



YOONG ONN Corporation Berhad

(814138-K)

Exceptional-Quality
Home Linen For Homes Across The World.

ANNUAL REPORT
2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Kamaludin Bin Yusoff

Independent Non-Executive Chairman

Chew Hon Foong

*Managing Director and
Group Chief Executive Officer*

Chew Hon Keong

*Executive Director and
Group Chief Operating Officer*

Datuk Hairuddin Bin Mohamed

Independent Non-Executive Director

Yeoh Chong Keng

Independent Non-Executive Director

Lee Kim Seng

Independent Non-Executive Director

AUDIT COMMITTEE

Lee Kim Seng (Chairman)

Yeoh Chong Keng

Datuk Hairuddin Bin Mohamed

NOMINATION COMMITTEE

Yeoh Chong Keng (Chairman)

Datuk Hairuddin Bin Mohamed

Lee Kim Seng

REMUNERATION COMMITTEE

Yeoh Chong Keng (Chairman)

Datuk Kamaludin Bin Yusoff

Chew Hon Foong

COMPANY SECRETARY

Dato' Tang Swee Guan (MIA 5393)

REGISTERED OFFICE

Suite 13A.01(A) Level 13A

Wisma Goldhill

67 Jalan Raja Chulan

50200 Kuala Lumpur

Tel: (603) 2032 2895

Fax: (603) 2032 2893

HEAD OFFICE

Lot No. PT 16690-16692

Jalan Permata 2

Arab-Malaysian Industrial Park

71800 Nilai

Negeri Sembilan Darul Khusus

Tel: (606) 799 6012

Fax: (606) 799 7015

Website: www.yoongonn.com

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya, Selangor

Tel: (603) 7841 8000

Fax: (603) 7841 8008

PRINCIPAL BANKERS

AmBank (M) Berhad

Hong Leong Bank Berhad

United Overseas Bank (Malaysia) Bhd

AUDITORS

HLB Ler Lum (AF 0276)

A Member of HLB International

SOLICITORS

Iza Ng Yeoh & Kit

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad

Sector: Consumer Products

Stock Name: YOGB

Stock Code: 5159

INVESTOR RELATIONS

info@yoongonn.com

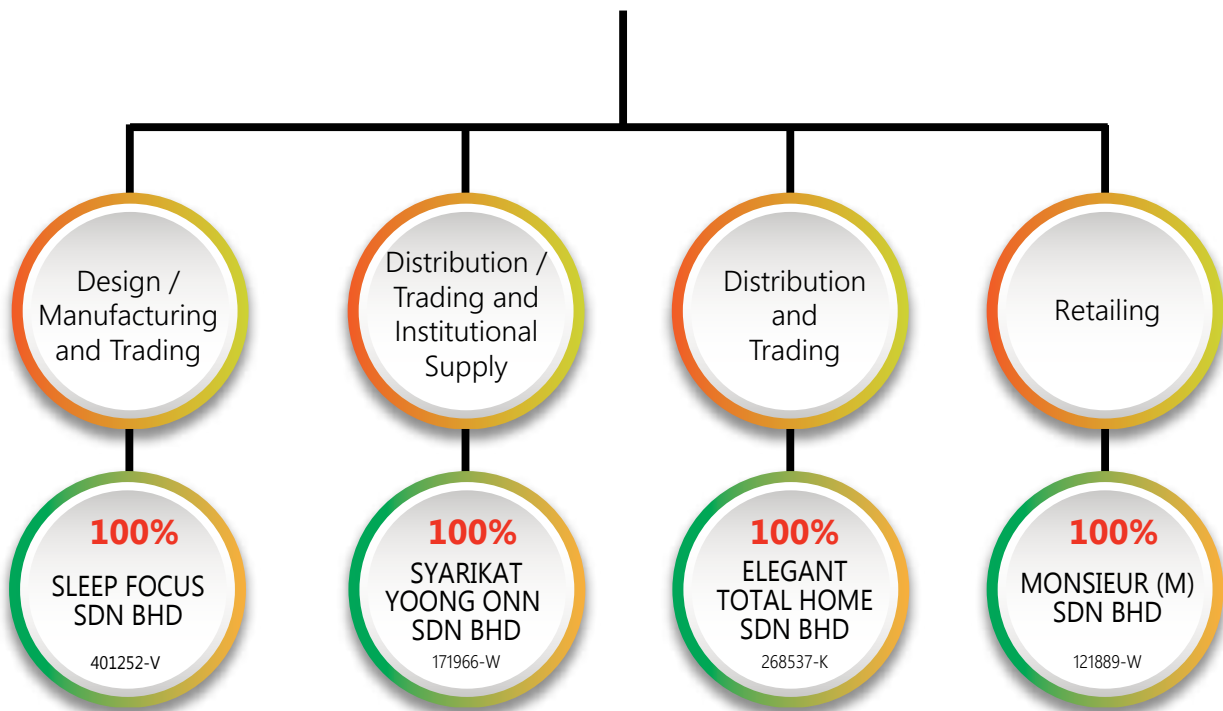
Tel: (603) 9172 5012

Fax: (603) 9173 6715



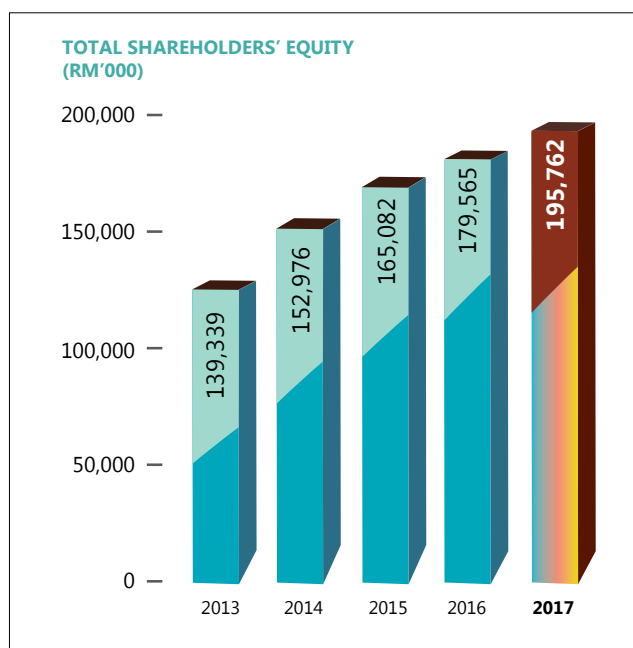
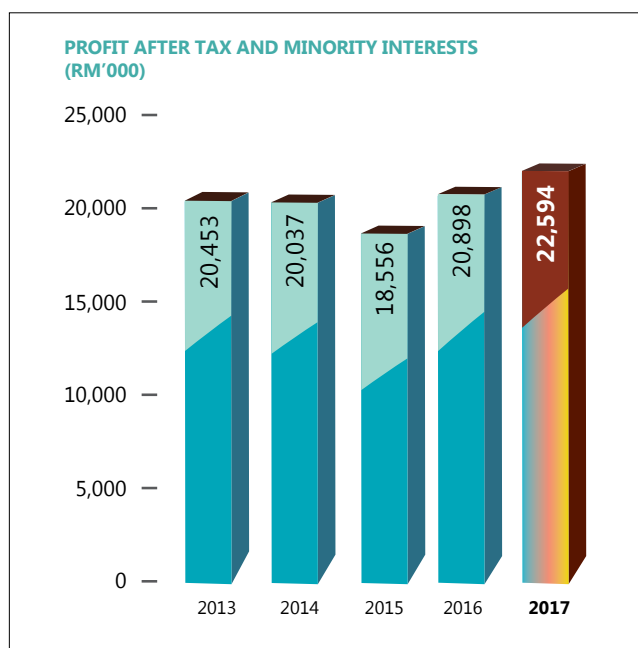
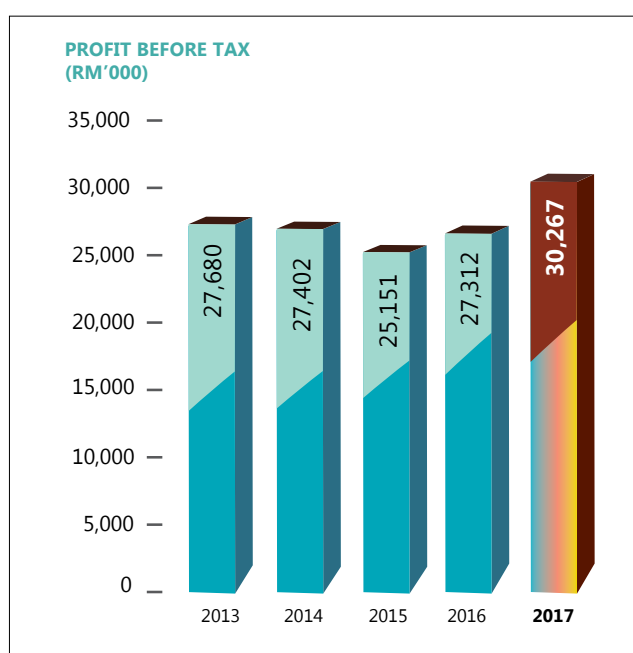
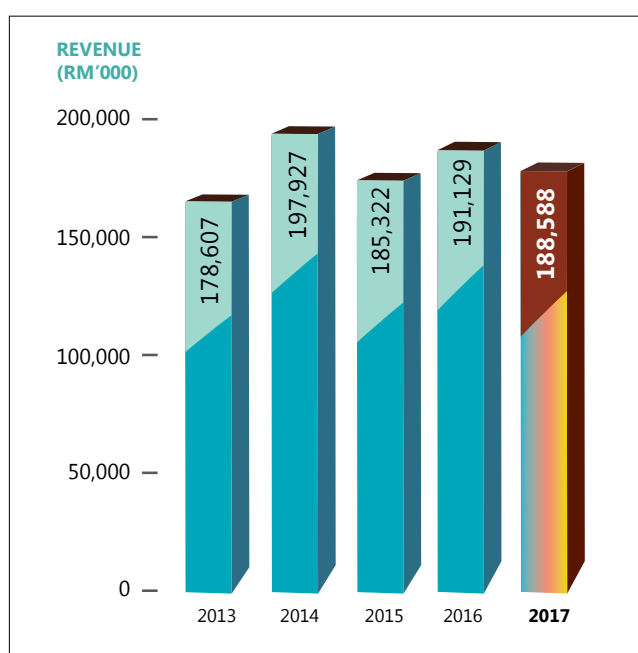
YOONG ONN Corporation Berhad

(814138-K)



FINANCIAL HIGHLIGHTS

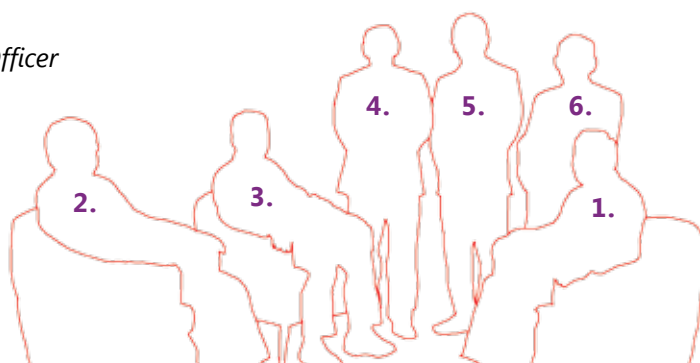
	2013	2014	2015	2016	2017
Revenue (RM'000)	178,607	197,927	185,322	191,129	188,588
Profit Before Tax (RM'000)	27,680	27,402	25,151	27,312	30,267
Profit After Tax and Minority Interests (RM'000)	20,453	20,037	18,556	20,898	22,594
Total Shareholders' Equity (RM'000)	139,339	152,976	165,082	179,565	195,762





BOARD OF DIRECTORS

- DATUK KAMALUDIN BIN YUSOFF**
Independent Non-Executive Chairman
- CHEW HON FOONG**
Managing Director and Group Chief Executive Officer
- CHEW HON KEONG**
Executive Director and Group Chief Operating Officer
- DATUK HAIRUDDIN BIN MOHAMED**
Independent Non-Executive Director
- YEOH CHONG KENG**
Independent Non-Executive Director
- LEE KIM SENG**
Independent Non-Executive Director



PROFILE OF DIRECTORS

DATUK KAMALUDIN BIN YUSOFF

Independent Non-Executive Chairman, Malaysian

Datuk Kamaludin Bin Yusoff, aged 69, was appointed to the Board of Yoong Onn Corporation Berhad on 28 September 2009. He is also a member of the Remuneration Committee of the Company.

