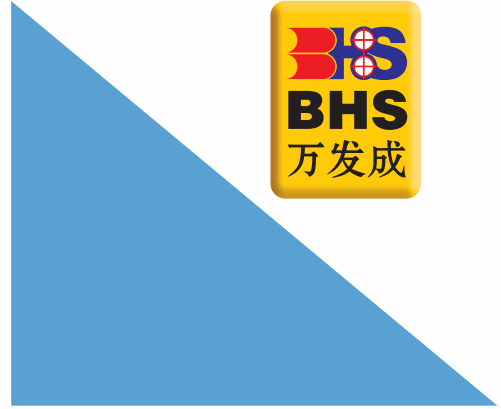


Quality • Efficiency • Delivery



ANNUAL REPORT 2016



(719660-W)

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Notice of 11th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 11th 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, 20 December 2016 at 10.00 a.m.**

to transact the following businesses:-



AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 and the Reports of Directors and Auditors thereon.
(Please refer Note 8)
2. To approve the increase of Directors' Fees. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire by rotation in accordance with the Company's Articles of Association:-
 - (i) Datuk Lawrence Yeo Chua Poh (Article 91) **Ordinary Resolution 2**
 - (ii) Dato' Sohaimi bin Shahadan (Article 84) **Ordinary Resolution 3**
 - (iii) Mr Koo Thiam Yoong (Article 84) **Ordinary Resolution 4**
4. To appoint Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 5**
5. As Special Business to consider and if thought fit, to pass the following Resolutions, with or without modifications:-

ORDINARY RESOLUTION I - AUTHORITY TO ISSUE SHARES

"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to allot and issue 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 issued share capital of the Company for the time being."

Ordinary Resolution 6

ORDINARY RESOLUTION II - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

"THAT subject to the Companies Act, 1965 ("Act"), provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, and other relevant approvals, the Directors of the Company be and are hereby authorised to purchase

Ordinary Resolution 7

the Company's ordinary shares of RM0.25 each ("**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 issued and paid-up ordinary share capital 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 and share premium accounts 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 following the AGM at which this resolution was passed, at which time the authority shall lapse, unless the authority is renewed by an ordinary resolution passed at the next AGM; or
 - (ii) the expiry of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders in a 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:-
 - (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; or
 - (iv) distribute the Treasury Shares as dividends to shareholders; or
 - (v) resell the Treasury Shares on Bursa Securities in accordance with the relevant rules of Bursa Securities.

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."

6. PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

“THAT Madam Chew Yuit Yoo be and is hereby retained as an Independent Non-Executive Director of the Company and she shall continue to act as Senior Independent Non-Executive Director notwithstanding that she has been on the Board of the Company for a cumulative term of more than nine (9) years.”

Ordinary Resolution 8

7. 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

28 October 2016

Notes to the Notice of 11th Annual General Meeting:

1. Only depositors whose names appear in the Record of Depositors as at 13 December 2016 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
2. 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. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. 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.
4. 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.
5. 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.
6. 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.

7. 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.
8. The Audited Financial Statements for the financial year ended 30 June 2016 are laid before the shareholders pursuant to the provisions of Section 169(1) and (3) of the Companies Act, 1965 for discussion purpose only. It does not require members' approval thus will not be put forward for voting by members.

9. **Explanatory Notes on Special Business:-**

Resolution No. 6 – Authority to Issue Shares

The Proposed Ordinary Resolution No. 6, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company (“**Renewed General Mandate**”). The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The Renewed General Mandate 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 and/or acquisitions.

As at the date of this Notice, 22,955,063 ordinary shares of RM0.25 each (“**Shares**”) in the Company were allotted and issued on 7 October 2016 at an issue price of RM0.38 per share pursuant to the authority granted to the Directors at the 10th Annual General Meeting held on 18 December 2015, which will lapse at the conclusion of the 11th Annual General Meeting. The said Shares were allotted and issued in relation to the first tranche of the Private Placement exercise undertaken by the Company which raised a total proceeds of about RM8.72 million. As at the date of this Notice, RM2.94 million of the proceeds raised had been utilised for repayment of bank borrowing while the remaining RM5.78 million is allocated for working capital and payment of the expenses relating to the Private Placement exercise, of which RM76,000 had been utilised.

