koo started his career as an Audit Clerk with Robert Lim Kwong & Company (Now known as E & Y). Following that he worked for a subsidiary of United Motor Works Berhad as Accounts/Administration Officer. After a two year's stint there, he joined a 100% Foreign owned Dutch Company named Anglo American Corporation Sdn Bhd as an Accountant/ Secretary. Mr Koo was promoted to Finance Director after 3 years. Through a management buy-out, Mr Koo and three of his colleagues jointly owned the Company. In 1990, he sold his shares in the Company to join TA Securities Bhd as a Business Development Manager. At the same time, he also acted as a Business Consultant for investment in China, particularly, Shanghai. Mr Koo has also involved in the investments of properties and foreign currencies. At present, Mr Koo is responsible for the overall operation and management of printing business.

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**Datuk Lawrence
Yeo Chua Poh**

Aged 53, Male, Malaysian, is our Executive Director. He was appointed to the Board on 10 March 2016. Datuk Lawrence holds Bachelor of Laws Degree (LL.B) from the Monash University School of Laws, Melbourne, Australia and also Bachelor of Economics Degree (B.Ec.) from the Monash University School of Economics, Melbourne, Australia. Datuk Lawrence Yeo is a practising lawyer, corporate advisor and company secretary. He also appointed as a CEO to several companies such as Yeo & Co Advocates & Solicitors, Sara-Ed Trading Sdn Bhd, Set Construction Sdn Bhd and Amechanus Holdings Sdn Bhd. Datuk Lawrence Yeo is a member of Kelab Golf Sarawak (KGS) since 1999.

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**Datuk Lee
Hwa Cheng**

Aged 56, Male, Malaysian, is our Executive Director. He was appointed to the Board on 10 September 2015. Datuk Lee started his career with Sinma Jewellery Sdn Bhd ("Sinma") in 1986 and grew it to become the largest costume jewellery retail chain in Malaysia with outlets spanning across the Asian region. During his tenure as a Chief Executive Officer of Sinma, Datuk Lee was appointed as a President of Malaysia Retailers Chain Association ("MRCA"). In recognition of his contribution and vast experience, Datuk Lee was made a Life Time Honorary President of MRCA. He exited the costume jewellery business in 2011 to venture into the construction and property developments industry. Datuk Lee entered into joint venture businesses with the China's State owned Enterprise, China Engineering Group set up Zhonghe Huaxing Development (M) Sdn Bhd as the Executive Chairman.



Chew Yuit Yoo
Senior Independent
Non-Executive Director

Aged 58, Female, Malaysian, is our Senior Independent Non-Executive Director. She was appointed to the Board of our Company on 7 August 2007. She is a Member of the Malaysian Institute of Accountants. She brings with her over 20 years of finance, accounting and stock broking experience. After obtaining her professional accounting qualification from ACCA in 1983, she was trained in several accounting firms, namely Keyse, Poulter Partners & Co, Lawrence Fink & Co and Maliney Wilkins & Co in London for three years. She subsequently joined Bolton Finance Bhd as an Assistant Accountant after returning from London in 1985 and was holding the post of an Accountant before she left the company in 1990. Thereafter, she joined Prime Credit Leasing Sdn. Bhd (a subsidiary of Berjaya Group) in 1990 as an Accountant. She then left to join her present employer, Maybank Investment Bank Bhd (formerly known as Aseambankers Malaysia Berhad) as a Remisier in 1993. At present, she sits on the Board of Directors of several other private limited companies. Madam Chew is the Chairperson of the Audit Committee and Nominating Committee and also a member of Remuneration Committee.

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Thiang Chew Lan
Independent
Non-Executive Director

Aged 65, Female, Malaysian, she was appointed on 30 January 2009. She started her career as a Bank teller in Hock Hua Bank Berhad in 1971. She obtained her certificate in Book-Keeping (Intermediate) accredited by the London Chamber of Commerce (LCCI) and Pitman Examinations Institute London in Book-Keeping (Intermediate and Advanced) in 1970. She was promoted to head the department for General Ledger/Statistics in 1974 until 1979. There she moved on to head the department for Fixed Deposits and Remittances and was given authority to authenticate test-keys for 3 years. Between 1983-1991, she was transferred to take charge of the Savings/Fixed Deposits, Current Account and Clearing. She was given the task Branch Audit from 1992 to 1993. When Hock Hua Bank merged with Public Bank in 2001, she had experiences in taking charged of the ATM/Safe Deposit Box as a Frontline officer. Over the years, she had accumulated more than 36 years of experience in Banking Industry until her retirement in September 2007. Madam Thiang is the Chairperson of Remuneration Committee and the member of the Audit Committee and Nominating Committee.

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**Dato' Dr. Koe
Seng Kheng**
Independent
Non-Executive Director

Aged 46, Male, Malaysian, is our Independent Non-Executive Director. He was appointed to the Board of our Company on 28 April 2014. He started his career as a teacher in Confucian Private Secondary School and part-time lecturer for College for the past 15 years. While he was working, he has successfully pursued a Bachelor Degree of Business Administration in Year 1993, Master Degree in Business Administration in Year 1998, and also successfully obtained a PhD in Business Administration in Year 2011, accredited by the Infrastructure University Kuala Lumpur. After a long service in education field, he started to focus and manage businesses in property investment and management in Malaysia. At present, he sits on the Board of Director of several other private limited companies that involve in different industries such as Trading, Food and Beverage industries. In 2012, Dr. Koe was awarded DIMP which carries the title Dato' with Sultan of Pahang. Dato' Dr. Koe is a member of the Audit Committee, Nominating Committee and also Remuneration Committee.

Notes:

1. None of the directors has any family relationship with each other and/or major shareholders of the Company.
2. None of the directors 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. The directors' holdings in shares of the company are disclosed in the analysis of shareholdings of the Annual Report.
4. None of the directors has any conflict of interest with the company.