He holds BA (Honours) from University Malaya in 1974. Datuk Kamaludin started his career in 1974 as an Administrative and Diplomatic Officer in the public sector and subsequently, he held various distinguished positions in the Ministry of Finance, Ministry of Defence, Road Transport Department and Ministry of Entrepreneur Development. In appreciation to his services, Datuk Kamaludin has been awarded with various accolades. In 2000, he was awarded the Bintang Panglima Gemilang Darjah Kinabalu (P.G.D.K) which carries the title "Datuk".

Datuk Kamaludin also sits on several boards in the corporate sector. From 2004 to 2007, he was the Chief Operating Officer of Fomema Sdn Bhd. He is currently the Chairman of Johore Tin Berhad, Executive Vice Chairman of Loh & Loh Constructions Sdn Bhd (a subsidiary company of Loh & Loh Corporation Berhad) and also holds directorship in other private limited companies.

CHEW HON FOONG

Managing Director and Group Chief Executive Officer, Malaysian

Chew Hon Foong, aged 58, was appointed to the Board of Yoong Onn Corporation Berhad on 17 April 2008. He is also a member of the Remuneration Committee of the Company.

As the co-founder, he has more than thirty (30) years of experience in the home linen industry. He has been instrumental in the development, growth and success of the Yoong Onn Corporation Berhad Group during his tenure with the Group.

He started his career in 1979 when he joined Yoon On, a partnership company, which is involved in trading and retailing of textiles and home linen. With his strong business acumen, he was involved in developing and creating own brands of bed linen which was marketed under the names Diana and Novelle in 1982.

In 1988, together with his brother, Chew Hon Keong, he established Syarikat Yoong Onn Sdn Bhd and took over the entire business of the partnership company, Yoon On. His main intention is to expand the business to include international trades. Besides overseeing the Group activities, he is actively involved in creating fabric designs for both the mass and niche markets. He has extensive experience in the development and creation of home linen designs and he is currently heading the Group's in-house design team. He is mainly responsible for the overall operations of the Group with emphasis on strategic business planning and promoting brand equity of products.

He does not have any other directorships of public companies.

CHEW HON KEONG

Executive Director and Group Chief Operating Officer, Malaysian

Chew Hon Keong, aged 57, is the co-founder and was appointed to the Board of Yoong Onn Corporation Berhad on 17 April 2008.

He has more than thirty (30) years of experience in the home linen industry. His career started in 1979 when he joined Yoon On, a partnership, which is involved in trading and retailing of textiles and home linen. He also assisted in establishing Syarikat Yoong Onn Sdn Bhd in 1988.

As the other partner of Yoon On, he was also involved in many aspects of the business in textiles and home linen, which includes technical specification in fabrics. His capability has enabled the Company to develop new range of product to cater for different markets and industries.

With an in-depth knowledge in the production processes, he together with his brother, Chew Hon Foong were involved in the establishment of Sleep Focus Sdn Bhd in 1996 and the construction of Nilai manufacturing plant for the Group's manufacturing operations. He is primarily responsible in overseeing the overall management and strategic business development of the Group with emphasis on product development and product research.

He does not have any other directorships of public companies.

DATUK HAIRUDDIN BIN MOHAMED

Independent Non-Executive Director, Malaysian

Datuk Hairuddin Bin Mohamed, aged 67, was appointed to the Board of Yoong Onn Corporation Berhad on 28 September 2009. He is also a member of the Audit Committee and Nomination Committee of the Company.

Datuk Hairuddin obtained his Bachelor in Social Science (Honours) from Universiti Sains Malaysia in 1980. He joined the Royal Malaysian Police Force in 1970. He was since promoted to various senior positions. He was appointed the Director of Commercial Crime Department in Royal Malaysia Police in 2005, a position he held until his retirement in 2006. During his tenure as Head of Commercial Crime Department, he was appointed to be a member of the High Powered Corporate Governance Committee to oversee all government-linked companies in the country. He has wide experience in fraud detection and commercial crime investigation.

He does not have any other directorships of public companies

YEOH CHONG KENG

Independent Non-Executive Director, Malaysian

Yeoh Chong Keng, aged 65, is a lawyer by profession and was appointed to the Board of Yoong Onn Corporation Berhad on 28 September 2009. He also serves as the Chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee of the Company.

He was admitted in 1980 as an Utter Barrister, Lincoln's Inn, Bar of England and Wales. He was admitted as an Advocate & Solicitor of the High Court of Malaya in 1981. Prior to studying law, he served as a senior officer in the Royal Malaysia Police Force.

Since 1992, he has been the Managing Partner of a legal firm in Kuala Lumpur. He has represented several large corporations both within and without Malaysia. Apart from that, he has also acted as counsel for the Government of Hong Kong in several cases. He has sat on the board of directors, audit, remuneration, nomination and risk committees of a number of public listed companies and foreign owned companies in Malaysia.

He retired as an independent director of The Store Corporation Berhad in March 2017 after having served 17 years on the board. Currently, he is an independent director in Tokio Marine Insurans (Malaysia) Berhad and chairs the Risk Management and Compliance Committee and the Nomination Committee in addition to being a member of the Audit and Remuneration Committee.

He does not have any other directorships of public listed companies

PROFILE OF DIRECTORS (CONT'D)

LEE KIM SENG

Independent Non-Executive Director, Malaysian

Lee Kim Seng, aged 71, was appointed to the Board of Yoong Onn Corporation Berhad on 28 September 2009. He also serves as the Chairman of the Audit Committee and a member of the Nominee Committee of the Company.

He is a member of the Malaysian Institute of Accountants and was previously a member of the Institute of Chartered Accountants in England and Wales.

He has more than thirty (30) years of relevant working experience in the various services encompassing upstream and downstream industries. He joined Harrison's & Crosfield (Sabah) Sdn. Bhd. in 1976 as a Senior Accountant. He was subsequently transferred to Harrison's & Crosfield (Malaysia) Sdn. Bhd. in 1980 and after a year, he was promoted to Chief Accountant. Thereafter, he was promoted to Associate Director (Finance) in 1986.

In 1987, he joined SP Holdings Ltd. in Papua New Guinea. Thereafter, in 1990, he joined a plantation group Raja Garuda Mas ("RGM") based in Medan, Indonesia. In 1993, he was promoted to Group Financial Controller of the Forestry Division of the RGM group. In 1996, he was transferred to a joint-venture oil palm plantation group, jointly owned by the RGM and the SALIM group. In 1997 after completing his assignment, he was then transferred to a public listed subsidiary of RGM group as Senior Financial Controller.

In 2004, he joined Sinar Mas Group ("SMG") as Vice-President of Internal Audit of a forestry group operating in Riau, Sumatera. He was then transferred to the position of Vice-President Business Control in 2005. After a year, he was transferred to the head office of SMG, Jakarta, as an adviser to Managing Director-Finance, Forestry Division until his retirement in 2008.

He does not have any other directorships of public listed companies.

NOTES TO PROFILE OF DIRECTORS :

1. Chew Hon Keong is the brother of Chew Hon Foong

Save as disclosed, none of the directors has any family relationship with any director of the Company.

2. Save for Chew Hon Foong and Chew Hon Keong, who have interest in recurrent related party transactions as disclosed in item 10 under additional compliance information in this Annual Report, none of the directors has any conflict of interest with the Company.
3. None of the directors has been convicted of any offences within the past ten (10) years other than traffic offences, if any.
4. Please refer to the analysis of shareholdings of this Annual Report for details of the directors' shareholdings in the Company.
5. Save for Yeoh Chong Keng, who attended 4 Board meetings, all directors attended all the five (5) Board meetings of the Company held during the financial year ended 30 June 2017.

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Yoong Onn Corporation Berhad and its Group of Companies ("The Group") for the financial year ended 30 June 2017.

REVIEW OF FINANCIAL PERFORMANCE

The Group consolidated sales for the financial year ended 30 June 2017, stood at RM188.59 million, a slight drop of RM2.54 million or 1.3% from RM191.13 million reported previous year. The slight drop in sales was mainly due to lower export sales.

The Group's profit before tax for the financial year ended 30 June 2017 increase by RM2.96 million or 10.8% to RM30.27 million from RM27.31 million last year was attributed to the improved performance primarily caused by lower operating expenses, finance costs and foreign exchange losses.

Shareholders' funds at 30 June 2017 reported at RM195.76 million, increased by RM16.19 million or 9.0% compared to RM 179.57 million in the previous year 2016.



CHAIRMAN'S STATEMENT (CONT'D)



OPERATION REVIEW

The Group's domestic operations had continued to be the main driver of its sales and profits, and bed linen and bedding accessories made up the bulk of the Group's sales. Domestic operations accounted for RM158.22 million or 83.9% of the group's consolidated sales as compared to RM157.92 million or 82.6% in the preceding year.

For the financial year under review, we had opened more than 30 new third party retail counters, 2 more fully owned retail boutique shops under Home's Harmony brand in Sunway Velocity Shopping Mall and Sunway Carnival Mall Penang and diversified into modular furniture in expanding our distribution network locally. We had also tied up with a foreign major and prominent mattress manufacturer and distributor where by we design and manufacture bedding, and related products for their local and overseas market.

In the domestic market, our products are sold under our home grown brands through our twenty (20) fully owned retail boutique shops, more than 280 third party retail counters at the premier department stores, specialty stores, hypermarkets and intermediaries.

RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group for the financial year are disclosed in Note 27 to the Financial Statements.

Except for those disclosed in Note 27 to the Financial Statements, there were no material contracts of the Group involving Directors' and major shareholders' interest during the period.

FUTURE PROSPECTS

The Group's efficient business model and operations, financial stability and wide distribution network are the underlying fundamental strengths of the company. We are optimistic our business will remain strong for the rest of the year and in 2018, despite a less robust global economic outlook which may affect our domestic performance and our export markets in the region. The Group aims to grow from strength to strength over the years and to achieve sustainable growth in sales and profits every year.

The Group expects to be able to sustain its performance in the financial year ending 2018 based on its fundamentals and business strategies that will allow it to withstand any unexpected adverse trading conditions. The Group shall continue to seize all opportunities presented and to reach out to our consumers and create a wider market segment in Malaysia and in the region. With a team of dynamic leaders and capable staff, I am certain the Group will become a home-grown name to be acknowledged both locally and internationally.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group recognises that acting responsibly and sustainably create values for the company's employees, customers, communities, shareholders, and society as a whole.

The Group initiated several CSR activities during the year by presenting donations to several charities and organisations.

In addition to this, the Group provides a safe and healthy working environment for all employees under the requirements of Health, Safety and Environment through various in-house and external training programmes.

The Group has also complied with the relevant environmental legislation and promotes environmental awareness as part of its commitment to protect the environment and contribute towards sustainable development.

DIVIDENDS

The Board of Directors is pleased to recommend a final single tier dividend of 3.0 sen per ordinary share amounting to RM 4,797,450 in respect of the financial year ended 30 June 2017 for shareholders' approval in the forthcoming Annual General Meeting.

Combined with a single tier interim dividend of 2.0 sen per ordinary share amounting to RM3,198,300 paid on 28 July 2017, this makes a total dividend payout 5.0 sen per ordinary share amounting to RM7,995,750 or 35.38% of the profit after tax of RM 22.59 million for this financial year 2017.

The Group will continue to enhance returns to shareholders whilst seeing that appropriate funds are set aside for business expansion and other purposes such as capital expenditure and for working capital.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank the Directors, management team and employees of the Group for their contribution, commitment and hard work to the Group.

I would also like to take this opportunity to thank the shareholders for the trust and confidence in me and my team of fellow Directors and team leaders, and to all our business associates, government agencies, bankers, advisors, customers, suppliers and trading partners, for your unfailing support to the Group.

DATUK KAMALUDIN BIN YUSOFF
Chairman

AUDIT COMMITTEE REPORT

The Audit Committee of Yoong Onn Corporation Berhad is pleased to present the Audit Committee Report for the financial year ended 30 June 2017.

COMPOSITION OF THE AUDIT COMMITTEE

The present member of the Audit Committee are :

Name	Designation	Directorship
Mr. Lee Kim Seng	Chairman	Independent Non-Executive Director
Datuk Hairuddin Bin Mohamed	Member	Independent Non-Executive Director
Mr. Yeoh Chong Keng	Member	Independent Non-Executive Director

TERMS OF REFERENCE OF AUDIT COMMITTEE

(a) Terms of Membership

The Audit Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman, who shall be elected by the Audit Committee, must be an Independent Director.

The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least three (3) years' working experience and he must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or he must hold a degree/master/doctorate in accounting or finance and have at least 3 years' post qualification experience in accounting or finance; or he must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation or fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities")

In the event of any vacancy in the Audit Committee resulting in the non-compliance with the Listing Requirements of Bursa Securities, the Board shall appoint a new member within three (3) months.