Resolution No. 7 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution No. 7 if passed, will empower the Directors of the Company to continue to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained earnings and share premium account 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 28 October 2016 which is despatched together with Company's Annual Report 2016.

Resolution No. 8 – Proposed Retention of Independent Non-Executive Director

The Ordinary Resolution 8 is proposed pursuant to Recommendation of the Malaysian Code of Corporate Governance 2012 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 2016 Annual Report.

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 COMMITTEE

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

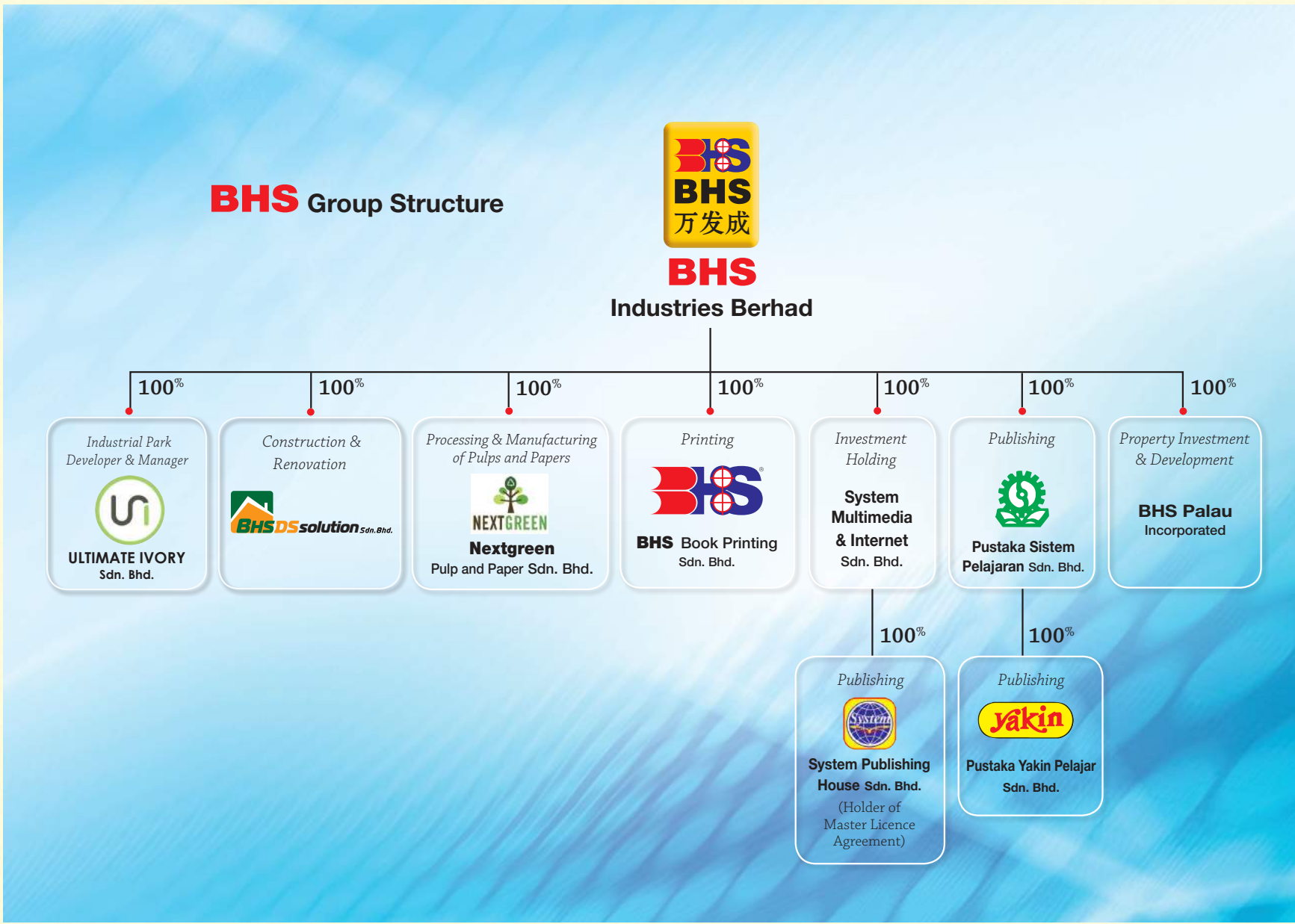
Russell Bedford LC & Company
Chartered Accountants
10th Floor, Bangunan Yee Seng
15, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone No : (03) 2031 8223
Facsimile No : (03) 2031 4223