Profiles of Key Management Team



Koo Thiam Yen
Group Accountant

Age 61, Male, Malaysian, is our Group Accountant since 2007. He has been a Member of the Malaysian Institute of Accountants since 1992 and a Member of the Association of Chartered Certified Accountants since 1985. He started his professional career in Chelepis & Co, London in 1982 as an Accounts and Audit Clerk. He then joined Bright Grahamme Murray & Co, London as an Audit Senior in 1983 prior to joining KPMG, London in 1985 as a Tax Senior. He was then promoted to the position of Tax Manager in 1988. He subsequently returned to Malaysia in 1992 and was attached to E & Y as a Tax Manager. He then joined TA Securities Berhad in 1994 as a Dealer's Representative. In 2001, he moved to Shanghai, China and was attached to Shanghai Jilong Consulting Co Ltd and Wujiang Hongdu Copper Co Ltd before returning to Malaysia to work as a freelance consultant in 2004. He brings with him more than 22 years of experience in consulting, financial accounting, taxation and corporate finance. His area of responsibilities includes overseeing the financial, and accounting taxation aspects of our group. Koo Thiam Yen is a brother of our Executive Director, Koo Thiam Yoong.

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Aged 68, Male, Malaysian, is our Senior Sales Manager and has been with our Group for more than 41 years. He began his career as a Sales Representative in 1969 for Book Distributors Sdn Bhd. He then left to join our Group in 1975 to assume the same position and was subsequently promoted as a Sales Supervisor in 1980. He was then promoted to his present position in 1990 and his current responsibilities include managing the sales and marketing team and ensuring that sales targets are achieved. He is also responsible for the marketing and sales of our Group's printing services overseas especially in the African market which he has vast knowledge and experience. He attends the annual Frankfurt Book Fair as part of the marketing and sales activity.



Thirugnana Sambatham
Senior Sales Manager



Liew Yew Foong
Personal Assistant to
Executive Director
Human Resource
Manager
Prepress Manager

Age 53, Female, Malaysian, is the Personal Assistant to Koo Thiam Yoong, our Executive Director. She has been with our Group for more than 33 years. She joined our Group after her STPM in 1983 as a Layout Artist for a year. She was then transferred to work as an Editorial Assistant. She remained in the job for the next seven years until she was promoted as Personal Assistant to the former Managing Director. She assisted the former Managing Director in the implementation of the management plans of our Group. She is responsible for the management of all overseas tenders and overseas customer correspondences as well as liaising with our overseas suppliers. She is also the Human Resource Manager who manages our staff payroll and recruitment of our Group. In addition, as a Prepress Manager, she monitors and oversee our Prepress work flow using CTP (Computer to Plate) technology to prepare the materials for printing.

Aged 54, 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.



Vivian Yat
Senior Manager

Age 51, 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.



Oh Kim Heng
Project Director

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.

Management Discussion & Analysis

A. Overview of Group's Business and Operation

BHS Industries Bhd (**"BHS"**) 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 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 subsidiary of BHS, 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 BHS approved the diversification of BHS's core business to include the construction, development and management of Green Technology Park and other construction and property development activities.

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Principal activities of our Group

The Group has three core business activities. First the printing and publishing business. Second, the developer and manager for industrial park and third, the manufacturer of renewable pulp and paper products. During 2017, only first and second businesses are operational and the third business is still at the stage of construction and it is expected that the plant will be ready for production in July 2018.

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 and publishing business. The moving from the rented factory lots to the factory was completed in Oct 2016. Sales amounted to RM19.9 million made-up of RM13.2 million (66.3%) local and RM6.7 million (33.7%) were generated in the financial year ended ("FYE") 30 June 2017.



Local sales comprised mainly magazines, leaflets and books whereas overseas sales were primarily educational books. The absence of Government orders from overseas in the past three years had triggered a slump in overseas sales. We expect the Government orders are coming back in the financial year ending 2018. In addition, the Company has managed to make inroads into new markets and thus avoiding over reliance on one significant overseas market.

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 BHS. The entire areas have been earmarked as GTP. The Company has 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. First the construction of a production plant of using the Green Technology to convert EFB into pulp and paper. Second, the tissue paper plant. The Company had developed a piece of land measuring 12.09 acres for disposal to Dengkil Paper Mill Sdn Bhd for a sale value of RM5.3 million for the construction and building of a tissue paper plant.

In addition, the Group had entered into a Memorandum of Agreement with China Nuclear Industry Huaxing Construction Co Ltd for the development of other phases. The negotiations are still on-going.



B. Review of Financial Results and Financial Condition

Printing & Publishing Activities

The FYE 30 June 2017 presented another challenging year to the Group. Sales continued to slide downwards to RM19.9 million in 2017 from RM28.3 million in 2016; a drop of RM8.4 million. This was attributed to lower overseas sales of RM9.4 million against a marginal increase in local sales of RM0.8 million. The low revenue was insufficient to bring about an economy of scale in printing and binding which resulted in a gross loss of RM5.2 million compared with the preceding year which generated a gross profit of RM2.9 million.

The Group incurred Loss Before Tax of RM11.7 million compared with the preceding year of profit RM0.9 million. The current year loss included impairment of debts of RM3.5 million for overseas customers which have long been outstanding and RM0.5 million for local customers. It also included one off removal expenses of RM0.8 million and other businesses' pre-operating expenses of RM0.7 million.

It is expected that the recovery of the impairment of debts will contribute to the profits of the company in financial year ending 2018.

The finance costs incurred for the current year were RM0.4 million compared with the preceding year of RM0.34 million. The higher interest cost was due to foreign currency trade loan.

Park Development and Management Activities

For the FYE 30 June 2017, the Group was able to dispose of a piece of developed land measuring 12.09 acres to Dengkil Paper Mill Sdn Bhd for a revenue of RM5.3 million. This contributed a profit of RM2.9 million to the Group. In addition, the Company enjoys a 10 year 100% tax exemption subject to certain conditions on the profits arising from the sales of the developed land.

Land Held for Development

For the FYE 30 June 2017, the Group incurred about RM9.6 million on the land and development costs. The costs incurred were in respect of the infrastructure and the construction costs on the paper pulp factory. At the year end, the construction was in progress and it is expected that the factory will be ready for production in July 2018.