The Board of Directors shall review the term of office and the performance of an Audit Committee and each of its members at least once in every three (3) years.

No alternate Director shall be appointed as a member of the Audit Committee.

(b) Meetings and Quorum of the Audit Committee

In order to form a quorum in respect of a meeting of the Audit Committee, the majority of the members present must be Independent Directors. The Company Secretary shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Audit Committee met five (5) times during the financial year ended 30 June 2017. The details of the attendance of the meetings are disclosed under the heading "Attendance of the Audit Committee Meetings" on page 15 of this Annual Report.

TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

(b) Meetings and Quorum of the Audit Committee (Cont'd)

The Audit Committee may require the attendance of any management staff from Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors and/or internal auditors.

In all five (five) meetings, the Chief Financial Officer was present to report on the results of the Group as well as to answer questions posed by the Audit Committee in relation to the results to be announced. During these Audit Committee meetings, representatives from the internal auditors had also been present to provide updates on the progress of internal audit work that have been conducted to date, and to also provide comments and recommendations, where applicable to improve the risk management framework supporting the activities of the Group.

In any event, should the external auditors request, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

(c) Functions of the Audit Committee

The duties and responsibilities of the Audit Committee include the following :-

1. to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
3. to discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;
4. to review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
5. to review the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board, focusing particularly on :
 - a. changes in or implementation of major accounting policies and practices;
 - b. significant adjustments arising from the audit;
 - c. the going concern assumption; and
 - d. compliance with accounting standards and other legal requirements.
6. to discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of the management where necessary);
7. to review the external auditor's management letter and management's response;

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

(c) Functions of the Audit Committee (Cont'd)

8. to do the following in relation to the internal audit functions:-
 - a. review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - b. review the internal audit programme and the results of the internal audit processes or investigation undertaken and where necessary to ensure the appropriate action is taken on the recommendations of the internal audit function;
 - c. review any appraisal or assessment of the performance of the internal audit function;
 - d. approve any appointment or termination of the internal auditor ;
 - e. inform itself of resignations of internal auditor and provide the resigning internal auditor an opportunity to submit his reasons for resigning.
9. to review any related party transactions and conflict of interest situation that may arise within the Company or the Group;
10. to consider the major findings of internal investigations and the management's response; and
11. to consider any other functions or duties as may be agreed by the Committee and the Board.

(d) Rights of the Audit Committee

The Audit Committee has ensured that it shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure determined by the Board :-

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company and Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. be able to obtain independent professional or other advice when needed; and
6. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

(e) Procedure of Audit Committee

The Audit Committee regulates its own procedures by :-

1. the calling of meetings;
2. the notice to be given of such meetings;
3. the voting and proceedings of such meetings;
4. the keeping of minutes; and
5. the custody, protection and inspection of such minutes.

(f) Review of the Audit Committee

The Board of Directors shall ensure that the term of office and performance of the Audit Committee and each of its members are being reviewed at least once in every three years to determine whether such an Audit Committee and members have carried out their duties in accordance with their terms of reference.

(g) Attendance of the Audit Committee Meetings

The details of attendance of each Audit Committee member in the Audit Committee meetings held during the financial year ended 30 June 2017 are as follows :-

Name	Meeting attended by the Directors/Total Number of Meeting held during the financial year ended 30 June 2017	% of Attendance
Mr. Lee Kim Seng	5/5	100%
Datuk Hairuddin Bin Mohamed	5/5	100%
Mr. Yeoh Chong Keng	4/5	80%

(h) Summaries of Activities of the Audit Committee

During the financial year up to the date of this Report, the Audit Committee carried out the following activities in discharging their duties and responsibilities:

1. Control

Evaluated the overall effectiveness of the system of internal control through the review of the results of work performed by the internal and external auditors and discussions with the key management.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

(h) Summaries of Activities of the Audit Committee (Cont'd)

2. Financial Results

Reviewed quarterly results and audited annual financial statements of the Group and Company before recommending to the Board for release to Bursa Securities. The review should focus primarily on :

- a) major judgmental areas, significant and unusual events;
- b) significant adjustments resulting from audit;
- c) the going concern assumptions;
- d) compliance with applicable approved accounting standards in Malaysia; and
- e) compliance with Listing Requirements of Bursa Securities and other regulatory requirements.

3. External Audit

- a) reviewed with the external auditors, their audit plan for the financial year ended 30 June 2017 to ensure that their scope of work adequately covers the activities of the Group;
- b) reviewed the results and issues arising from their audit of the annual financial statements and their resolution of such issues as highlighted in their report to the Committee; and
- c) reviewed their performance and independence before recommending to the Board their reappointment and remuneration.

4. Internal Audit

- a) reviewed with the internal auditors, their audit plan for the financial year ended 30 June 2017 ensuring that principal risk areas were adequately identified and covered the plan;
- b) reviewed the recommendations by internal audit, representations made and corrective actions taken by the management in addressing and resolving issues as well as ensuring that all issues were adequately addressed on a timely basis;
- c) reviewed the competencies of the internal auditors to execute the plan, the audit programs used in the execution of the internal audit work and results of their work; and
- d) reviewed the adequacy of the terms of reference

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of Yoong Onn Corporation Berhad (“the Company” or “YOOCB”) is fully committed to promote and achieve the highest standard of corporate governance and to ensure that the principles and best practices in corporate governance as detailed in the Malaysian Code on Corporate Governance (“the Code”) are practised and adopted in YOOCB and its subsidiaries (“the Group”).

The Board continuously evaluates the Group’s corporate governance practices and procedures with a view to adopt and implement the principles and best practices as recommended by the Code, wherever applicable, as a fundamental part of discharging its duties and responsibilities to protect and enhance shareholders’ value. The Board believes that good corporate governance results in creation of long term value and benefits for all shareholders.

SECTION 1 : THE BOARD OF DIRECTORS

The Board takes full responsibilities for the performance of the Group and guides the Group towards achieving its short and long term objectives, setting corporate strategies for growth and new business development while providing advice and direction to the management to enable the Group to achieve its corporate goal and objectives.

(a) Composition of the Board and Board Balance

The Board members are professionals from diverse disciplines, tapping their respective qualifications and experiences in business, commercial and financial aspects. Together, they bring a wide range of competencies, experience and expertise which are vital towards the effective discharge of the Board’s responsibilities for the successful direction and growth of the Group. A brief profile of each Directors is presented on the Profile of the Directors in this Annual Report.

The Board currently consists of six (6) members, comprising of two (2) Executive Directors and four (4) Independent Non-Executive Directors. This is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), which require that at least two (2) or one-third (1/3) of the Board members, whichever is the higher, to be Independent Directors.

The Independent Directors also have the necessary skill and experience to bring an independent judgment to bear the issues of strategy, performance, resources including key appointments and standard of conducts.

The Independent Directors are independent of management and majority shareholders. They provide independent views and judgment and at the same time, safeguard the interests of parties such as minority shareholders. No individual or group of individuals dominates the Board’s decision making process and the number of directors fairly reflects the investment of the shareholders.

The roles of the Chairman and the Managing Director are distinguished and separated. The Chairman is responsible to ensure that the Board functions properly with good corporate governance practices and procedures, whilst the Managing Director is responsible for the day-to-day operations and business activities of the Group in accordance with the standard practices set out in the Board Charter. This is to ensure a balance of power and authority.

The Board does not consider it necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to members and stakeholders. All issues can be openly discussed during Board meetings. The Company is not marred with conflicts and controversies and also has not received any notice of matters of concern from stakeholders since its listing.

All Directors have given their undertaking to comply with the Main Market Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

SECTION 1 : THE BOARD OF DIRECTORS (CONT'D)

(b) Board Responsibilities

Having recognised the importance of an effective and dynamic Board, the Board members are guided by the area of responsibilities as outlined :-

- reviewing and adopting strategic plan for the Group;
- overseeing the conduct of the Group's businesses to evaluate whether the businesses are being properly managed;
- identifying the principal risks and key performance indicators of the Group's businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;
- developing and implementing an investors relations programme or shareholder communication policy for the Group; and
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

(c) Re-Election of Directors

In accordance with the Company's Article of Associations, all Directors including the Managing Director shall retire from the office at least once every three (3) years, but shall be eligible for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the Annual General Meeting following their appointment.

(d) Directors' Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, technological advances in the core business, latest regulatory updates, and management strategies. In compliance with the Main Market Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have attended and successfully completed their Mandatory Accreditation Programme within the stipulated time frame as prescribed by Bursa Securities.

During the financial year ended 30 June 2017, the Directors have attended the following trainings:-

Name	Title of Training	Date
Datuk Kamaludin Bin Yusoff	Highlights of the Companies Act 2016-Changes & Implications	20 April 2017
Mr. Chew Hon Foong	Highlights of the Companies Act 2016-Changes & Implications	20 April 2017
Mr. Chew Hon Keong	Highlights of the Companies Act 2016-Changes & Implications	20 April 2017
Datuk Hairuddin Bin Mohamed	Highlights of the Companies Act 2016-Changes & Implications	20 April 2017
Mr. Yeoh Chong Keng	Highlights of the Companies Act 2016-Changes & Implications	20 April 2017
Mr. Lee Kim Seng	Highlights of the Companies Act 2016-Changes & Implications	20 April 2017

SECTION 1 : THE BOARD OF DIRECTORS (CONT'D)

(d) Directors' Training (Cont'd)

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates. Whenever the need arises, the Company will provide briefings to new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

(e) Supply of information

The Board has a formal schedule of matters for decision-making to ensure that the direction and control of the Group is firmly in its hands.

Prior to each Board meeting, a full agenda together with relevant reports and comprehensive Board papers are distributed to all Directors in a timely manner to enable the Directors to consider the matters to be deliberated and where necessary, obtain further information.

Proceedings of Board meetings are duly recorded and signed by the Chairman of the meeting.

Every Director has full and timely access to all Group information, records, documents and property to enable them to discharge their duties and responsibilities effectively. The Directors, whether collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expenses, if required.

(f) Board Meetings

The Board meets on a quarterly basis with additional meetings to be held whenever necessary. There were five (5) Board meetings held during the financial year ended 30 June 2017 and the details of attendance are as follows :-

Name of Director	Meeting attended by the Directors/Total Number of Meeting held during the financial year ended 30 June 2017	% of Attendance
Executive Directors		
Mr. Chew Hon Foong	5/5	100%
Mr. Chew Hon Keong	5/5	100%
Non-Executive Directors		
Datuk Kamaludin Bin Yusoff	5/5	100%
Datuk Hairuddin Bin Mohamed	5/5	100%
Mr. Yeoh Chong Keng	4/5	80%
Mr. Lee Kim Seng	5/5	100%

During the financial year ended 30 June 2017, five (5) Board meetings were convened on 25 August 2016, 29 September 2016, 29 November 2016, 23 February 2017 and 25 May 2017.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

SECTION 1 : THE BOARD OF DIRECTORS (CONT'D)

(g) Board Committees

The Board has established the following Committees to assist the Board in discharging its duties and responsibilities effectively :

- Audit Committee
- Nomination Committee
- Remuneration Committee

The terms of reference of each Board Committee are set out in Board Charter and have been approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

(h) Audit Committee

The report of the Audit Committee is set out in the Audit Committee Report in of this Annual Report.

(i) Nomination Committee

Our Nomination Committee was established on 28 September 2009 and the members of the Nomination Committee consist of the following members:

Name	Designation	Directorship
Mr. Yeoh Chong Keng	Chairman	Independent Non-Executive Director
Datuk Hairuddin Bin Mohamed	Member	Independent Non-Executive Director
Mr. Lee Kim Seng	Member	Independent Non-Executive Director

The summary of the terms of reference of the Nomination Committee are as follows:

- review the Board structure, size and composition;
- nominate candidates to the Board to fill Board vacancies when they arise;
- recommend Directors who are retiring by rotation to be put forward for re-election; and
- ensure that all Board appointees undergo an appropriate introduction and training programme.

The Board annually reviews the required mix of skills, experience and other qualities of the Directors to ensure that the Board is functioning effectively and efficiently.

SECTION 1 : THE BOARD OF DIRECTORS (CONT'D)

(j) Remuneration Committee

Our Remuneration Committee was established on 28 September 2009 and the members of the Remuneration Committee consist of the following members:

Name	Designation	Directorship
Mr. Yeoh Chong Keng	Chairman	Independent Non-Executive Director
Datuk Kamaludin Bin Yusoff	Member	Independent Non-Executive Chairman
Mr. Chew Hon Foong	Member	Managing Director and Group Chief Executive Officer

During the financial year ended 30 June 2017, Remuneration Committee meeting were convened on 23 February 2017.

