



[www.fsbm.com.my](http://www.fsbm.com.my)

# 2019

## ANNUAL REPORT



The Symbol represents the Chinese character '**Big**' signifying growth, progressive steps and our capacity to turn the tides of the ICT industry with new waves. The vertical stroke is associated to the beginning of the Jawi alphabet '**Alif**' which expresses the spirit of pioneering and initiative.

The stylised '**F**' symbolizes forging ahead, fortitude and forward thinking. The red dot forms the head, representing the creativity of our human resources. The dot also indicates our focus on ICT, whereby the horizontal upward stroke forms the shoulder of a man carrying the '**I**' of '**ICT**' to greater achievements.

Red is the colour of life, energy, zeal and with it, the connotation of prosperity. Black communicates solidity and stability, our commitment to integrity, wisdom and honour.

# CONTENTS

Notice of Annual General Meeting	02
Statement Accompanying Notice of Annual General Meeting	04
Corporate Information	05
Directors' Profile	06
Profile of Key Senior Management	09
Letter to Shareholders	10
Management Discussion and Analysis	11
Corporate Governance Overview Statement	13
Statement on Directors' Responsibilities	25
Additional Compliance Information	26
Sustainability Statement	28
Report of Audit Committee	29
Statement on Risk Management and Internal Control	35
Analysis of Shareholdings	37
Analysis of Warrant Holdings	39
Financial Statements	41
Corporate Structure	107
Proxy Form	Enclosed

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fifth Annual General Meeting (“35th AGM”) of FSBM Holdings Berhad (“FSBM” or “the Company”) will be held at Level 1, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Tuesday, 22 September 2020 at 10.00 a.m. to transact the following businesses:

## AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial period ended 31 December 2019 and the Reports of the Directors and Auditors thereon. **Note 8(i)**
2. To approve payment of Directors’ fees amounting to RM47,500 for the Non-Executive Directors for the financial period ended 31 December 2019. **Resolution 1**
3. To re-elect the following Directors who retire by rotation in accordance with Clause 97 of the Company’s Constitution:  
  
Dato’ Ir Dr Abdul Rahim Bin Daud **Resolution 2**  
Mr Tan Ee Ern **Resolution 3**
4. To re-appoint Messrs. Moore Stephens Associates PLT as the Company’s Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration. **Resolution 4**

## AS SPECIAL BUSINESS:

5. **RENEWAL OF AUTHORITY FOR DIRECTORS TO ISSUE SHARES** **Resolution 5**

To consider and, if thought fit, to pass the following Ordinary Resolution, with or without modifications:

“THAT, subject always to the Companies Act, 2016 (the “Act”), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 and 76 of the Companies Act, 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof;

AND THAT the Directors of the Company are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad.”

## BY ORDER OF THE BOARD

### WONG YOUN KIM

Practicing Certificate No. 201908000410  
(MAICSA 7018778)  
Secretary

Petaling Jaya  
30 July 2020

**NOTES:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialised.
3. The instrument appointing a proxy must be deposited at the Company's Registered Office at 603, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof.
4. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
5. Where a member of the company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
6. The Company has put all the Resolutions as set out in the Notice of AGM to be voted by poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**7. GENERAL MEETING RECORD OF DEPOSITORS**

For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 15 September 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend and vote on his/her behalf.

**8. EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS**

(i) Agenda 1 is to table the Audited Financial Statements pursuant to the provision of Section 340(1)(a) of the Companies Act, 2016 and is meant for discussion only. It does not require a formal approval by the shareholders of the Company and hence, Agenda 1 is not put forward for voting.

(ii) Ordinary Resolution 1 – Directors' fees

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. In this respect, the Board seeks the shareholders' approval at this AGM on the payment of Directors' fees.

The Board approved the recommendation of the Remuneration Committee that the total Directors' fees for the Non-Executive Directors for the financial period ended 31 December 2019 shall remain unchanged having taken into consideration the financial position of the Company.

(iii) Ordinary Resolutions 2 and 3 – Re-election of Directors pursuant to Clause 97 of the Constitution.