Inventories

The inventories comprise mainly of paper of RM8 million, printed books of RM0.4 million and raw material for fertilizer of RM0.4 million. Compared with the paper stock for FYE 30.6.2016, the inventories had decreased by RM5.5 million. The Company had been able to utilise the inventories to convert into debts and cash. The lower inventory is in line with lower sales for the FYE 30.6.2017.

Trade receivable

The trade receivable for both FYE 30.6.2016 and 2017 remained relatively stable at RM18 million after taking account of the impairment of debts of RM4.0 million for the long over-due debts for the FYE 30.6.2017. These debts were owed substantially by several overseas customers whose country is facing an acute shortage of US dollar.

However, for the first quarter of financial year ending 30 June 2018, there has been some improvement on the banking system of the customers' country as local banks are beginning to be able to issue Letter of Credit as a mode of payment for their customers' imports. This certainly facilitates our export to the country especially with the resumption of the government print orders in 2018.

Other receivables, deposits and prepayments

There was an increase of RM9.1 million other receivables, deposits and prepayment in the FYE 30.6.2017 over the FYE 30.6.2016. Additional payments of RM5.5 million were made to the suppliers of plant and machinery and the Group also made a payment of RM3.6 million to the contractors for the work in progress on the development costs.

Cash and Bank Balances

Short term investments, fixed deposit and, cash and bank balances have been reduced from RM15 million in 2016 to RM1.5 million in 2017 in cash and bank balances. 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 sell developed land at GTP to potential investors, 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 0.06 times in 2017 compared with 0.09 times in 2016, it is acceptable for the Group to increase bank borrowings without any undue risk.

The Group may also consider releasing the treasury shares to the market as and when it deems appropriate or alternatively, avail itself of Section 75 Companies Act 2016 to allot shares in the Company for up to 10% of the total number of Issued shares of the Company.

C. Review of Operating Activities

Printing and publishing business

As noted above, the printing business hinges on overseas print orders. When the print orders were reduced from overseas, we experienced a steep fall in the sales revenue for the past 3 years which shrank from RM44.3 million in 2014, to RM17.6 million in 2015, RM16.1 million in 2016 and RM6.7 million in 2017. The tremendous drop in sales was attributed to the absence of the Government orders during these periods coupled with the economic crises caused by the slump in the prices of the crude oil and the significant depreciation of the local currency against the US dollar.



The sales of the Group are printed textbooks and educational books for students. These are essential items in demand under all economic conditions. As the Government orders for textbooks are expected to resume in 2018, the Group may benefit from its orders. However, the Group has also made inroads into new markets to diversify the risk associated with sales only in one country.

In addition, the Group has also aimed at local market to position itself to uplift its sales. On publishing, the Group had for the first time in many years taken part in Government tenders.

Industrial Park Developer and Manager

The Pahang State Government approved and granted 410 acres of land in Pekan to BHS Group. The land is designated as Green Technology Park Pekan. During the year, the Group developed a piece of land measuring 12.09 acres and sold it to Dengkil Paper Mill Sdn Bhd for a profit of RM2.9 million. The Group is also developing a piece of land measuring about 14 acres for use by its Paper and Pulp factory.



A Memorandum of Agreement was signed between BHS and China Nuclear Industry Huaxing Construction Co Ltd on 1 November

2016 to work together to develop and manage the phases 2 & 3 of the GTP, its power generation station and other auxiliary facilities. Thus far, the parties have not been able to make any further progress on the negotiations.

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The Group are talking to other investors who are keen to use the green technology to turn palm oil waste into pulp and paper. Anything firm has yet to come out of the negotiations.

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 be 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.

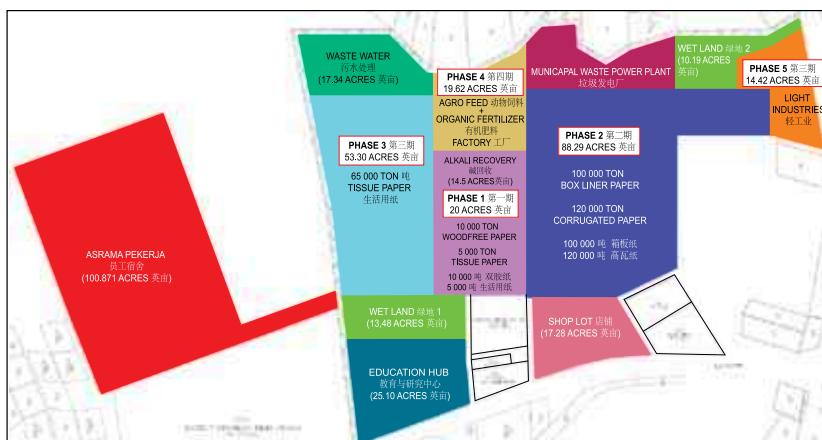


F. Forward-Looking Statement

Possible Trend and Outlook

Printing business has always been very competitive and the Group relied on export sales to boost its revenue. It is expected that the overseas' Government's orders will resume in 2018 after an absence of 3 years.

Even if the overseas Government orders are given out in 2018, there is a risk that our Group may not be able to secure the print orders. To mitigate the effect, the Group has aimed to increase its local sales from printing and publishing.



FYE 2017 was the first year the Group carried out a development project on GTP. The Group was able to make profits of RM2.9 million on the disposal of a piece of developed land at GTP. It had signed a Memorandum of Agreement with China Nuclear Industry Huaxing Construction Co Ltd to jointly develop Phase 2 and Phase 3 of the GTP. However, the project is still under negotiations with the Chinese party.

It is possible that the negotiation will be protracted and it may not lead to an eventual joint venture. Therefore, the Group has started talking to different parties who are interested to jointly pursue the green projects.

At present, the Group is building a factory for Pulp and Paper using its green technology of converting EFB into pulp and paper. The plant is expected to be operational in July 2018. Our project has attracted interest from potential overseas customers to visit our factory site to learn more of our products. The Group had an initial discussion recently with potential customers from Japan and China.