The summary of the terms of reference of the Remuneration Committee are as follows:

- (i) recommend to the Board the remuneration of the Directors;
- (ii) assist the Board in assessing the responsibility and commitment undertaken by the Board membership; and
- (iii) assist the Board in ensuring the remuneration of the Directors commensurate with the responsibility and commitment of the Directors concerned.

SECTION 2 : DIRECTORS' REMUNERATION

(a) Remuneration Procedure

The remuneration of directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Group effectively.

For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non- Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The determination of the remuneration package of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

SECTION 2 : DIRECTORS' REMUNERATION

(b) Remuneration Package

The details of the remuneration of the Directors of the Company are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Emoluments	1,330	16
Directors' fees	-	177

The number of Directors whose remuneration falls into the following bands is as follows:-

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	3
RM 50,001 – RM 100,000	-	1
RM 600,001 – RM 650,000	1	-
RM 700,001 – RM 750,000	1	-

SECTION 3 : SHAREHOLDERS

(a) Dialogue between Company and Investors

The Board maintains an effective communications policy that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following :-

- i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements and information on Audit Committee and Board of Directors;
- ii. various announcements made to the Bursa Securities, which include announcements on quarterly results;
- iii. the Company website at <http://www.yoongonn.com>
- iv. meetings with research analysts and fund managers to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general; and
- v. participation in surveys and research conducted by professional organisations as and when such requests arise.

SECTION 3 : SHAREHOLDERS (CONT'D)

(b) The Annual General Meeting

The Annual General Meeting serves as an important means for shareholders communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one days prior to the meeting.

At each Annual General Meeting, the Board presents the progress and performance of the Group's business and encourages attendance and participation of shareholders during questions and answers sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.

SECTION 4 : ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the quarterly announcement of results to the Bursa Securities as well as the Chairman's Statement, review of operations and annual financial statements in the Annual Report. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by overseeing and reviewing the financial statements and quarterly announcements prior to the submission to Bursa Securities.

(b) Statement on Directors' Responsibility in relation to the Audited Financial Statements

The Directors are responsible to ensure that the annual financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and Companies Act 2016. A Statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 32 of this Annual Report.

(c) Internal Control and Risk Management

The Board acknowledges their responsibilities for the internal control system of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management. Information of the Group's internal control and risk management is presented in the Statement on Risk Management and Internal Control of this Annual Report.

(d) Relationship with the Auditors

The Board has established a formal and transparent professional relationship with the Group's Auditors, both internal and external. Whenever the need arises, the Auditors would highlight to the Audit Committee and the Board from time to time on matters that require the Board's attention. The role of the Audit Committee in relation to the auditors, both internal and external is set out in the Audit Committee Report of this Annual Report.

This corporate governance statement is made in accordance with the resolution of the Board dated 5 October 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal control to safeguard the shareholders' investments and the Group's assets. The Board of Yoong Onn Corporation Berhad is committed to maintain a sound system of risk management and internal control in the Group. Set out below is the Board of Directors' "Statement on Risk Management and Internal Control" which has been prepared in accordance with the Guidance for Directors of Public Listed Companies on the Statement on Risk Management and Internal Control which outlines the frameworks and processes the Board is to adopt in maintaining the adequacy and integrity of risk management and the system of internal control of the Group.

RESPONSIBILITY OF THE BOARD

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Yoong Onn Corporation Berhad ("the Group") risk management and internal control system. The Board ensures that the system manages the Group's key areas of risk within an acceptable risk profile to increase the likelihood that the Group's policies and business objectives will be achieved. The Board continually reviews the system to ensure it provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulatory guidelines. Management assists the Board in the implementation of the Board's policies and procedures on risk management and internal control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

RISK MANAGEMENT FRAMEWORK

The Board is aware that a sound system of internal control should be embedded in the operations of the Group and form part of its culture. This system should be capable of responding quickly to evolving risks to the business arising from factors within the Group and changes in the business environment. It should include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being taken. The Board has established a Risk Management Framework which consists of a structured approach covering the identification of risks, assessment of risks and reviewing and implementing strategies to mitigate those risks. The Board has established an Executive Committee comprising of Executive Directors and Senior Management to oversee the risk management initiatives of the Group. The Board and the Audit Committee regularly reviews this process to ensure the effectiveness of its risk management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL AND INTERNAL AUDIT FUNCTION

The Board has outsourced the internal audit function of the Group to an independent professional firm, IBDC (Malaysia) Sdn Bhd for the year ended 30 June 2017. The audit planning memorandum presented annually by the Internal Auditors is adopted by the Audit Committee to review the effectiveness of the Group's system of internal control.

The Group's system of internal control comprises but not limited to the following activities:-

- The Audit Committee comprises solely of Independent Non-Executive Directors with full access to both the internal and external auditors. Audit Committee meetings are held separately from Board meetings;
- Periodic internal audits are conducted by the internal auditors to monitor compliance to established procedures and to review internal control measures. The internal audit reports would highlight any significant risks, non-compliances and areas for improvements.
- Each core business process function is audited on a rotational basis and the Audit Committee reviews the internal audit issues identified, and together with the Management recommends improvements to the Board;
- Follow up reviews are conducted on previous audit issues highlighted to ensure that the recommendations highlighted had been addressed by Management.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountant ("MIA") for inclusion in the annual report for the year ended 30 June 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

CONCLUSION

During the financial year under review, the Board is satisfied that no material losses, deficiencies or errors were arising from any inadequacy or failure of the Group's internal control system that will require disclosure in the Annual Report. The Chief Executive Officer and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system, in all matters aspects is operating adequately and effectively.

The Board will continue to take measures to strengthen the system of internal control maintained by the Group and ensure shareholders' investment and the Group's assets are consistently safeguarded.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 5 October 2017.

STATEMENT ON DIRECTORS' RESPONSIBILITY IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the financial position of Yoong Onn Corporation Berhad ("YOOCB") and its subsidiary companies ("the Group") as at the end of the financial year, and of their financial performance and cash flows for the financial year ended.

Therefore, in preparing the financial statements of YOOCB for the year ended 30 June 2017, the Directors have :

- adopted appropriate accounting policies and applied them on a consistent basis;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and
- ensured the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting and other records which disclose with reasonable accuracy the financial position of the Group and the Company, and ensuring that the financial statements comply with the provisions of the Companies Act 2016. The Directors have overall responsibilities for taking such steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This above statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 5 October 2017.

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DIRECTORS' REPORT

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

DIRECTORS

The directors who served on the Board of the Company during the financial year and during the period commencing from the end of the financial year and ending on the date of this Report are :

Datuk Kamaludin Bin Yusoff
Chew Hon Foong
Chew Hon Keong

Datuk Hairuddin Bin Mohamed
Yeoh Chong Keng
Lee Kim Seng

DIRECTORS OF SUBSIDIARIES

The following is a list of directors of the subsidiaries (excluding Directors who also Directors of the Company) in office during the financial year until the date of this Report:-

Chew Hon Yoong

Chew Hon Yoon

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Profit after taxation attributable to owners of the Company	22,594	8,314

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) an interim single tier dividend of 2.0 sen per ordinary share amounting to RM3,198,300 in respect of the financial year ended 30 June 2016; and
- ii) a final single tier dividend of 2.0 sen per ordinary share amounting to RM3,198,300 in respect of the financial year ended 30 June 2016.

The Company declared an interim single tier dividend of 2.0 sen per ordinary share amounting to RM3,198,300 in respect of the financial year ended 30 June 2017.

At the forthcoming Annual General Meeting, a final single tier dividend of 3.0 sen per ordinary share amounting to RM4,797,450 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the financial year ending 30 June 2018.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following Directors of the Company who held office at the end of the financial year had, according to the register required to be kept under Section 59 of the Companies Act 2016, interests in the shares of the Company and related companies as follows :-

	At	Number Of Ordinary Shares		At
	1.7.2016	Bought	Sold	30.6.2017
Direct Interests				
Datuk Kamaludin Bin Yusoff	225,333	-	183,500	41,833
Yeoh Chong Keng	144,000	-	-	144,000
Lee Kim Seng	99	27,500	-	27,599
Indirect Interests				
Chew Hon Foong	84,000,231 *	-	-	84,000,231 *
Chew Hon Keong	84,000,231 *	-	-	84,000,231 *
Datuk Kamaludin Bin Yusoff	99**	-	99	_**

* - *By virtue of their shareholdings in the holding company, Chew Hon Foong and Chew Hon Keong are deemed to have interests in shares in the Company and its related corporations to the extent of the holding company's interests, in accordance with Section 8 of the Companies Act 2016.*

** - *By virtue of shares held by his wife and children.*

The other director holding office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 27 to the Financial Statements.

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

Details of Directors' remuneration are set out in Note 26 to the Financial Statements.

Directors' liability insurance is in place to protect the Directors of the Company against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS' REPORT (CONT'D)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

TREASURY SHARES

As at 30 June 2017, the Company held as treasury shares a total of 85,000 of its 160,000,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM70,610. Relevant details on the treasury shares are disclosed in the Note 16 to the Financial Statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 29 to the Financial Statements. At the date of this report, there does not exist:

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

HOLDING COMPANY

The Directors regard Casatex Cosmo Sdn. Bhd., a company incorporated in Malaysia, as the Company's holding company.

AUDITORS

The auditors, Messrs. HLB Ler Lum, have expressed their willingness to continue in office.

Details of auditor's remuneration are set out in Note 21 to the Financial Statements.

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

Chew Hon Foong

Chew Hon Keong

Dated : 5 October 2017
Kuala Lumpur

STATEMENT BY DIRECTORS

We, Chew Hon Foong and Chew Hon Keong, being two of the Directors of Yoong Onn Corporation Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in the financial statements has been prepared in accordance with the 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,

Chew Hon Foong

Chew Hon Keong

Dated : 5 October 2017
Kuala Lumpur

STATUTORY DECLARATION

I, Tan Peng, being the Officer primarily responsible for the financial management of Yoong Onn Corporation 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 abovenamed Tan Peng
at Kuala Lumpur on 5 October 2017

Tan Peng

Before me

Lai Din
No. W668
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YOONG ONN CORPORATION BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO: 814138 - K

Report on the Financial Statements

We have audited the financial statements of Yoong Onn Corporation Berhad, which comprise the Statements of Financial Position as at 30 June 2017 of the Group and of the Company, the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 82.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the 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.

Existence and valuation of inventories (Refer to Note 5(a)(iii), 5(i) and 9 to the Financial Statements)

As at financial year end, the carrying amount of inventories amounted to RM84,576,274. These inventories consist mainly of inventories in the outlets, consignment counters and warehouse. Inventories are stated in the financial statements at the lower of cost and net realisable value. Sales in the bedding and home linen industry can be volatile with consumer demand changing significantly based on current trends. This in combination with the significant share of inventories as part of total assets, made us conclude that existence and valuation of inventories are a key audit matter of our audit.