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock code: 7241

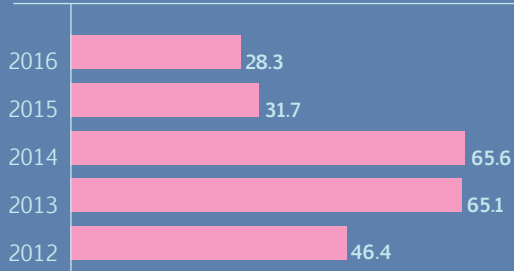
Corporate Structure

as at 30 June 2016

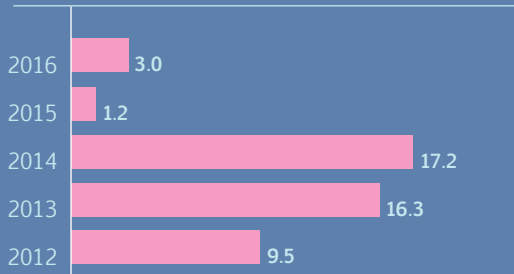


Financial Highlights

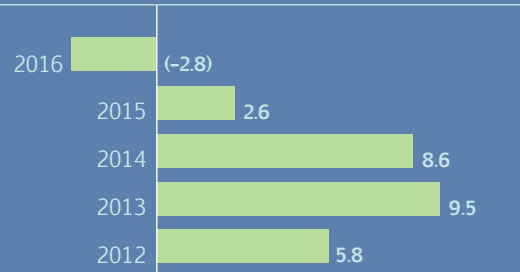
GROUP REVENUE (RM million)



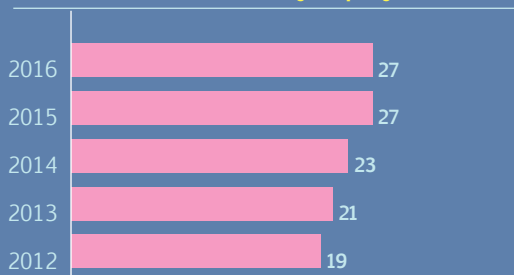
GROSS PROFIT (RM million)



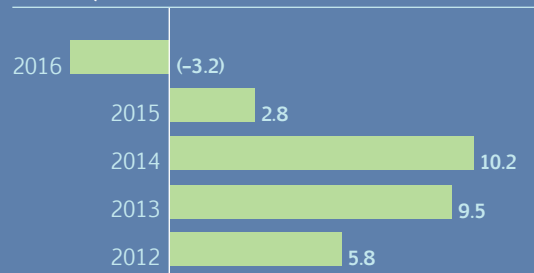
(LOSS)/PROFIT BEFORE TAX (RM million)



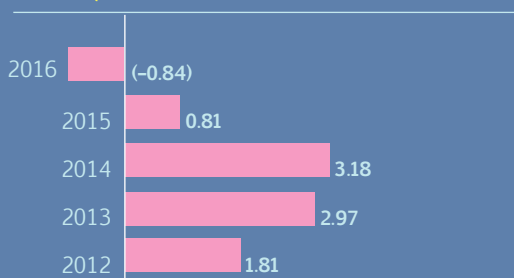
NET ASSETS PER SHARE (Sen) attributable to Ordinary Equity Holders