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 2017 and 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.

Statement on Corporate Governance

Statement on Corporate

The Board of Directors of BHS Industries Berhad ("Board") recognises the importance of corporate governance in protecting and enhancing shareholders' value and the financial performance of the Group. Towards this end, the Board is pleased to report the manner in which the Company has applied the principles of the corporate governance and the extent of its compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 during the financial year ended 30 June 2017. Going forward, the Board will continue to embrace the principles of the new Malaysian Code on Corporate Governance in its new financial year in 2018.

Established Clear Roles and Responsibilities

Functions and Responsibilities of the Board and Management

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 and has full access to all operational information together with the explanation provided by management.

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 the last review of the Board Charter was on 6 October 2016. The Charter sets out, among others, the roles and responsibilities of the Board, delegation of authorities, strategic and financial functions including risk management

and internal controls, human resource, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with Management and shareholders of the Company. The Charter is available for reference at the Company's website at <http://bhs.listedcompany.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. Although specific powers are delegated to the Board Committees, the Board Committees would report to the Board on matters considered and their recommendation thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Also, the Board is informed of the key issues and recommendation/ decision made by each Board Committees through the tabling of minutes of the Board Committees meetings at Board Meetings.

As regards the duties delegated to the Managing Director and Executive Director, their responsibilities are set out in the Charter which is available for reference at the Company's website at <http://bhs.listedcompany.com/>.

The Group is committed to sustainability development. The sustainability objective of the Group is to balance the shareholders' value, the welfare of employees, community and environment in which it operates. Employees' welfare and community services were carried out and organised in several occasions during the financial year. Further details of CSR and sustainability initiatives and activities are set out in Corporate Social Responsibility Statement contained in this Annual Report.

Code of Conduct, Policies and Procedures

The Board has formalised its code of conduct and whistle blowing policy addressing the following subjects:

- Fraud;
- Conflict of interest;

Statement on Corporate Governance (con't)

- 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 in the order of immediate superiors, Managing Director, Board Chairman and Audit Committee Chairperson. As for external whistle blowing, the external parties are advised to refer the matters to Managing Director, Board Chairman and Audit Committee Chairperson.

Upon receiving concerns from whistle blowers, the Managing Director or Board Chairman would set up an investigating team to conduct investigation on the concern raised. However, the whistleblower can further refer his concerns to the Audit Committee Chairperson if he or she is not satisfied with the way the concern is dealt with. The channel for communication for whistleblowing can be made by emailing to chewyy@bhsbookprint.com.

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. As such, the Board has adopted a Corporate Disclosure Policy & Procedures setting out the policies and procedures for disclosure of material information of the Group. The said Policy applies to all Directors, management, officers and employees of the Group.

Access to Information and Advice & Companies Secretaries

The Board has unrestricted access to timely and accurate information in furtherance of its 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 shall engage the services of the adviser and the fee for the independent professional advice will at the expense of the Company. All advices and opinions from the advisers shall be reported to the Board of Directors.

All Directors have full access to the advice and services of the Company Secretaries and the Management within their

respective jurisdictions to ensure effective functioning of the Board and may seek independent professional advice when necessary in discharging its various duties, at the Company's expense. The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from the Management.

The Company Secretaries of the Group are experienced, competent and knowledgeable, play an important role in advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Board is regularly kept up to date on and apprised of any regulations and guidelines. The Company Secretaries are responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. In addition, the Company Secretaries also ensure that any change in the Group's statutory information should be duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time.

Strengthen Composition

The Board is assisted by the Nominating Committee and Remuneration Committee in selection of board members.

The Terms of Reference of the Nominating Committee and Remuneration Committee are made available at the Company's website at <http://bhs.listedcompany.com/>.

Nominating Committee and its Composition

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.

Statement on Corporate Governance (con't)

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)

Activities of the Nominating Committee

During the financial year, the Nominating Committee conducted one (1) meeting. At this meeting, the Nominating Committee:

- Assessed the performance and effectiveness of the Board, Board Committees and contribution of each individual director;
- Evaluated the Independence of Independent Director under the Malaysian Code of Corporate Governance ("MCCG") 2012;
- Reviewed the current composition of the Board and Board Committees and their required mix of skills, integrity, knowledge, expertise and experience to function effectively under the current size of operations of the Group; and
- Reviewed and recommended to the Board for re-election of retiring directors at annual general meeting.

Appointment to the Board and Gender Diversity Policy

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 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 MCCG emphasize 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 eight (8) board members, two (2) of the board members are female.

Review of Directors Proposed for Re-election

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.

Annual Assessment of Directors and Board Committees

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

Statement on Corporate Governance (con't)

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

During the annual assessment exercise, the Directors are given a performance assessment sheets ("PA Sheet") for self and peer evaluation by Individual Director, Board, Audit Committee, Nomination Committee and Remuneration Committee to complete. The evaluation of the Board as a whole is carried out by reviewing each individual director's self-evaluation with the relevant directors abstain from deliberation of his own appraisal. During the financial year, there is no evaluation carried out on Datuk Lawrence Yeo Chua Poh, an Executive Director as he was appointed in 10 March 2016, which is only 7 months before the annual assessment exercise.

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 Nomination Committee did not review its own effectiveness and the performances of the Nomination Committee members. Instead, such review was carried out by the Board as a whole with the members of the Nomination Committee abstained from deliberation. In view that the Nomination 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 re-appointment at next Annual General Meeting are assessed by the Nomination Committee (with the relevant Nomination 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.

On an annual basis, the Nominating Committee would also review the independence of the Independent Directors. More details are set out in section "Reinforce Independence".

Remuneration Committee and its Composition

The present members of the Remuneration Committee are:

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

During the financial year ended 30 June 2017, one (1) Remuneration Committee meetings were held and attended by all the members.