How our audit address this matter

Our audit procedures to test the existence of the inventories mainly consist of testing the effectiveness of relevant internal controls, specifically by testing the inventory counts performed by management. We have attended the inventory cycle count at financial year end in outlets, counters and warehouse, to validate counts performed by the Group. We compared our count results with the result of the counts by Group's representatives.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF YOONG ONN CORPORATION BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO: 814138 - K

To validate the valuation of inventories, we

- understood and assessed the effectiveness of internal controls in place to assess the valuation of inventory.
- assessed the historical accuracy and reasonableness of inventory provisioning. We reviewed the ageing of inventories and analysed the level of slow-moving and out-of-season inventories and the associated writedown.
- tested the actual margins and valuation of inventories. We assessed whether there were inventories which were sold with a (consistent) negative margin by evaluating recent sales subsequent to year ended to validate management's assessment and decision whether inventories should or should not be written down.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF YOONG ONN CORPORATION BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO: 814138 - K

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF YOONG ONN CORPORATION BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO: 814138 - K

Other Reporting Responsibilities

The supplementary information set out in page 83 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

The financial statements of the Group and of the Company for the financial year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on these statements on 6 October 2016.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HLB LER LUM
AF 0276
Chartered Accountants

DATO' LER CHENG CHYE
00871/03/2019 J
Chartered Accountant

Dated : 5 October 2017
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTE	THE GROUP		THE COMPANY	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	57,565	57,565
Property, plant and equipment	7	49,593	51,530	-	-
Goodwill	8	461	461	-	-
		50,054	51,991	57,565	57,565
CURRENT ASSETS					
Inventories	9	84,576	76,479	-	-
Trade receivables	10	46,816	41,107	-	-
Other receivables, deposits and prepayments	11	8,263	5,172	15	39
Amount owing by subsidiaries	12	-	-	5,751	4,101
Tax refundable		574	513	-	1
Short-term investment	13	27,910	31,107	24,056	23,911
Deposits with financial institutions	14	4,693	4,746	1,503	1,500
Cash and bank balances		5,682	10,407	399	245
		178,514	169,531	31,724	29,797
TOTAL ASSETS		228,568	221,522	89,289	87,362
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	80,000	80,000	80,000	80,000
Treasury shares	16	(70)	(70)	(70)	(70)
Retained profits		115,832	99,635	6,055	4,138
TOTAL EQUITY		195,762	179,565	85,985	84,068
NON-CURRENT LIABILITIES					
Deferred tax liabilities	17	46	340	-	-
Provision		261	225	-	-
Long-term borrowings	19	2,108	6,327	-	-
		2,415	6,892	-	-
CURRENT LIABILITIES					
Trade payables	18	6,167	3,896	-	-
Other payables and accruals		9,991	8,641	81	96
Dividend payable		3,198	3,198	3,198	3,198
Provision for taxation		1,025	418	25	-
Short-term borrowings	19	10,010	18,912	-	-
		30,391	35,065	3,304	3,294
TOTAL LIABILITIES		32,806	41,957	3,304	3,294
TOTAL EQUITY AND LIABILITIES		228,568	221,522	89,289	87,362

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	THE GROUP		THE COMPANY	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
REVENUE	20	188,588	191,129	8,497	6,392
COST OF SALES		(103,248)	(109,712)	-	-
GROSS PROFIT		85,340	81,417	8,497	6,392
OTHER INCOME		3,485	4,180	861	817
		88,825	85,597	9,358	7,209
SELLING AND DISTRIBUTION EXPENSES		(12,554)	(12,980)	-	-
ADMINISTRATIVE AND OPERATING EXPENSES		(45,370)	(44,197)	(878)	(839)
FINANCE COSTS		(634)	(1,108)	-	-
PROFIT BEFORE TAXATION	21	30,267	27,312	8,480	6,370
INCOME TAX EXPENSE	22	(7,673)	(6,414)	(166)	(147)
PROFIT AFTER TAXATION		22,594	20,898	8,314	6,223
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		22,594	20,898	8,314	6,223
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		22,594	20,898	8,314	6,223
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owner of the Company		22,594	20,898	8,314	6,223
EARNINGS PER SHARE (SEN)	23				
- Basic / Diluted		14	13		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	NON-DISTRIBUTABLE SHARE CAPITAL RM'000	TREASURY SHARES RM'000	DISTRIBUTABLE RETAINED PROFITS RM'000	TOTAL EQUITY RM'000
THE GROUP					
Balance at 1.7.2015		80,000	(52)	85,134	165,082
Shares buy-back		-	(18)	-	(18)
Profit after taxation/Total comprehensive income for the financial year		-	-	20,898	20,898
Distributions to owners of the Company:					
- Dividends	24	-	-	(6,397)	(6,397)
Balance at 30.6.2016		80,000	(70)	99,635	179,565
Profit after taxation/Total comprehensive income for the financial year		-	-	22,594	22,594
Distributions to owners of the Company:					
- Dividends	24	-	-	(6,397)	(6,397)
Balance at 30.6.2017		80,000	(70)	115,832	195,762
THE COMPANY					
Balance at 1.7.2015		80,000	(52)	4,312	84,260
Share buy-back		-	(18)	-	(18)
Profit after taxation/Total comprehensive income for the financial year		-	-	6,223	6,223
Distributions to owners of the Company:					
- Dividends	24	-	-	(6,397)	(6,397)
Balance at 30.6.2016		80,000	(70)	4,138	84,068
Profit after taxation/Total comprehensive income for the financial year		-	-	8,314	8,314
Distributions to owners of the Company:					
- Dividends	24	-	-	(6,397)	(6,397)
Balance at 30.6.2017		80,000	(70)	6,055	85,985

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	30,267	27,312	8,480	6,370
Adjustments for:-				
Allowance for impairment losses on receivables (net)	402	1,122	-	-
Depreciation of property, plant and equipment	3,758	3,827	-	-
Dividend income	-	-	(7,500)	(5,500)
Gain on disposal of plant and equipment	(75)	(88)	-	-
Interest expense	634	1,108	-	-
Interest income	(1,262)	(1,116)	(860)	(817)
Plant and equipment written off	298	44	-	-
Unrealised (gain)/loss on foreign exchange	(410)	374	-	-
Writeback of inventories written down	(69)	-	-	-
Writedown of inventories	1,105	383	-	-
Operating profit before working capital changes	34,648	32,966	120	53
Inventories	(9,133)	(15,350)	-	-
Receivables	(8,792)	(1,722)	24	38
Payables	3,648	(2,875)	(15)	(17)
Amount owing by subsidiaries	-	-	(152)	169
CASH FROM/(ABSORBED BY) OPERATIONS	20,371	13,019	(23)	243
Income tax paid	(7,422)	(7,365)	(140)	(196)
Interest paid	(625)	(1,097)	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD	12,324	4,557	(163)	47

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	THE GROUP		THE COMPANY	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD		12,324	4,557	(163)	47
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Interest received		1,262	1,116	860	817
Dividend received		-	-	7,500	8,500
Purchase of plant and equipment		(2,119)	(11,175)	-	-
Proceeds from disposal of plant and equipment		75	97	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(782)	(9,962)	8,360	9,317
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividends paid		(6,397)	(6,398)	(6,397)	(6,398)
(Repayment)/Drawdown of bank borrowings		(13,120)	16,067	-	-
Repayment from/(Advance to) subsidiaries		-	-	(1,498)	877
Acquisition of treasury shares		-	(18)	-	(18)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		(19,517)	9,651	(7,895)	(5,539)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(7,975)	4,246	302	3,825
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		46,260	42,014	25,656	21,831
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	25	38,285	46,260	25,958	25,656

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

The registered office is located at Suite 13A.01(A), Level 13A, Wisma Goldhill, 67, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business is located at Lot No. PT 16690 - 16692, Jalan Permata 2, Arab-Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 5 October 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is Casatex Cosmo Sdn. Bhd., a company incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- (a) On 1 July 2016, the Group has adopted the following new and amendments to MFRS and IC interpretation which are mandatory for annual financial year beginning on or after 1 January 2016:-

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

Adoption of the above new and amendments to MFRS and IC interpretation did not have any material effect on the financial position and policy of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

4. BASIS OF PREPARATION (CONT'D)

- (b) At the date of authorisation of these financial statements, the following new and amendments to MFRS and IC interpretation have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group:-

Description	Effective for financial periods beginning on or after
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group will adopt the above pronouncements when they become effective in the respective financial periods. The Group and Company are in the process of assessing the financial effect of these pronouncements upon their initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The residual value and useful lives of the property, plant and equipment are reviewed at each financial year end. The review is based on factors such as business plans and strategies, expected level of usage and future regulatory changes. The estimation of the residual value and useful lives involve significant judgment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(ii) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(iii) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(b) Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

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

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

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- **Financial Assets at Fair Value Through Profit or Loss**

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- **Financial Assets at Fair Value Through Profit or Loss (Cont'd)**

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

- **Held-to-maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

- **Loans and Receivables Financial Assets**

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

- **Available-for-sale Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- **Available-for-sale Financial Assets (Cont'd)**

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(ii) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iii) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently

- **Ordinary Shares**

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

- **Treasury Shares**

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity when the consideration received is more than the carrying amount. Where the consideration received is different from the carrying amount, the difference is offset against reserves.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect investee's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Intragroup transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation (Cont'd)

Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of the accounting policies within those of the Group.

The acquisitions resulted in a business combination involving common control entities is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

(i) Merger accounting for common control business combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(ii) Acquisition Method of Accounting for Non-Common Control Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation (Cont'd)

(iii) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(iv) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(v) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(g) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates of depreciation and residual values are as follows:-

	Depreciation Rate	Residual Value
Buildings	3%	-
Plant and machinery	10%	-
Motor vehicles	20%	5% - 20%
Office equipment	10% - 25%	-
Electrical appliances	20%	-
Furniture and fittings	10%	-
Renovation	20%	-
Factory and warehouse equipment	10% -15%	-

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of the reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) Impairment of Non-Financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress include the cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements. When its inflows of economic benefit is virtually certain, then the related assets is recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income Taxes

Income taxes for the reporting period comprise current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation entity and the same authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(o) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(p) Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(r) Revenue Recognition

(i) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and service tax, returns, cash and trade discounts.

(ii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(iv) Management Fees and Rental Income

Management fees and rental income are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	57,565	57,565

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:-

NAME OF THE SUBSIDIARIES	EFFECTIVE EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2017	2016	
Monsieur (M) Sdn. Bhd.	100%	100%	Retailing of home linen and homeware.
Syarikat Yoong Onn Sdn. Bhd.	100%	100%	Distribution and trading of home linen and homeware.
Elegant Total Home Sdn. Bhd.	100%	100%	Distribution and trading of home linen and homeware.
Sleep Focus Sdn. Bhd.	100%	100%	Design and manufacture of home linen and bedding accessories and trading of home linen.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	AT 1.7.2016 RM'000	ADDITIONS RM'000	WRITTEN OFF/ DISPOSALS RM'000	DEPRECIATION CHARGE RM'000	AT 30.6.2017 RM'000
Net Book Value					
Freehold land	14,548	-	-	-	14,548
Buildings	27,808	-	-	(928)	26,880
Plant and machinery	663	204	-	(199)	668
Factory and warehouse equipment	2,986	15	-	(578)	2,423
Motor vehicles	919	325	(29)	(455)	760
Office equipment	1,791	439	(59)	(729)	1,442
Electrical appliances	374	167	(31)	(170)	340
Renovation	852	569	(37)	(377)	1,007
Furniture and fittings	1,589	400	(142)	(322)	1,525
Total	51,530	2,119	(298)	(3,758)	49,593

THE GROUP	AT 1.7.2015 RM'000	ADDITIONS RM'000	WRITTEN OFF/ DISPOSALS RM'000	DEPRECIATION CHARGE RM'000	AT 30.6.2016 RM'000
Net Book Value					
Freehold land	14,548	-	-	-	14,548
Buildings	21,758	6,806	-	(756)	27,808
Plant and machinery	873	26	-	(236)	663
Factory and warehouse equipment	1,082	2,330	(8)	(418)	2,986
Motor vehicles	1,309	350	-	(740)	919
Office equipment	1,866	681	(7)	(749)	1,791
Electrical appliances	381	202	-	(209)	374
Renovation	731	545	(28)	(396)	852
Furniture and fittings	1,687	235	(10)	(323)	1,589
Total	44,235	11,175	(53)	(3,827)	51,530

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
At 30 June 2017			
Freehold land	14,548	-	14,548
Buildings	30,960	(4,080)	26,880
Plant and machinery	6,523	(5,855)	668
Factory and warehouse equipment	4,721	(2,298)	2,423
Motor vehicles	4,503	(3,743)	760
Office equipment	5,399	(3,957)	1,442
Electrical appliances	1,646	(1,306)	340
Renovation	4,752	(3,745)	1,007
Furniture and fittings	3,694	(2,169)	1,525
	76,746	(27,153)	49,593
At 30 June 2016			
Freehold land	14,548	-	14,548
Buildings	30,960	(3,152)	27,808
Plant and machinery	6,319	(5,656)	663
Factory and warehouse equipment	4,706	(1,720)	2,986
Motor vehicles	5,062	(4,143)	919
Office equipment	5,261	(3,470)	1,791
Electrical appliances	1,666	(1,292)	374
Renovation	4,416	(3,564)	852
Furniture and fittings	3,537	(1,948)	1,589
	76,475	(24,945)	51,530
	AT 1.7.2016 RM'000	DEPRECIATION CHARGE RM'000	AT 30.6.2017 RM'000
THE COMPANY			
Net Book Value	-	-	-
Office equipment	-	-	-
	AT 1.7.2015 RM'000	DEPRECIATION CHARGE RM'000	AT 30.6.2016 RM'000
Net Book Value	-	-	-
Office equipment	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY	AT COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
At 30 June 2017			
Office equipment	10	(10)	-
At 30 June 2016			
Office equipment	10	(10)	-

A freehold land and building of the Group with net book value of RM15,335,290 (2016 – RM15,630,682) has been pledged to licensed bank as security for banking facilities granted to the Group as disclosed in Note 19 to the Financial Statements.

8. GOODWILL

The goodwill relates to the retailing segment. The Group reviews goodwill for impairment annually in accordance with its accounting policy.