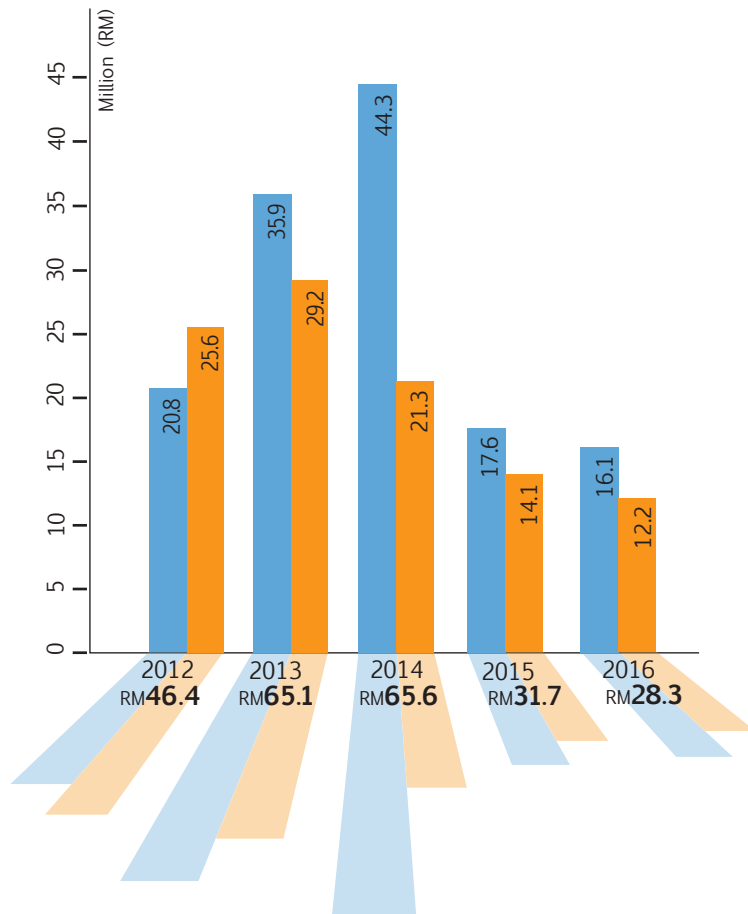
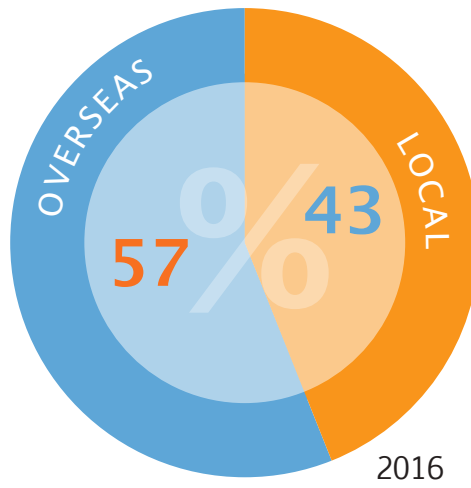
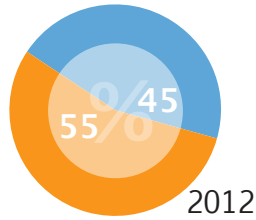
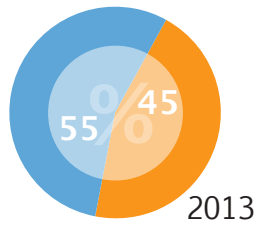
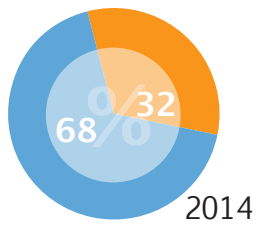
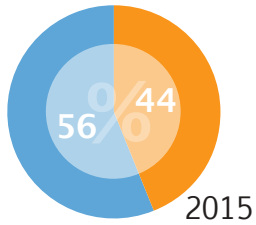
(LOSS)/PROFIT AFTER TAX (RM million)



(LOSS)/EARNINGS PER SHARE (Sen)



Revenue Analysis by location



Board of Directors & Profiles

Directors



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

Dato' Sohaimi Bin Shahadan, Male, Malaysian, aged 47, 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.