Remuneration Policies and Procedures

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 following are the salient terms set out in the Remuneration Committee Policies and Procedures:-

(a) Remuneration of Executive Directors

The remuneration of the Executive Directors shall be reviewed and determined by the Remuneration Committee, who make recommendation to the Board for approval. On the recommendation of the Remuneration Committee, the Board reviews and approves the remuneration of the Executive Directors with the respective Executive Director abstained from discussions and decisions on their own remuneration. Under normal circumstances, the respective Director(s) would be excused from the relevant meetings before the deliberation on their remuneration take place.

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(b) Annual Bonus of Executive Directors

The Executive Directors shall be entitled to participate in the Company's annual cash bonus. The amount of bonus shall be reviewed and determined by the Remuneration Committee, who make recommendation to the Board for approval.

Executive Directors shall also be entitled to other benefits provided to employee of the Company and other additional benefits, if so, recommended by the Remuneration Committee to the Board for approval.

(c) Remuneration for Non-Executive Directors

The remuneration of non-executive directors, which made up of Directors' fee, meeting allowance and other benefits, if any, proposed by the Remuneration Committee is determined by the Board.

(d) Others Remuneration

The Directors may be remunerated by a fixed sum (for non-executive director) or by a percentage of profits (for executive directors) or otherwise as may be determined

by the Board for the performance of extra services or to make any special exertions in going or residing away from his usual place of business or residence for any purpose of the Company or giving special attention to the business of the Company. Such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the directors. Such remuneration would be proposed by the Remuneration Committee to the Board for decision.

Directors' Fee and Meeting Allowances

All Non-Executive Directors are paid fixed director fees and meeting allowances for attendance of Board and Board Committee Meetings.

Directors' fees payable to Non-Executive Directors are subject to the approval of the Company's shareholders at annual general meetings.

The number of Directors whose annual income falls within the following bands is set out as follows:

Remuneration Bands	No. of Executive Directors Received from BHS Industries Berhad	No. of Non-Executive Directors
RM50,000 and below	–	3
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	2	1
RM200,001 – RM250,000	1	–
RM350,001 – RM400,000	1	–
Total	4	4

The aggregated annual remuneration paid or payable to all Directors of the Company are further categorised into the following components:

	Fees (RM)	Meeting Allowances (RM)	Salaries, EPF and other emoluments (RM)	Benefit-in- kind (RM)	Total (RM)
Received from BHS Industries Berhad					
Executive Directors	–	–	842,621	42,700	885,321
Non-Executive Directors	228,000	21,000	4,680	3,600	257,280

Note: None of the Directors received any remuneration or fees from any subsidiaries.

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Reinforce Independence

Board Composition

As of the date of this Statement, the Board consists of eight (8) members, comprising four (4) independent directors and four (4) executive directors. The Board Chairman is an independent director. Such board composition is important for the present diversified businesses in the Group and also to provide the advantage of ensuring expectations of the Board and management are aligned.

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 Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgement on Board deliberations and decision making.

As at the reporting date, Madam Chew Yuit Yoo, the Chairperson of Audit and Nomination Committee, has exceeded her nine (9) years tenure as Independent Director on 7 August 2017. Under the Recommendation of the MCCG, the tenure of an independent director should not exceed a cumulative term of nine (9) years. An independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Recommendation of the MCCG added that the Board must justify and seek shareholders' approval in the event it retains a person who had served for more than nine (9) years as an independent director.

Assessment of Independent Directors

On an annual basis, the Nominating Committee would review the independence of the Independent Directors. Criteria for assessment of independence are very much based on the requirements and definition of "independent director" as set out in the Listing Requirements. Each Independent Directors is required to confirm their independence by giving the Board a written confirmation of their independence.

In addition, consideration would also be given to assess whether the independent directors are able to act independently of management and free from any business or other relationship.

Tenure of Independent Directors

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 arbitrarily by their tenure of service. The Board believes that continued contribution, commitment and experience will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. The caliber, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his responsibilities in the best interest of the Company predominantly determines the ability of a Director to serve effectively as an Independent Director.

The Board concurred with the Nomination Committee's justification as follows and had put forth a resolution in the last Annual General Meeting ("AGM") to retain Madam Chew Yuit Yoo as Senior Independent Non-Executive Director. This resolution has been carried and voted in favour by all the shareholders who attended the AGM. Following are the justifications provided by Nomination Committee:

- i. Madam Chew fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;
- ii. Madam Chew continued to exercise her independent judgment and act in the best interest of the Company and shareholders during her tenure of service;
- iii. Madam Chew shown great integrity and independence, and had not entered into any related party transactions with the Group; and
- iv. Director's independence could not be determined with the reference to a set period of time alone. The Nominating Committee also believed that the Group would benefit from long serving director who had proven commitment and experience.

In line with the recommendation of the MCCG, the Board will seek approval from the shareholders of the Company at the forthcoming AGM to support the Board's decision to retain Madam Chew as Independent Director based on the same justifications above.

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Foster Commitment

Time Commitment

The underlying factors of directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill sets.

Board members have accordingly disclosed their directorship in other listed company and none of the Board member has exceeded 5 directorships in listed issuers as per stated in paragraph 15.06 of Listing Requirements. Adequate time and attention has been contributed to the Company's business affairs.

Most the Directors have full attendance at Board and Board Committee meetings held during the financial year ended 30 June 2017. Details of the attendance are set out in the relevant sections of this Statement.

To facilitate the Directors' planning, Board and Board Committee meetings are usually fixed three (3) months in advance.

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.

Board Meetings and Attendance

During the financial year ended 30 June 2017, 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>	5 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

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.

Matters requiring Board decisions during the intervals between the Board meetings are circulated and approved through circular resolutions.