The Group has assessed the recoverable amount of goodwill using the value-in-use approach and is based on the financial budgets approved by management. The management has projected cash flows for a period of one year. The key assumptions used for value-in-use calculations are as follows:-

- | | |
|---------------------------|---|
| (a) Budgeted revenue | Sales growth rate of 14% is used based on the expected demand of home furnishing products to be derived from both existing and future boutiques in the budgeted period. |
| (b) Budgeted gross margin | Budgeted gross profit margin of 51% is determined based on the historical track record and after considering domestic economic conditions. |
| (c) Discount rate | The discount rate used is pre-tax and reflect specific risks relating to the industry. |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

9. INVENTORIES

	THE GROUP	
	2017	2016
	RM'000	RM'000
At cost :-		
Raw materials	17,212	13,669
Work in progress	1,692	1,753
Finished goods	58,136	51,593
Stock-in-transit	3,215	4,530
	80,255	71,545
At net realisable value:-		
Raw materials	1,564	2,402
Finished goods	2,757	2,532
	4,321	4,934
Total inventories	84,576	76,479
Recognised in profit or loss:-		
Inventories recognised as cost of sales	94,521	101,758
Amount written down to net realisable value	1,105	383
Writeback of inventories written down	(69)	-

10. TRADE RECEIVABLES

	THE GROUP	
	2017	2016
	RM'000	RM'000
Trade receivables	51,443	45,334
Allowance for impairment losses	(4,627)	(4,227)
	46,816	41,107
Allowance for impairment losses:		
At beginning of the year	(4,227)	(3,109)
Addition during the financial year	(660)	(1,142)
Writeback during the financial year	260	24
At end of the year	(4,627)	(4,227)

The Group's normal credit terms of trade receivables range from 30 to 120 days (2016 - 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments of the Group is an amount of RM5,300,548 (2016 – RM1,818,126), being deposits paid to suppliers for future supply of materials and finished goods.

These deposits shall be recovered by way of set-off against the supply of materials and finished goods.

12. AMOUNT OWING BY SUBSIDIARIES

The amount owing by subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand, except for an amount of RM5,500,000 (2016 – RM4,000,000) which bore an interest rate of 2.95% (2016 - 3.15%) per annum in accordance with the commercial bank's 1 month fixed deposit rate. The amounts are to be settled in cash.

13. SHORT-TERM INVESTMENT

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed income trust fund, at fair value	27,910	31,107	24,056	23,911
At market value	27,910	31,107	24,056	23,911

The investment in fixed income trust fund represents investment in highly liquid money market instruments, which are readily convertible to a known amount of cash. The fund aims to provide a higher level of liquidity while providing better return from non-taxable income by predominantly investing its assets in money market and other fixed income instruments.

The effective interest rates ranged approximately from 2.59% to 3.56% (2016 – 2.93% to 3.82%) per annum. The short-term investment is designated as fair value through profit or loss and is measured at fair value.

14. DEPOSITS WITH FINANCIAL INSTITUTIONS

The effective interest rates of the deposits with financial institutions at the end of the reporting period ranged from 3.35% to 3.83% (2016 - 3.00% to 3.50%) per annum. The deposits have a maturity period of 30 days (2016 – 1 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

15. SHARE CAPITAL

	THE GROUP/THE COMPANY			
	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and Fully Paid-Up: At 30 June	160,000	80,000	160,000	80,000

The new Companies Act 2016 which came into operation on 31 January 2017 abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

16. TREASURY SHARES

Of the total 160,000,000 issued and fully paid-up ordinary shares at the end of the reporting period, 85,000 ordinary shares are held as treasury shares by the Company. The treasury shares are held at a carrying amount of RM70,610. None of the treasury shares were resold or cancelled during the financial year.

17. DEFERRED TAX LIABILITIES

	THE GROUP	
	2017 RM'000	2016 RM'000
At beginning of the year	340	1,225
Recognised in profit or loss (Note 22)	(294)	(885)
At end of the year	46	340

The deferred tax liabilities are attributable to the following:-

	THE GROUP	
	2017 RM'000	2016 RM'000
Surpluses on revaluation of properties	1,260	1,306
Accelerated capital allowances on qualifying costs of property, plant and equipment	1,115	1,188
Other temporary differences	(2,329)	(2,154)
	46	340

18. TRADE PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

19. BANK BORROWINGS

	THE GROUP	
	2017 RM'000	2016 RM'000
Bankers' acceptances (unsecured)	8,887	17,982
Term loan (secured)	3,231	7,257
	12,118	25,239

The bank borrowings at the end of the reporting period bore interest rates ranging from 4.10% to 4.65% (2016 – 4.35% to 5.06%) per annum.

The bank borrowings obtained from licensed banks are secured by:

- i) charges over the freehold land of the subsidiary; and
- ii) a corporate guarantee of the Company for the subsidiaries.

	THE GROUP	
	2017 RM'000	2016 RM'000
<u>Non-current</u>		
Term loan (secured)	2,108	6,327
<u>Current</u>		
Bankers' acceptances (unsecured)	8,887	17,982
Term loan (secured)	1,123	930
	10,010	18,912
	12,118	25,239

20. REVENUE

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	188,588	191,129	-	-
Management fee	-	-	997	892
Dividend income	-	-	7,500	5,500
	188,588	191,129	8,497	6,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

21. PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Audit fee:				
- for the financial year	100	134	24	34
- underprovision in the previous financial year	-	9	-	3
Directors' remuneration:				
- non-fee emoluments	1,179	1,205	16	17
- fee	177	177	177	177
- defined contribution plans	140	142	-	-
- estimated non-monetary benefits-in-kind	27	27	-	-
Depreciation of property, plant and equipment	3,758	3,827	-	-
Impairment loss:				
- trade receivables	660	1,142	-	-
- other receivables	1	4	-	-
Interest expense:				
- bankers' acceptances	409	888	-	-
- others	225	220	-	-
Writedown of inventories	1,105	383	-	-
Plant and equipment written off	298	44	-	-
Rental of premises	6,821	6,290	-	-
Staff costs:				
- short-term benefits	32,863	31,516	391	356
- defined contribution plans	2,637	2,612	45	41
- estimated non-monetary benefits-in-kind	37	54	-	-
Write off of impairment loss for other receivable	5	-	-	-
Writeback of inventories written down	(69)	-	-	-
(Gain)/Loss on foreign exchange:				
- realised	(1,282)	(2,864)	-	-
- unrealised	(410)	374	-	-
Gain on disposal of plant and equipment	(75)	(88)	-	-
Interest income	(1,262)	(1,116)	(860)	(817)
Writeback of allowance for impairment losses:				
- trade receivable	(260)	(24)	-	-
- other receivable	(4)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

22. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense:				
- for the financial year	7,756	7,301	163	147
- under/(over)provision in the previous financial year	211	(2)	3	-
	7,967	7,299	166	147
Deferred tax expense (Note 17):				
- relating to originating and recognition of temporary differences	(252)	(740)	-	-
- overprovision in the previous financial year	(42)	(145)	-	-
	(294)	(885)	-	-
	7,673	6,414	166	147

During the current financial year, the statutory tax rate was 24%.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	30,267	27,312	8,480	6,370
Tax at the statutory tax rate of 24% (2016 – 24%)	7,264	6,555	2,035	1,529
Tax effects of:-				
Non-taxable gain	(2,380)	(1,758)	(1,954)	(1,461)
Non-deductible expenses	2,622	1,764	82	79
Double deduction	(2)	-	-	-
Under/(Over)provision in the previous financial year:				
- current tax	211	(2)	3	-
- deferred tax	(42)	(145)	-	-
Tax for the financial year	7,673	6,414	166	147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

23. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group's profit after taxation attributable to owners of the Company of RM22,593,685 (2016 – RM20,897,079) by the weighted average number of ordinary shares in issue excluding treasury shares during the financial year of 159,915,000 (2016 – 159,926,694).

The diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

24. DIVIDENDS

	THE GROUP/ THE COMPANY	
	2017 RM'000	2016 RM'000
Recognised as distribution to owners:-		
- Final single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2015	-	3,199
- Interim single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2016	-	3,198
- Final single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2016	3,199	-
- Interim single tier dividend of 2.0 sen per ordinary share for the financial year ended 30 June 2017	3,198	-
	6,397	6,397
Net dividend per share (sen)	4.0	4.0

25. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	5,682	10,407	399	245
Deposits with financial institutions (Note 14)	4,693	4,746	1,503	1,500
Short-term investment (Note 13)	27,910	31,107	24,056	23,911
	38,285	46,260	25,958	25,656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

26. DIRECTORS' REMUNERATION

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
- non-fee emoluments	1,163	1,188	-	-
- defined contribution plan	140	142	-	-
- estimated non-monetary benefits-in-kind	27	27	-	-
	1,330	1,357	-	-
Non Executive:				
- non-fee emoluments	16	17	16	17
- fee	177	177	177	177
	193	194	193	194

The aggregate amount of emoluments received and receivable by the directors of the Company during the financial year in bands of RM50,000 are as follows:-

THE GROUP	Number of Directors	Directors' Fee RM'000	Directors' Other Emoluments RM'000	Total RM'000
2017				
Non Executive:				
- Below RM50,000	3	123	12	135
- Between RM50,001 and RM100,000	1	54	4	58
	4	177	16	193
Executive:				
- Between RM600,001 and RM650,000	1	-	615	615
- Between RM700,001 and RM750,000	1	-	715	715
	2	-	1,330	1,330
2016				
Non Executive:				
- Below RM50,000	3	123	13	136
- Between RM50,001 and RM100,000	1	54	4	58
	4	177	17	194
Executive:				
- Between RM600,001 and RM650,000	1	-	627	627
- Between RM700,001 and RM750,000	1	-	730	730
	2	-	1,357	1,357

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

26. DIRECTORS' REMUNERATION (CONT'D)

THE COMPANY	Number of Directors	Directors' Fee RM'000	Directors' Other Emoluments RM'000	Total RM'000
2017				
Non Executive				
- Below RM50,000	3	123	12	135
- Between RM50,001 and RM100,000	1	54	4	58
	4	177	16	193
2016				
Non Executive				
- Below RM50,000	3	123	13	136
- Between RM50,001 and RM100,000	1	54	4	58
	4	177	17	194

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationship with:

- (i) its subsidiaries;
- (ii) the directors and officers who are the key management personnel; and
- (iii) entities controlled by the key management personnel/directors/substantial shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

- (b) In addition to the information disclosed elsewhere in the financial statements, the Group carried out the following transactions with the related parties during the financial year:-

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subsidiaries:				
- Management fees receivable	-	-	997	892
- Interest income receivable	-	-	159	153
- Dividend income receivable	-	-	7,500	5,500
Related parties:				
- Rental of premises from Yoon Fah Realty Sdn. Bhd. *	213	305	-	-

* - *This company is an entity deemed to be controlled by certain directors of the Company.*

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions negotiated and agreed by the related parties.

- (c) Key management personnel

Compensation to key management personnel relating to those of Directors are disclosed in Note 26 to the Financial Statements.

	THE GROUP	
	2017 RM'000	2016 RM'000
Other key management personnel:-		
Short-term employee benefits	1,906	2,036
Defined contribution plans	229	244
Estimated non-monetary benefits-in-kind	37	54
	2,172	2,334

28. OPERATING SEGMENTS

The Group has three reportable segments, as disclosed below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing - design and manufacturing of home linen and bedding accessories.
- Distribution and trading - distribution and trading of home linen and homeware.
- Retailing - retailing of home linen and homeware.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

2017	MANUFACTURING RM'000	DISTRIBUTION & TRADING RM'000	RETAILING RM'000	ELIMINATION RM'000	THE GROUP RM'000
Inter-segment revenue	29,814	5,469	1,208	(36,491)	-
External revenue	31,680	111,618	45,290	-	188,588
Total revenue	61,494	117,087	46,498	(36,491)	188,588
Segment results	7,503	18,952	4,623	-	31,078
Unallocated expenses					(177)
Operating profits					30,901
Finance costs	(178)	(363)	(93)	-	(634)
Profit before taxation					30,267
Income tax expense					(7,673)
Profit after taxation					22,594
Other information					
Segment assets	68,941	87,564	45,515	-	202,020
Unallocated assets					26,548
					228,568
Segment liabilities	9,739	10,124	8,594	-	28,457
Unallocated liabilities					4,349
					32,806
2016					
Inter-segment revenue	25,213	5,183	3,608	(34,004)	-
External revenue	32,628	119,807	38,694	-	191,129
Total revenue	57,841	124,990	42,302	(34,004)	191,129
Segment results	5,116	18,875	4,605	-	28,596
Unallocated expenses					(176)
Operating profits					28,420
Finance costs	(350)	(594)	(164)	-	(1,108)
Profit before taxation					27,312
Income tax expense					(6,414)
Profit after taxation					20,898
Other information					
Segment assets	64,740	89,054	41,519	-	195,313
Unallocated assets					26,209
					221,522
Segment liabilities	8,135	17,346	12,424	-	37,905
Unallocated liabilities					4,052
					41,957

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

2017	MANUFACTURING RM'000	DISTRIBUTION & TRADING RM'000	RETAILING RM'000	THE GROUP RM'000
Capital expenditure	225	387	1,507	<u>2,119</u>
Depreciation	699	1,370	1,689	<u>3,758</u>
Writedown of inventories	803	-	302	<u>1,105</u>
Reversal of inventories written down	-	(69)	-	<u>(69)</u>
Interest income	(52)	(483)	(26)	(561)
Unallocated interest income				(701)
				<u>(1,262)</u>
Interest expense	178	147	309	<u>634</u>
2016				
Capital expenditure	276	421	10,478	<u>11,175</u>
Depreciation	854	1,640	1,333	<u>3,827</u>
Writedown of inventories	-	464	6	<u>470</u>
Reversal of inventories written down	(87)	-	-	<u>(87)</u>
Interest income	(62)	(362)	(29)	(453)
Unallocated interest income				(663)
				<u>(1,116)</u>
Interest expense	350	474	284	<u>1,108</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

No financial information based on geographical location has been presented for non-current assets as these assets are located wholly in Malaysia.