Currently Dato' Sohaimi is the Independent Non-Executive Chairman for Eka Noodles Berhad, a public listed company engaged in rice and vermicelli business. He is also a Non-Independent Non-Executive Chairman of PDZ Holdings Berhad, a public listed company.

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' 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, the Chairman of PERDASAMA MUDA Malaysia before appointed as Vice President of PERDASAMA, the Committee Member of Selangor Malay Chamber of Commerce Malaysia (DPMM), 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' 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.

Board of Directors & Profiles

Directors



Dato' Lim Thiam Huat Managing Director

Aged 52, 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



Koo Thiam Yoong Executive Director

Aged 63, 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.



Datuk Lawrence Yeo Chua Poh Executive Director

Aged 52, 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.



Datuk Lee Hwa Cheng Executive Director

Aged 55, 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 to set up Zhonghe Huaxing Development (M) Sdn Bhd as the Executive Chairman. On 15 December 2014, Datuk Lee was appointed as an Executive Director of Stone Master Corporation Bhd.

Board of Directors & Profiles

Directors



Chew Yuit Yoo Senior Independent Non-Executive Director

Aged 57, 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.



Thiang Chew Lan Independent Non-Executive Director

Aged 64, 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 was merged with Public Bank in 2001, she had experiences in taking charged of the ATM/Safe Deposit Box and as a Frontline officer. Over the years, she had accumulated more than 36 years 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.



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

Aged 45, 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 60, 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 carrier in Chelepis & Co, London in 1982 as an Accounts and Audit Clerk. He then joined Bright Gramhamme 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.

Aged 67, 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 Sambantham
Senior Sales Manager



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

Age 52, Female, Malaysian, is the **Personal Assistant** to one of our Executive Directors. 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 Managing Director. She assisted the 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.

Age 50, 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 a 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

Vivian Yat
Senior Manager

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 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.



Notes:

- 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.
- 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.
- None of the above personnel has any conflict of interest with the Company.

Chairman's Statement



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

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of BHS INDUSTRIES BERHAD and its subsidiary companies for the financial year ended 30 June 2016.

Financial Performance

The depressed oil prices and a strong US currency have continued to affect our export markets in 2016. The sales were affected in the first three quarters. For the last quarter, sales picked up to about RM10.5 million. On a year basis, the revenue dropped from RM31.7 million in 2015 to RM28.3 million in 2016, a drop of RM3.4 million. The lower revenue did not match the higher fixed costs and thus it incurred an after tax loss of RM1.5 million in the year. The issuance expenses of RM910,000 arising from the rights issue in the year were charged to Profit and Loss Account as an expense. In addition, the pre-operating expenses of RM750,000 of the new business activities had also been incurred and charged to Profit and Loss Account. These had contributed to the Loss After Tax of RM3.2 million compared with Profit After Tax of RM2.8 million in 2015.

Outlook

Under the prevailing economic condition, the business of printing is challenging. The ability to control the costs of production becomes paramount. As cost of paper forms more than 50% of the entire production costs and therefore it is essential for a company to be able to source cheaper paper for its production. In this respect, the Group has embarked on a diversification in the year to produce cheaper paper using Green Technology to turn empty fruit bunches into pulp and paper. However, there is a gestation period for the production to come on stream. It is expected that in the later part of the first half of 2017 we would be able to use our own paper in the printing.

For all these years, the Company was renting industrial lots from its previous majority shareholder through his private company. It missed out an opportunity to ride on the recent appreciation in prices of the properties. Therefore in December 2014, the Company bought a leasehold factory for RM15.6 million. The purchase has enabled the Company to plan its production facility and work flow more efficiently. In addition, the Company also invested about RM7 million in purchasing a printing machine and a binding machine in the year. The acquisition helps the Company to stay more competitive in bringing the printing costs lower as the newer machine is more cost efficient. With the realignment of the production facility and training of the staff in the operation of the new machine, the Company will be able to take advantage of the economy when it recovers.