Directors' Training

The Directors recognise the needs to attend training to enable them to discharge their duties effectively. During the financial year, 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 during the financial year are listed below:

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Director	Training Attended	Date	Duration
Dato' Sohaimi Bin Shahadan	Companies Act 2016 Highlights	29.6.2017	Half day
Dato' Lim Thiam Huat	Exhibition: Global Green Growth Week 2016	5.9.2016	1 day
	Asia Pacific Carbon Forum	5.9.2016	1 day
	International Greentech & Eco Products Exhibition & Conference (IGEM 2016) at KLCC	5.10.2016	1 day
	Malaysia-China Digital Economy Forum	26.10.2016	1 day
	Roundtable on Sustainable Palm Oil (RSPO), at Bangkok, Thailand	7.11.2016	1 day
	Companies Act 2016 Highlights	29.6.2017	Half day
Mr. Koo Thiam Yoong	Companies Act 2016 Highlights	29.6.2017	Half day
Datuk Lee Hwa Cheng	Companies Act 2016 Highlights	29.6.2017	Half day
Datuk Lawrence Yeo Chua Poh	Companies Act 2016 Highlights	29.6.2017	Half day
Madam Chew Yuit Yoo	Product@Bursa 2017	25.3.2017	One day
	AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities towards Risk Based Approach	15.4.2017	One day
Madam Thiang Chew Lan	Companies Act 2016 Highlights	29.6.2017	Half day
Dato' Dr. Koe Seng Kheng	Companies Act 2016 Highlights	29.6.2017	Half day

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.

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 Audit Committee meetings and to brief and provide explanation to the directors on the operations in the Group. The Board is also briefed progressively 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.

Financial Reporting

The Audit Committee has the responsibility to ensure the Group's financial statements comply with applicable financial reporting standards. The integrity of financial reporting is influenced by the competency, quality and integrity of the management in charge of the preparation of financial

reports and the competency, suitability and independence of External Auditors. 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.

Relationship with Auditors

The Board has established formal and transparent relationships with both the external and internal auditors through the Audit Committee. The relationship between the Audit Committee and both the external and internal auditors are described in the terms of reference of the Audit Committee.

The present External Auditors were engaged since the financial year ended 30 June 2012. As part of the Audit Committee review processes, the Audit Committee has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Annually, the Audit Committee also reviews the appointment, performance and remuneration of the External Auditors before recommending

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them to the shareholders for reappointment in the annual general meeting.

The Audit Committee also convene meeting with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group. This arrangement allows the Auditors to raise matters of concern objectively and independently to the Audit Committee.

Assessment of Suitability and Independence of External Auditors

The Audit Committee at its meeting held on 6 October 2016 undertook annual assessment of the suitability and independence of external auditors before recommendation is made to the Board for reappointment of the external auditors at the annual general meeting of the Company. In its assessment, the Audit Committee considered several factors, which included quality of services, sufficiency of resources, independence, interaction and performance of external auditors. The present external audit firm has been serving the Company since the financial year ended 2012. The last rotation of engagement audit partner of the firm took place in last financial year.

The Board at its meeting held on 6 October 2016 approved the Audit Committee's recommendation and was satisfied with Russell Bedford LC & Company's suitability and audit independence thus had put forward a resolution on the appointment of Russell Bedford LC & Company to the shareholders for approval at the 11th Annual General Meeting of the Company. The shareholders had at the 11th Annual General Meeting held on 20 December 2016 re-appointed Russell Bedford LC & Company as the Auditors of the Company.

Similarly, the Board had also conducted an assessment of the external auditor and will recommend the shareholders of the Company to appoint the External Auditors at the forthcoming AGM for financial year 2018.

Recognise and Manage Risks

Internal Control and Risk Management

The Board has the overall responsibility in maintaining a sound and effective system of internal controls for the Group which covers not only financial controls but also operational and compliance controls as well as risk management.

The Group outsourced its internal audit function to IA Essential Sdn Bhd, an independent external professional firm as part of its efforts in ensuring that the Group systems of internal controls are adequate and effective.

The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are presented and discussed during the Audit Committee meetings. Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. The action plans are reviewed and followed-up by the internal audit function on a periodical basis to ensure the recommendations are effectively implemented.

Board acknowledges that risk management is an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritise and manage the risks involved in all the Group's activities and to balance between the cost and benefits of managing and treating risks, and the anticipated returns that will be derived therefrom.

Further details of the Group's systems of risk management and internal control and the function of the Internal Audit are reported in the Statement on Risk Management and Internal Control.

Relation with Shareholders and Investors

Corporate Disclosure

Communication with shareholders and investors on all material business and corporate matters of the Group is important. The results of Group are published quarterly via the website of Bursa Malaysia Securities Berhad at <http://announcements.bursamalaysia.com>. The Company also maintains its website at <http://bhs.listedcompany.com/> containing essential corporate information of the Group for the interest of the general public. 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 would leverage on its corporate website to communicate, disseminate and add depth to the governance reporting. Pursuant to paragraph 9.25 of the Listing Requirements those principal and static governance

Statement on Corporate Governance (con't)

information such as Charter, board committees' terms of reference, policies and codes could be separately published in the website to avoid dilution of issues in the annual report.

Shareholders' Right

The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Group. This has been achieved through timely releases of quarterly financial results, circulars, Annual Reports, corporate announcement and press releases. In addition to the various announcements made during the period, information on the Company is available on the Company's website.

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. General meetings are an important avenue through which shareholders can exercise their rights. The Board would ensure suitability of venue and timing of meeting and undertake other measures to encourage Shareholders' participation in the meetings. Shareholders are reminded that they have the right to demand a poll vote at general meetings. Also, poll voting is mandated for all related party transactions that require specific shareholders' approval. In line with Paragraph 8.29A(1) of the Listing Requirements, the Company had implemented poll voting in the last AGM for all the resolutions set out in the Notice of AGM. Besides, the Company had also appointed an independent scrutineer to validate the vote cast in the last AGM.

Shareholders' right relating to general meeting is also published on the Company's website at <http://bhs.listedcompany.com/>.

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 Listing Requirements 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 2017, 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. Imposition of sanctions and/or penalties

During the financial year, there were no sanctions or penalties imposed on the Company and its subsidiaries, the Directors or the Management by the relevant regulatory bodies.

2. 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 2017 amounted to RM121,200 which RM33,000 was incurred by BHS Industries Berhad.