Revenue information based on the geographical location of customers respectively are as follows:

	REVENUE	
	2017 RM'000	2016 RM'000
Malaysia	158,221	157,916
Singapore	24,009	30,019
Others	6,358	3,194
	188,588	191,129

Major customers

The following are major customers with revenue equal to or more than 10% of the Group's revenue:

	REVENUE		SEGMENT
	2017 RM'000	2016 RM'000	
A local departmental store	49,585	53,359	Distribution and trading.
An overseas distributor	21,441	29,414	Manufacturing, distribution and trading.

29. CONTINGENT LIABILITIES

The directors are of the opinion that provisions are not required in respect of the following corporate guarantees, as it is not probable that a future outflow of economic benefits will arise:-

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unsecured:-				
Corporate guarantee given to licensed banks for credit facilities granted to its subsidiaries	-	-	61,070	61,070
Guarantee issued in favour of third parties	709	884	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

30. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	2017 RM	2016 RM
United States Dollar	4.29	4.01
Singapore Dollar	3.12	2.98

31. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of the entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purpose.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

THE GROUP	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	TOTAL RM'000
2017			
Financial assets			
Trade receivables	1,670	16,742	18,412
Cash and bank balances	102	3	105
	1,772	16,745	18,517
Financial liabilities			
Trade payables	4,449	41	4,490
Currency exposure			
Net financial assets	(2,677)	16,704	14,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

THE GROUP	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	TOTAL RM'000
2016			
Financial assets			
Trade receivables	886	14,111	14,997
Cash and bank balances	394	3,597	3,991
	1,280	17,708	18,988
Financial liabilities			
Trade payables	1,609	20	1,629
Other payables and accruals	97	-	97
	1,706	20	1,726
Currency exposure			
Net financial assets	(426)	17,688	17,262

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2017 RM'000	2016 RM'000
Effects on profit after taxation and equity		
USD/RM:		
- strengthened by 5%	(102)	(16)
- weakened by 5%	102	16
SGD/RM:		
- strengthened by 5%	635	672
- weakened by 5%	(635)	(672)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its cash and cash equivalents and long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The interest rate profile of the Group's significant interest bearing financial instruments, based on their carrying amounts as at the reporting date were:

	THE GROUP	
	2017	2016
	RM'000	RM'000
Variable rate instruments		
Financial assets		
Short term investments	27,910	31,107
Fixed deposits	4,693	4,746
	32,603	35,853
Financial liabilities		
Term loan	3,231	7,257

Interest rate risk sensitivity analysis

At the reporting date, if the interest rates had been 100 basis points higher/lower, with all other variables held constant, the Group's profit after tax would have immaterial impact.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2) (2016: 2) customers which constituted approximately 59% (2016: 57%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

Ageing analysis

The ageing analysis of the Group's trade receivables as at end of the reporting period is as follows:-

THE GROUP	GROSS AMOUNT RM'000	INDIVIDUAL IMPAIRMENT RM'000	CARRYING VALUE RM'000
2017			
Not past due	30,074	-	30,074
Past due:			
- less than 3 months	11,644	(44)	11,600
- 3 to 6 months	5,066	(91)	4,975
- over 6 months	4,659	(4,492)	167
	51,443	(4,627)	46,816
2016			
Not past due	29,232	(45)	29,187
Past due:			
- less than 3 months	11,221	(66)	11,155
- 3 to 6 months	402	(33)	369
- over 6 months	4,479	(4,083)	396
	45,334	(4,227)	41,107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and bank balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000
2017					
Trade payables	-	6,167	6,167	6,167	-
Other payables and accruals	-	10,252	10,252	9,991	261
Dividend payable	-	3,198	3,198	3,198	-
Bank borrowings	4.10 – 4.65	12,118	12,340	10,128	2,212
		31,735	31,957	29,484	2,473

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

THE GROUP	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 – 5 YEARS RM'000	MORE THAN 5 YEARS RM'000
2016						
Trade payables	-	3,896	3,896	3,896	-	-
Other payables and accruals	-	8,866	8,866	8,641	225	-
Dividend payable	-	3,198	3,198	3,198	-	-
Bank borrowings	4.35 – 5.06	25,239	26,214	19,223	4,693	2,298
		41,199	42,174	34,958	4,918	2,298

THE COMPANY	CONTRACTUAL INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000
2017				
Other payables and accruals	-	81	81	81
Dividend payable	-	3,198	3,198	3,198
		3,279	3,279	3,279

2016				
Other payables and accruals	-	96	96	96
Dividend payable	-	3,198	3,198	3,198
		3,294	3,294	3,294

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on the debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. The Group includes within net debts, payables and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the Group. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	THE GROUP	
	2017	2016
	RM'000	RM'000
Trade payables	6,167	3,896
Other payables and accruals	10,252	8,866
Dividend payable	3,198	3,198
Bank borrowings	12,118	25,239
	31,735	41,199
Less: Short-term investment	(27,910)	(31,107)
Less: Deposits with financial institutions	(4,693)	(4,746)
Less: Cash and bank balances	(5,682)	(10,407)
Net debt	(6,550)	(5,061)
Total equity	195,762	179,565
Debt-to-equity ratio	Not Applicable	Not Applicable

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	THE GROUP		THE COMPANY	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
<u>Fair value through profit or loss</u>				
Short-term investment	27,910	31,107	24,056	23,911
<u>Loans and receivables</u>				
Trade receivables	46,816	41,107	-	-
Other receivables and deposits	2,289	2,474	14	39
Amount owing by subsidiaries	-	-	5,751	4,101
Deposits with financial institutions	4,693	4,746	1,503	1,500
Cash and bank balances	5,682	10,407	399	245
	59,480	58,734	7,667	5,885
Financial liabilities				
<u>Other financial liabilities</u>				
Bank borrowings	12,118	25,239	-	-
Trade payables	6,167	3,896	-	-
Other payables and accruals	10,252	8,866	81	96
Dividend payable	3,198	3,198	3,198	3,198
	31,735	41,199	3,279	3,294

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Value Information

The fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

THE GROUP/THE COMPANY	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2017								
Financial Asset								
Short-term investment	27,910	-	-	-	-	-	27,910	27,910
Financial Liability								
Term loan	-	-	-	-	3,231	-	3,231	3,231
2016								
Financial Asset								
Short-term investment	31,107	-	-	-	-	-	31,107	31,107
Financial Liability								
Term loan	-	-	-	-	7,257	-	7,257	7,257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

32. OPERATING LEASE ARRANGEMENTS

The future minimum lease payments under non-cancellable operating leases contracted for as at the reporting date are as follows:-

	THE GROUP	
	2017	2016
	RM'000	RM'000
Not later than 1 year	3,730	3,434
Later than 1 year and not later than 5 years	1,383	4,072
	5,113	7,506

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

33. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared 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, as follows:-

	THE GROUP		THE COMPANY	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Total retained profits				
- realised	107,095	91,037	6,055	4,138
- unrealised	10,490	9,851	-	-
	117,585	100,888	6,055	4,138
Less : Consolidated adjustments	(1,753)	(1,253)	-	-
At 30 June	115,832	99,635	6,055	4,138

ADDITIONAL COMPLIANCE INFORMATION

1) Share Buy-Backs

There was no share buy-backs by the Company during the financial year ended 30 June 2017.

All shares purchased by the Company were retained as treasury shares in accordance with Section 127(4) of the Companies Act 2016. As at 30 June 2017, the number of treasury shares was 85,000. None of the treasury shares were re-sold or cancelled during the financial year under review.

2) Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year ended 30 June 2017.

3) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 30 June 2017.

4) Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

5) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid/payable to the External Auditors of the Company Messrs. HLB Ler Lum for the current financial year are as follows:-

	Company	Group
Audit Fees	RM24,000	RM100,000
Non-Audit Fees	RM4,000	RM4,000

6) Variation in Results

There were no variations of 10% or more between the audited results of the Group for the financial year ended 30 June 2017 and the unaudited results announced on 27 August 2017.

7) Material Contracts with Related Parties

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year except as disclosed in note 27 of the Financial Statements.

8) Corporate Social Responsibility

The Group recognizes its role as a responsible corporate citizen and no company can exist by maximizing shareholders value alone. In this regards, the needs and interests of other stakeholders are also taken into consideration.

a) Environment

The Group has always complied with the relevant environmental legislation and promoting environmental awareness as part of its commitment to protect the environment and contribute towards sustainable development.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

8) Corporate Social Responsibility (Cont'd)

b) Safety and Health

The Group is committed to provide a safe and healthy working environment for all employees under the requirements of Health, Safety and Environment ("HSE"). We constantly ensure a safe and healthy working environment and keep ourselves updated with the latest HSE requirements and regulations through various training programmes.

c) Charity Works and Donations to Charitable Organisations

The Company has donated bedding products to the trusted organizations like Matrade for the Malaysian Flood Victims, old folks home and charitable organizations.

The Company has also made cash donations to Beautiful Gate Foundation For The Disabled, Malaysia Association For The Blind, Hospis Malaysia, Monfort Youth Centre, Society of The Blind in Malaysia, National Council For The Blind, Rumah Kebajikan Kanak-Kanak Shelter, Ray of Hope, Persatuan Pendidikan Anak-Anak Yatim Lipis, Persatuan Kebajikan HOPE Worldwide Kuala Lumpur, The Salvation Army and Yayasan Jantung Malaysia.

d) Employees

The Group places strong emphasis on personal development and provides various training courses for its employees to enhance and upgrade their work skills for better opportunities of career advancements.

9) Profit Forecast/Profit Guarantee

The Company did not provide any profit forecast/guarantee in any public documents during the financial year ended 30 June 2017.

10) Recurrent Related Parties Transactions

The breakdown of the aggregate value of transactions conducted during the financial year ended 30 June 2017 is as follows:

Transacting Companies within the Group	Related Transacting Parties	Nature of Transaction	Amount of Transaction (RM'000)
Syarikat Yoong Onn Sdn Bhd ("SYOSB")	Yoon Fah Realty Sdn Bhd	Rental of property which is currently used as SYOSB's office cum warehouse	168
Sleep Focus Sdn Bhd ("SFSB")	Yoon Fah Realty Sdn Bhd	Rental of property which is currently used as SFSB's staff house	11
Monsieur (M) Sdn Bhd ("MSB")	Yoon Fah Realty Sdn Bhd	Rental of property which is currently used as MSB's warehouse	34

At the forthcoming Annual General Meeting to be held on 23 November 2017, the Company intends to seek its shareholders' approval for the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of business, with related parties. The details of the proposed shareholders' mandate to be sought is set out in the Circular to Shareholders dated 25 October 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 5 OCTOBER 2017

Issued and fully paid-up capital	:	RM80,000,000 divided into 160,000,000 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Treasury shares	:	85,000 shares
Adjusted share capital (after netting Treasury Shares)	:	RM79,957,500 divided into 159,915,000 ordinary shares

ANALYSIS BY SIZE OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHAREHOLDINGS	% OF ISSUED CAPITAL
Less than 100	56	3.54	1,760	*
100 to 1,000	530	33.48	190,849	0.12
1,001 to 10,000	614	38.79	3,101,419	1.94
10,001 to 100,000	301	19.01	9,241,416	5.78
100,001 to less than 5% of issued shares	81	5.12	63,379,325	39.63
5% and above of issued shares	1	0.06	84,000,231	52.53
TOTAL	1,583	100.00	159,915,000	100.00

Note :

*- negligible

SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDER	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Casatex Cosmo Sdn Bhd	84,000,231	52.53	-	-
Chew Hon Foong	-	-	84,000,231	52.53 (a)
Chew Hon Keong	-	-	84,000,231	52.53 (a)
Chew Hon Yoong	-	-	84,000,231	52.53 (a)
Chew Hon Yoon	-	-	84,000,231	52.53 (a)

Note :

(a) - Deemed interest by virtue of his direct interest in Casatex Cosmo Sdn Bhd pursuant to Section 8 of Companies Act 2016.