Appreciation

On behalf of the Board, I would like to thank all our valued customers, suppliers, business associates and especially the shareholders for their continuous support and confidence in BHS through this challenging period. I would also like to express my sincere appreciation to all the management and staff and to all the Board members for their support and dedication.

Dato' Sohaimi Bin Shahadan
Chairman
20 October 2016

Statement on Corporate Governance

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 (“Code”) during the financial year ended 30 June 2016.

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”) on 28 August 2013 and reviewed it 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 www.bhs.my

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 www.bhs.my

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 ethical standards through a code of conduct which are spelled out in the Charter.

Also, the Board has adopted a Whistleblowing Policy to facilitate feedback and to monitor its compliance. Among others, these code and policy address:

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

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.

Statement on Corporate Governance

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 www.bhs.my

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.

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 two (2) meetings. At these meetings, the Nominating Committee:

- Deliberated the performance of the Board and contribution of each individual director;
- 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;
- Reviewed and recommended to the Board for re-election of retiring directors at annual general meeting; and
- Reviewed and proposed to the Board for the appointment of two (2) new directors, i.e. Datuk Lee Hwa Cheng and Datuk Lawrence Yeo Chua Poh.

Appointment to the Board and Gender Diversity Policy

The Board does not set specific criteria for assessment and selection of director candidate. However, consideration would be taken on the need to meet the regulatory requirements such as Companies Act, 1965 and the Bursa Malaysia Securities Berhad Listing Requirements ("Listing Requirements") and other criteria such as:

- Age
- Industrial experience, skillsets and knowledge
- Academic qualification

Statement on Corporate Governance

- 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 Code emphasise 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.

There were two (2) new appointments to the Board during the financial year. The Nominating Committee had assisted the Board in reviewing the candidates in terms of the candidates' skill, knowledge, expertise and experience before recommending these candidates to the Board for decision.

Although the Company does not have a formal gender diversity policy, 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 Articles of Association 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 Articles of Association, 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.

At general meeting of the Company, the election of each Director is to be voted separately unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it as provided in Section 126(1) of the Companies Act, 1965.

Further, pursuant to Section 129(6) of the Companies Act, 1965, Directors who over the age of 70 may, by a resolution (passed by a majority of not less than three-fourth (3/4) of such members of the Company) of which no shorter notice than the required to be given to the members of the Company of an annual general meeting has been duly given, be appointed or re-appointed as a Director of the Company to hold office until the conclusion of the next annual general meeting.

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.

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 evaluation sheets for Individual Director Self/Peer Evaluation and Board Evaluation to complete. In addition, 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



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are submitted to the Chairperson for tabling to the Nominating Committee for review in due course.

During the financial year, an annual assessment exercised had been carried out by the 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".

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

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.

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.

Other benefits of Executive Directors

: 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.

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.

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 2016, two (2) 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 Executive Directors and/or other persons of the Group as the Remuneration Committee is designated to consider as and when necessary.

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



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

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	-	-	713,561	21,380	734,941
Non-Executive Directors	228,000	27,000	4,590	-	259,590

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

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.

Statement on Corporate Governance

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.

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

Recommendation 3.2 of the Code recommends that the tenure of an independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent Director may continue to serve on the Board subject to the re-designation of the Independent Director as a Non-Independent Director.

Recommendation 3.3 of the Code also recommends that the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

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 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 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.

The Independent Director of the Company who will served for a cumulative period of nine (9) years after the 11th Annual General Meeting ("11th AGM") is Madam Chew Yuit Yoo ("**Madam Chew**").

The Board has decided to retain Madam Choo as Independent Director notwithstanding her service for a cumulative period of nine (9) years after the 11th AGM as Independent Director after assessment and recommendation by the Nominating Committee.

Nevertheless, in line with the Recommendation 3.3 of the Code, the Board will seek approval from the shareholders of the Company at the forthcoming 11th AGM to support the Board's decision to retain Madam Choo as Independent Director based on the following justifications:

- (a) She has fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements and thus she would be able to bring an element of objectivity to the Board;
- (b) She has continued to exercise her independent judgement and act in the best interest of the Company and shareholders during her tenure of service;
- (c) She has shown great integrity and independence, and had not entered into any related party transactions with the Group; and
- (d) The Board holds the view that a Director's independence cannot be determined with reference to a set period of time alone and at the same time believes that the Group will benefit from long serving director who has proven commitment and experience.