The amount of the non-audit fees incurred for services rendered to BHS Industries Berhad by the external auditors for the financial year ended 30 June 2017 amounted to RM5,000. The services were for Reporting Accountants for corporate exercise. There were no non-audit fees incurred by the subsidiaries.

3. 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.

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4. Utilisation of proceeds from Rights Issue

(1) 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 25 October 2017 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 2018.

The utilisation of proceeds as at 10 October 2017 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	6,237	Within 24 months
Estimated expenses in relation to the Corporate Exercise	1,000	1,000	–	Immediate
Total	41,641	35,404	6,237	

(2) Private Placement

The corporate exercise for private placement was completed on 3 November 2016. The Company raised total gross proceeds of RM14,904,178 from the private placement. The utilisation of proceeds as at 10 Oct 2017 is as follows:

	Proposed Utilisation RM'000	Actual utilised as at 10.10.17 RM'000	Balance to be utilised RM'000	Intended Timeframe For Utilisation
Repayment of bank loan	7,200	7,200	–	Within 3 months
Machinery/equipment	2,000	2,000	–	Within 12 months
Working capital	5,544	5,544	–	Within 12 months
Estimated expenses relating to the Corporate Exercise	160	160	–	Within 1 month from listing of Placement Shares
Total	14,904	14,904	–	

Corporate Social Responsibility

The Corporate Social Responsibility (CSR) objective of the Group is to balance the shareholders' value, welfare of employees, community and environment in which it operates. Towards this end, the Group continues to focus and strengthen CSR initiatives it has undertaken as follows:

Safety and Health

The Occupational Safety and Health Committee continue to monitor the safety and health procedures are appropriately adhered to by all employees. During the year, the Group hired an external company to conduct a 2-day course on **Forklift Safety & Certification**. The participants were taught safety at work place, introduction to Occupational Safety and Health Act 1994 and forklift safety like daily forklift truck inspection, understanding gears and operation controls, loading and unloading, operation safety and truck handling and steering controls. This will help ensure we have careful and competent forklift drivers.



Skill Development

The Group continues to upgrade its machinery. This has provided on-going personal improvement opportunities to our employees. The suppliers would organise and provide training to members of staff who have been selected to run the machines. Some staff were sent for external courses.

Environmental Management

The Group continues to monitor the discharge and 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.

The Group has also contracted with agents to collect for recycling waste paper and used plates it generates from the production.

Co-Published of Books with Universiti Teknologi Malaysia ("UTM")

As part of the contributions to the community, the Group co-published the following books:

1. Occupational Safety and Health Practices: The Way Forward;
2. Occupational Safety and Health Practices: Issues and Challenges;
3. Managing Risk in the Workplace;
4. Risk Management towards Safe Practices;
5. Aircraft Management from Engineering Safety Perspective;
6. Engineering Business and Management: Exploring Issues and Challenges;
7. Productivity and Quality in Engineering Business Management.

It is hope that the books will go towards ensuring there is a safe work environment for employees.

Staff Gathering and Lucky Draws

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

Charitable Deeds

During the year, the staff visited old folk's home to bring cheers to them!

The management would review the results of the above activities undertaken in relation to the Group's business and environmental conditions. The Group would improve its CSR activities and will introduce new initiatives progressively.



Statement of Risk Management and Internal Control

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" 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.

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

- 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.

The 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 is instituted by the Board to undertake this role. In conducting its review, the Audit Committee is assisted by the Internal Auditors who report to the Audit Committee on

the state of control of the selected key functions during the Audit Committee's quarterly meetings. As part of the review, the Audit Committee also received feedback from the External Auditors on the risk and control issues that came to their attention during the course of their statutory audit.

Areas for improvement identified by the Internal Auditors are deliberated by the Board and Audit Committee to ensure that appropriate actions are carried out by management in order to maintain the integrity of internal controls at reasonable level. During the financial year, none of the control weaknesses, as reported by Internal Auditors were material nor have resulted in any material losses, contingencies or uncertainties that would require mention in the Company's Annual Report. Management continues to take measures to strengthen the internal control environment progressively based on the recommendation proposed by the Internal Auditors.

In addition, management further supplements the Audit Committee review on control and risk assessment when presenting their quarterly financial performance and results to the Audit Committee. With the management consultation, the Audit Committee reviews and analyses the interim financial results in corroboration with management representations on operations and the performance of its subsidiaries as well as 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.

Key Elements of Internal Control

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.

Statement of Risk Management and Internal Control

- vi. Financial exposure arising from burglary, consequential loss and fire are covered by appropriate insurance policies.

Management Responsibilities and Assurance

In accordance to the Bursa's Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies implementing, 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.

- 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.

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

Review of Statement on Internal Control by External Auditors
Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the year ended 30 June 2017 and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes the Board has adopted in reviewing the adequacy and integrity of the systems of risk management and internal control of the Group.

Audit Committee Report

The Board of Directors of BHS Industries Berhad ("Board") is pleased to present the Audit Committee Report for the financial year ended 30 June 2017.

1. COMPOSITION OF AUDIT COMMITTEE

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

The Audit Committee composition is in line with Para 15.09 of Main Market Listing Requirement ("MMLR"). As at the date of this Annual Report, the Audit Committee comprises three (3) members who are wholly independent and non-executive directors and the Chairperson of the Audit Committee is a fellow member of the Malaysian Institute of Accountants.

Details of the members of the Audit Committee are contained in the Profile of Directors as set out on pages 12 to 15 of this Annual Report.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

Pursuant to Paragraph 9.25 of the MMLR of Bursa Malaysia Securities Berhad ("Bursa Securities"), the terms of reference of Audit Committee are published on the corporate website for shareholders' reference at <http://bhs.listedcompany.com/>.

During the year, these terms of reference were updated in accordance with the new amendment by Bursa Securities in the MMLR provision. This provision requires audit committee of the listed issuer to review and highlight significant matters to the Board which include financial reporting issues, significant judgment made by management, significant and unusual events or transaction as well as how these significant matters are being addressed.