DIRECTORS' SHAREHOLDINGS

NO.	DIRECTORS	DIRECT INTEREST	%	INDIRECT INTEREST	%
1.	Datuk Kamaludin Bin Yusoff	41,833	0.03	-	-
2.	Chew Hon Foong	-	-	84,000,231	52.53 ^
3.	Chew Hon Keong	-	-	84,000,231	52.53 ^
4.	Datuk Hairuddin Bin Mohamed	-	-	-	-
5.	Yeoh Chong Keng	144,000	0.09	-	-
6.	Lee Kim Seng	99	*	-	-

Note :

^ - Deemed interest by virtue of their direct shareholdings in Casatex Cosmo Sdn Bhd pursuant to Section 8 of Companies Act 2016.

* - Negligible

ANALYSIS OF SHAREHOLDINGS

AS AT 5 OCTOBER 2017 (CONT'D)

THIRTY LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS

NO.	NAME	NO. OF SHARES	%
1	CASATEX COSMO SDN BHD	84,000,231	52.53%
2	HLB NOMINEES (ASING) SDN BHD WANG SHOUHU (CUST.SIN91144-4)	7,866,666	4.92%
3	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	7,027,700	4.39%
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	5,462,400	3.42%
5	CHAN FOOK HONG	5,333,333	3.34%
6	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND	4,475,600	2.80%
7	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABU SAHID BIN MOHAMED (MARGIN)	3,333,333	2.08%
8	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	3,139,700	1.96%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	2,517,700	1.57%
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG (E-IMO/JSI)	1,366,600	0.85%
11	NG YOONG SANG	1,333,333	0.83%
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (8095789)	1,000,000	0.63%
13	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB DANA HAZEEM	910,000	0.57%
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEJUTAN HOLDINGS SDN BHD (E-IMO)	809,000	0.51%
15	RHB NOMINEES (TEMPATAN) SDN BHD AMARA INVESTMENT MANAGEMENT SDN BHD FOR WONG YEE HUI	800,000	0.50%
16	AMANAHRAYA TRUSTEES BERHAD BSN DANA DIVIDEN AL-IFRAH	700,000	0.44%
17	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ABU SAHID BIN MOHAMED	666,666	0.42%
18	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (TMEF)	659,400	0.41%
19	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG CONSUMER PRODUCTS SECTOR FUND	638,000	0.40%
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KHONG SHOONG	600,000	0.38%
21	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	594,000	0.37%
22	LIN, PO-CHIH	520,000	0.33%
23	KOK FOONG MENG	507,233	0.32%
24	FONG AH CHAI	500,000	0.31%
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SWEE KIAT & SONS SDN BHD (8109706)	470,000	0.29%
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG LAI MOEY (E-IMO)	470,000	0.29%
27	LOO LAI YOKE	450,000	0.28%
28	SUN KIEN KEONG	444,000	0.28%
29	AMANAHRAYA TRUSTEES BERHAD BSN DANA AL-JADID	400,000	0.25%
30	CHOONG KIEN YEONG	400,000	0.25%
TOTAL		137,394,895	85.92%

LIST OF GROUP PROPERTIES

Location	Description / Existing use	Land Area (Sq M)	Built-up Area (Sq M)	Tenure	Approximate Age of Building	Years	Land Net Book Value as at 30.6.2017 (RM'000)	Building Net Book Value as at 30.6.2017 (RM'000)	Financial Year of Valuation
a) Syarikat Yoong Onn Sdn Bhd									
No. Pt. 16690 - 16692, Jalan Permata 2, Arab Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan Darul Khusus	Three (3) adjoining industrial lands erected with a factory complex which comprises the following buildings: a. A single storey factory; b. A double storey office; c. A Fibre plant; d. Guard House; e. Warehouse A; f. Warehouse B; g. A canteen; h. A workshop; i. Warehouse C	37,637	21,205	Freehold	a. A single storey factory b. A double storey Office c. A Fibre Plant d. Guard House e. Warehouse A f. Warehouse B g. A Canteen h. A workshop i. Warehouse C	15 15 15 15 11 9 9 5	8,650	17,441	2011
No. Pt. 16750 Jalan Permata 2, Arab Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan Darul Khusus	Industrial lands erected with a warehouse cum office comprises the following buildings: a. A single storey mezzanine floor high bay racking warehouse, office and showroom b. Guard House c. TNB sub-station	8,985	6,393	Freehold	a. A single storey mezzanine floor high bay racking warehouse, office and showroom b. Guard House c. TNB sub-station	2 2 2	5,907	9,428	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at Springs 1 Room, Nilai Springs Golf & Country Club, PT 4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan Darul Khusus on Thursday, 23 November 2017 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fee of **(Resolution 2)**
 - (a) RM177,000 for the financial year ended 30 June 2017
 - (b) RM177,000 for the financial year ended 30 June 2018 until the next Annual General Meeting of the Company.
3. To re-elect the following Directors who are retiring in accordance with Article 129 of the Company's Articles of Association:
 - (a) Chew Hon Foong **(Resolution 3)**
 - (b) Yeoh Chong Keng **(Resolution 4)**
4. To declare single tier final dividend 3.0 sen per ordinary share in respect of the financial year ended 30 June 2017. **(Resolution 5)**
5. To re-appoint Messrs. HLB Ler Lum as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business :

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

6. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016. (Resolution 7)**

"That pursuant to Sections 75 and 76 of the Companies Act 2016, the Articles of Association of the Company and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and 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 does not exceed ten percent (10%) of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

As Special Business :

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

"That the mandate granted by the shareholders of the Company on 17 November 2016 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities Berhad ("Listing Requirements"), authorising the Company and its subsidiaries ("the YOCCB Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the YOCCB Group's day-to-day operations as set out in Section 2.5 of the Circular to Shareholders dated 25 October 2017 with the related parties mentioned therein, be and is hereby renewed (hereinafter referred to as the "Proposed Shareholders' Mandate");

That the Proposed Shareholders' Mandate is subject to the following:-

- (a) the transaction are in the ordinary course of business and are on terms which are not more favourable to the related parties involved than generally available to the public and on terms not to detriment of the minority shareholders of the Company;
- (b) disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year where aggregate value is equal to or exceeds the applicable prescribed threshold under the Listing Requirements and/or the relevant Practice Notes; and
- (c) annual renewal and such approval shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 340 of the Companies Act 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act 2016), whichever is earlier.

AND THAT the Directors of the Company be and are authorised to complete and do all acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate.

8. **Proposed Authority for the Company to Purchase Its Own Shares of Up to Ten Percent (10%) of the Issued and Paid-Up Share Capital of the Company ("Proposed Share Buy-Back Authority") (Resolution 9)**

"THAT, subject to the provisions of Section 127(4) of the Companies Act 2016, the Memorandum and Articles of Association of the Company, Chapter 12 of the Main Market Listing Requirements of Bursa Securities and all other prevailing laws, rules and regulations and orders issued and/or amended from time to time and the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Proposed Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the maximum aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid up ordinary share capital of the Company at any point in time;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (ii) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits of the Company. The audited retained profits of the Company stood at RM6,056,077 at 30 June 2017.
- (iii) the authority conferred by this resolution shall continue to be in force until:
 - (a) the conclusion of the next AGM of the Company following the forthcoming AGM, at which time the said authority will lapse, unless the authority is renewed at that meeting, either unconditionally or subject to conditions; or
 - (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340 of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
 - (c) revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased at their absolute discretion, either partially or fully, in the following manner:

- (i) cancel all the shares so purchased;
- (ii) retain the shares so purchased as treasury shares
- (iii) distribute the treasury shares as share dividends to shareholders
- (iv) resell the treasury shares on Bursa Securities in accordance to the Main Market Listing Requirements of Bursa Securities; and
- (v) any combination of (i), (ii), (iii) and (iv) above.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back Authority with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

9. To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a final single tier dividend of 3.0 sen per share for the financial year ended 30 June 2017, if approved the Tenth Annual General Meeting, will be paid on 18 January 2018 to Depositors whose names appear in the Record of Depositors on 22 December 2017.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Share transferred to the Depositor's Securities Account before 4.00 p.m. on 22 December 2017 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on the cum entitlement basis according to Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Dato' Tang Swee Guan (MIA 5393)
Secretary

Kuala Lumpur
25 October 2017

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

- (i) *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who need not be a member/members of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar to attend and vote in his/her stead.*
- (ii) *A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account.*
- (iii) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.*
- (iv) *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Suite 13A.01(A), Level 13A, Wisma Goldhill, 67 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.*

Explanatory Note on Special Business

Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 7, if passed, will grant a general mandate and empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being, for such purposes as the Directors consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting.

This general mandate is new and will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment, working capital and/or acquisitions.

Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 8, if passed, will enable the Company and its subsidiaries to enter into recurrent related party transactions of revenue or trading nature which are necessary for its day-to-day operations and will eliminate the need to convene separate general meeting from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the YOCCB Group or adversely affecting the business opportunities available to the YOCCB Group.

The detailed information on recurrent related party transactions is set out in the Circular to Shareholders dated 25 October 2017 which is despatched together with this Annual Report.

Proposed Renewal of Authority for the Company to Purchase Its Own Shares Up to Ten Percent (10%) of the Issued and Paid-Up Share Capital of the Company ("Proposed Share Buy-Back Authority")

The proposed Ordinary Resolution 9, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the issued and paid-up share capital of the Company at any point in time, by utilizing the funds allocated which shall not exceed the total retains profits and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting.

Please refer to the Circular to Shareholders dated 25 October 2017 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of Directors Standing for Re-Election

Resolution 3 and Resolution 4

Directors who are standing for re-election at the Tenth Annual General Meeting of Yoong Onn Corporation Berhad:-

- (i) The Director retiring pursuant to Article 129 of the Company's Articles of Association: -
 - (a) Chew Hon Foong
 - (b) Yeoh Chong Keng

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FORM OF PROXY

No. of Shares held	
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I/We _____ NRIC No./Passport No./Company No. _____

_____ of _____

being a member(s) of Yoong Onn Corporation Berhad hereby appoint _____

_____ of _____

_____ or failing him/her, _____

_____ of _____

or failing him/her, *the Chairman of the Meeting as my/our proxy(ies), to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Springs 1 Room, Nilai Springs Golf & Country Club, PT 4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan Darul Khusus on Thursday, 23 November 2017 at 10.00 a.m. and at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below:

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements		
2.	To approve the payment of Directors' fees		
3.	To re-elect Chew Hon Foong as Director		
4.	To re-elect Yeoh Chong Keng as Director		
5.	To declare single tier final dividend 3.0 sen per ordinary share in respect of the financial year ended 30 June 2017		
6.	To re-appoint Messrs. HLB Ler Lum as Auditors of the Company as Auditors of the Company		
	Special business		
7.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
8.	To approve the proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
9.	To approve the Renewal of Authority for the Purchase by the Company of up to Ten Percent (10%) of its own issued and paid-up capital		

(Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Signed this _____ day of _____, 2017

For appointment of two proxies, the shareholdings to be represented by the proxies:	
Proxies	% of shares
Proxy 1	
Proxy 2	
Total	100%

 Signature of Shareholder

**Strike out whichever not applicable*



Notes:

- (i) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who need not be a member/members of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar to attend and vote in his/her stead.
- (ii) A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
- (iv) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Suite 13A.01(A), Level 13A, Wisma Goldhill, 67 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

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Affix Stamp

The Company Secretary

Yoong Onn Corporation Berhad

Suite 13A.01 (A),
Level 13A Wisma Goldhill
67 Jalan Raja Chulan
50200 Kuala Lumpur

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HEAD OFFICE & FACTORY

Lot No. PT 16690 - 16692,
Jalan Permata 2,
Arab-Malaysian Industrial Park,
71800 Nilai, Negeri Sembilan, Malaysia
Tel : 606 - 799 6012
Fax : 606 - 799 7015
Email : info@yoongonn.com

SHOWROOM & WAREHOUSE

Lot No. PT 16750
Jalan Permata 2
Arab-Malaysian Industrial Park
71800 Nilai, Negeri Sembilan, Malaysia
Tel : 606 - 799 3688
Fax : 606 - 799 8826
Email : inventory@homes-harmony.com

MARKETING

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Malaysia
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