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 2016. 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.



Statement on Corporate Governance

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 2016, 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 (Appointed on 10 September 2015)</i>	3 out of 4	■
Datuk Lawrence Yeo Chua Poh, <i>Executive Director (Appointed on 10 March 2016)</i>	0 out of 1	
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:

Director	Training Attended	Date	Duration
Dato' Sohaimi Bin Shahadan	Visit Frankfurt Book Fair, Germany	18 Oct 2015	1 Day
Dato' Lim Thiam Huat	Visit Heidelberg Factory – Wiesloch – Walldirt, Germany	19 Apr 2016	1 Day
	Paper Expo China 2016, Guangzhou	20 May 2016	1 Day
	Drupa Trade Fair 2016, Germany	06 Jun 2016	1 Day
Mr. Koo Thiam Yoong	World Book Fair 2016, New Delhi	12 Jan 2016	1 Day
	Drupa Trade Fair 2016, Germany	06 Jun 2016	1 Day
Datuk Lee Hwa Cheng	Paper Expo China 2016, Guangzhou	20 May 2016	1 Day
Datuk Lawrence Yeo Chua Poh	Mandatory Accreditation Programme for Director of Public Listed Companies	13-14 Jul 2016	2 Days

Statement on Corporate Governance

Director	Training Attended	Date	Duration
Madam Chew Yuit Yoo	Complexity & Its Impact On Investment Banking	02 Apr 2016	1 Day
	Philip Capital 7th Annual Investment Conference 2016	18 Jun 2016	1 Day
Madam Thiang Chew Lan	Improving Board Risk Oversight Effectiveness	26 Feb 2016	Half Day
Dato' Dr. Koe Seng Kheng	Improving Board Risk Oversight Effectiveness	26 Feb 2016	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 are 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.

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, 1965 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 2016, 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.

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 them to the shareholders for re-appointment 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.

Statement on Corporate Governance

Assessment of Suitability and Independence of External Auditors

The Audit Committee at its meeting held on 26 October 2015 undertook annual assessment of the suitability and independence of external auditors before recommendation is made to the Board for re-appointment of the external auditors at the annual general meeting of the Company. In its assessment, the Audit Committee considered several factors, which included competence and quality of work, the external auditors' independence and the costing.

Being satisfied with Russell Bedford LC & Company's performance and audit independence, the Audit Committee recommended the appointment of Russell Bedford LC & Company as external auditors for the financial year ended 30 June 2016.

The Board at its meeting held on 26 October 2015 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 10th Annual General Meeting of the Company. The shareholders had at the 10th Annual General Meeting held on 18 December 2015 re-appointed Russell Bedford LC & Company as the Auditors of the Company.

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 an 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 www.bhs.my 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 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.

Statement on Corporate Governance

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. Effective 1 July 2016, poll voting is mandated for any resolution set out in the notice of general meetings or notice of resolutions and its related amendments.

Shareholders' right relating to general meeting is also published on the Company's website at www.bhs.my

COMPLIANCE WITH THE CODE

This Statement is made in compliance with relevant provisions in the Listing Requirements.

The Board strives to ensure that the Company complies with the Principles and Best Practices of the Code. The Board will endeavor to improve and enhance the procedures from time to time.

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 utilisation of proceeds as at 21 October 2016 was as follows:

	Proposed Utilisation (RM'000)	Balance Actual Utilisation (RM'000)	Intended to be Utilised (RM'000)	Timeframe for Utilisation (RM'000)
Acquisition of land	7,000	4,728	2,272	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	910	90	Immediate
	41,641	33,042	8,599	

(2) Private Placement

The Company raised a total gross proceeds of RM8,722,924 from the first tranche of its Private Placement exercise with the allotment and issuance of 22,955,063 ordinary shares of RM0.25 each at an issue price of RM0.38 on 7 October 2016. As at 21 October 2016, RM2.94 million of the proceeds raised had been utilised for repayment of bank borrowing while the remaining RM5.78 million is allocated for working capital and payment of the expenses relating to the Private Placement exercise, of which RM76,000 had been utilised.