3. AUDIT COMMITTEE MEETINGS ATTENDANCE

During the financial year, the Audit Committee conducted five (5) meetings and these meetings were attended by all members.

Name	Number of Meetings Attended	Percentage of Attendance (%)
Madam Chew Yuit Yoo	5 / 5	100
Madam Thiang Chew Lan	5 / 5	100
Dato' Dr. Koe Seng Kheng	5 / 5	100

4. SUMMARY OF WORK

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

4.1. Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

In discharging its duty with respect to this responsibility, the Audit Committee had during the financial year:

- (a) Reviewed the unaudited quarterly financial results, cash flows and financial positions for each financial quarter prior to submission to the Board's approval for announcement to the public by considering any significant transactions or changes in accounting that may impact the Group's financial position and performance; and

Audit Committee Report (con't)

- (b) Reviewed the annual audited financial statement, auditors' report and accounting issues arising from the audit of the financial year ended 30 June 2016 and discussed with Management and the External Auditors on the accounting principles and standards that were applied in the annual audited financial statements. As part of this review, the Audit Committee also 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 bases for the exercise of the judgement if arising from the audit.

4.2. Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence of External Auditors:

With respect to responsibility, the Audit Committee had:

- (a) Reviewed the External Auditors' Audit Progress Memorandum by inviting the Company's Auditors to join the Meeting to highlight significant audit observation;
- (b) Reviewed the External Auditors' audit strategy and audit approach via Audit Planning Memorandum;
- (c) Reviewed the progress of audit findings, reports and management comments on audit recommendations;
- (d) Conducted independent 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. This session was conducted to ensure critical issues are highlighted to the Audit Committee; and
- (e) Reviewed the performance, effectiveness and independence of the External Auditors and made recommendations to the Board on the appointment and remuneration of auditors.

4.3. Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:

The Audit Committee had carried out the following activities in discharging the above responsibility:

- (a) Reviewed and approved the 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;
- (b) Reviewed the impact of the audit findings and the recommendations for improvement highlighted in Internal Audit Report presented by the Internal Auditors;
- (c) 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
- (d) Discussed with the Internal Auditors on their examinations and evaluation on the systems of internal control of the Group.

4.4. Overseeing the Governance Practices in the Company:

Other than the above, the Audit Committee is also involved in reviewing the corporate governance practice of the Group. To this end, the Audit Committee had:

- (a) 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;
- (b) 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
- (c) Reported to the Board on matters addressed in the Audit Committee meetings.

Audit Committee Report (con't)

5. 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 Audit Committee.

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 Audit Committee in reviewing the systems of internal control and providing recommendations to strengthen these systems.

The Internal Auditors used risk-based approach and has organized its work in accordance 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 Audit Committee 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 Audit Committee. Prior to the presentation of report to the Audit Committee, comments from the management are obtained and incorporated into the internal audit findings and reports. The key areas reviewed by the Internal Auditors during the financial year were factory relocation and production controls. The Internal Auditors also conducted follow up audits on the past audit findings and assessed the status of management implementation of the action plans in order to ensure management responded to the audit findings appropriately.

The Internal Auditors had attended four (4) Audit Committee 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 RM55,467.

Directors' Report

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

Principal activities

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 to the financial statements.

Financial results

	Group RM	Company RM
Net loss for the financial year attributable to owners of the Company	<u>10,060,274</u>	<u>2,529,852</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

During the financial year, the Company increased its issued and paid up share capital from RM104,786,300 to RM114,591,680 by way of issuance of 39,221,519 new ordinary shares for cash pursuant to a private placement at an issue price of RM0.38 per ordinary share. The shares were issued for working capital purposes.

These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any 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 1.7.2016	Issued	Exercised	Expired	Balance at 30.6.2017
Number of unexercised warrants	198,290,398	–	–	–	198,290,398

Treasury shares

During the financial year, the Company repurchased 10,000 treasury shares for a total cash consideration of RM4,146 from the open market.

As at 30 June 2017, the Company held a total of 26,940,000 treasury shares of its 458,366,718 issued ordinary shares. The treasury shares are held at a carrying amount of RM14,272,720. 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 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

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 1.7.2016	Bought	Sold	Balance as at 30.6.2017
In the Company				
Direct interest				
Dato' Lim Thiam Huat	79,075,998	–	–	79,075,998
Dato' Dr. Koe Seng Kheng	6,250,602	–	–	6,250,602
Koo Thiam Yoong	5,570,368	–	–	5,570,368
Thiang Chew Lan	554,805	–	–	554,805
Datuk Lee Hwa Cheng	4,177,776	–	–	4,177,776
Indirect interest				
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

Directors' Report (con't)

Number of warrants over ordinary shares				
	Balance as at 1.7.2016	Bought	Sold	Balance as at 30.6.2017
In the Company				
Direct interest				
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
Indirect interest				
Thiang Chew Lan	140,092	–	–	140,092
Chew Yuit Yoo	130,624	–	–	130,624

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

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	253,680
Remuneration other than fees	842,613
Estimated money value of benefits other than in cash	<u>46,300</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
- 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:

- 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;
- which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- 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:

- 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 RM135,200 for the Group and RM37,000 for the Company.

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

DATO' LIM THIAM HUAT

KOO THIAM YOONG

Kuala Lumpur
Dated: 16 October 2017

Statement by Directors

The directors of 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 2017, and of their financial performance and their cash flows for the year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

DATO' LIM THIAM HUAT
Kuala Lumpur
Dated: 16 October 2017

KOO THIAM YOONG

Statutory Declaration

I, KOO THIAM YEN, being the officer primarily responsible for the financial management of 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)
16 October 2017)

KOO THIAM YEN

Before me,

COMMISSIONER FOR OATHS

Report of the Independent Auditors

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

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 2017, 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 2017, 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.

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, customer's correspondence and repayment plan 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

The books and magazines printing business undertaken by a subsidiary, BHS Book Printing Sdn Bhd ("BPP") has incurred a gross loss during the year. The decline in printing business has resulted in lower printing production output,