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 external auditors for the financial year ended 30 June 2016 amounted to RM96,100 of which RM30,000 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 2016 amounted to RM55,000. 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.



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.

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 are 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 plated it generates from the production.

In addition, the Company has diversified its business activity to manufacture pulp and paper by using the Green Technology to turn empty fruit bunches into pulp and paper. This helps solve the problems of waste being dumped at landfill and at the same time the waste so used reduces the needs for cutting down trees to make pulp and paper.

Charitable Donation

During the year, the Group made donations and sponsorships to various organisations.

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 on Risk Management & Internal Control

This Statement of Risk Management and Internal Control are 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 support and 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 the management. The Executive Directors and management are accountable to the Board for identifying, evaluating, monitoring and reporting of risks and internal control; taking appropriate and timely corrective actions as needed; and providing assurance to the board that the processes have been carried out to manage risks. These processes are embedded and 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 Review Mechanism

In order to ensure the objectivity of the review of the systems of internal control and risk management 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 quarterly on the state of control of the selected key functions. Additionally, the Audit Committee obtains feedback from the External Auditors on the risk and control issues highlighted by them in the course of their statutory audit.

Areas for improvement identified by the auditors have been deliberated by the Board and Audit Committee to ensure that the integrity of internal controls are maintained at reasonable level. None of the control weaknesses, as reported by 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 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 for monthly monitoring and tracking of performance; and
- v. Provision of on-job training to employees in order to strengthen our controls on the business competitiveness and capability of our organisation.

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.



Statement on Risk Management & Internal Control

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

Board Assurance and Limitation

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

- Periodic review of financial information covering financial performance, quarterly financial results and key business indicators;
- Audit Committee's review and consultation with the management on the integrity of the financial results, annual report and audited financial statements;
- Audit findings and reports on the review of the systems of internal control from the Internal Auditors; and
- Management assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

For the financial year under review, the Board is satisfied that the existing level of systems of risk

management and internal control are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses.

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

Review of Statement on 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 2016 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 2016.

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)*

2. Terms of Reference of Audit Committee

The terms of reference of the Audit Committee remain unchanged. Pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, these terms of reference are published on the corporate website (www.bhs.my) for shareholders’ reference.

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 of The Audit Committee

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

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

- (a) Reviewed the quarterly financial results, cash flows and financial positions for each financial quarter prior to submission to the Board for consideration and approval for announcement to the public; and
- (b) Reviewed the annual audited financial statement, auditors’ report and accounting issues arising from the audit of the financial year ended 30 June 2015.

Audit Committee Report

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

- (c) Reviewed the External Auditors' planning memorandum;
- (d) Conducted independent meeting session with the External Auditors without the presence of executive board members and management personnel;
- (e) Reviewed the progress of audit findings, reports and management comments on audit recommendations; and
- (f) Reviewed the performance, effectiveness and independence of the External Auditors and made recommendations to the Board on the appointment and remuneration of auditors.

Overseeing the Governance Practices in the Company:

- (g) Reviewed the corporate governance statement, audit committee report, statement on risk management and internal control and corporate social responsibilities prior to submission to the Board for consideration and approval for inclusion in the annual report;
- (h) Reviewed the quarterly status of recurrent related party transactions;
- (i) Reported to the Board on matters addressed at the Audit Committee meetings.

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:

- (j) Reviewed and approved the internal audit plan;
- (k) Reviewed the internal audit reports and audit status of the Group presented by the Internal Auditors; and
- (l) Discussed with the Internal Auditors on their examinations and evaluation on the systems of internal control of the Group.

5. Internal Audit Function

The Main Market Listing Requirements 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 an internal audit services company. 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.

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 reviews conducted by the Internal Auditors during the financial year are as follows:-

- Credit Control and Collection
- Payroll, Claims & Disbursements
- Follow-up Audit

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 RM52,824 (2015: RM46,398)