Clause 97 of the Constitution of the Company provides that an election of Directors shall take place each year at the AGM of the Company where one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire and be eligible for re-election provided that each Director must retire from office at least once in every three (3) years.

The profiles of Dato' Ir Dr Abdul Rahim Bin Daud and Mr Tan Ee Ern who stand for re-election and their interest in the securities of the Company are set out on pages 6 and 8 of the Annual Report.

## **NOTICE OF ANNUAL GENERAL MEETING**

*(cont'd)*

### **8. EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS (CONTD')**

- (iv) Ordinary Resolution 5 – Renewal of Authority for Directors to Issue Shares.

The Proposed Ordinary Resolution 5, if passed, is to give the Directors of the Company flexibility to issue and allot shares up to an amount not exceeding ten per centum (10%) of the Company's total number of issued shares for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the best interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions. The Board of Directors emphasises that the Company will not issue new shares unless it is an exercise that will ultimately increase shareholders' value. This authority will expire at the conclusion of the next AGM of the Company or at the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the Adjourned Thirty-Fourth (34th) AGM of the Company held on 6 February 2020 which will lapse at the conclusion of this AGM.

There were no shares issued pursuant to the general mandate granted at the Adjourned Thirty-Fourth (34th) AGM held on 6 February 2020.

# **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

### **Details of individual who is standing for election as Director**

No individual is seeking for election as Director at the Thirty-Fifth (35th) Annual General Meeting of the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Ir Dr Abdul Rahim Bin Daud**  
(Chairman, Senior Independent Non-Executive Director)

**Dato' Tan Hock San @ Tan Hock Ming**  
(Managing Director)

**Abdul Jalil Bin Abdul Jamil**  
(Independent Non-Executive Director)

**Tan Ee Ern**  
(Executive Director)

**Tan Wan Yen**  
(Executive Director)

## AUDIT COMMITTEE

**Abdul Jalil Bin Abdul Jamil**  
(Independent Non-Executive Director/Chairman)  
(Re-designated as Chairman on 6 May 2020)

**Dato' Ir Dr Abdul Rahim Bin Daud**  
(Senior Independent Non-Executive Director)

## NOMINATION COMMITTEE

**Dato' Ir Dr Abdul Rahim Bin Daud**  
(Senior Independent Non-Executive Director/Chairman)

**Abdul Jalil Bin Abdul Jamil**  
(Independent Non-Executive Director)

## REMUNERATION COMMITTEE

**Dato' Ir Dr Abdul Rahim Bin Daud**  
(Senior Independent Non-Executive Director/Chairman)

**Abdul Jalil Bin Abdul Jamil**  
(Independent Non-Executive Director)

**Dato' Tan Hock San @ Tan Hock Ming**  
(Managing Director)

## REGISTERED OFFICE

603, Block A, Phileo Damansara 1  
No. 9, Jalan 16/11, 46350 Petaling Jaya  
Selangor, Malaysia.  
Telephone : 603-7932 2313  
Facsimile : 603-7932 1214

## PRINCIPAL PLACE OF BUSINESS

603, Block A, Phileo Damansara 1  
No. 9, Jalan 16/11, 46350 Petaling Jaya  
Selangor, Malaysia.  
Telephone : 603-7932 2313  
Facsimile : 603-7932 1214

## SHARE REGISTRAR

**Tricor Investor Services Sdn Bhd**  
Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia.  
Telephone : 603-27839299  
Facsimile : 603-27839222

## COMPANY SECRETARY

**Wong Youn Kim**  
Practicing No. 201908000410  
(MAICSA 7018778)

## AUDITOR

**Moore Stephens Associates PLT (AF0020)**  
Unit 3.3A, 3rd Floor, Surian Tower  
No. 1, Jalan PJU 7/3, Menara Damansara  
47810 Petaling Jaya, Selangor, Malaysia.

## PRINCIPAL BANKER

Malayan Banking Berhad

## STOCK EXCHANGE LISTING

**Main Market Bursa Malaysia Securities Berhad**  
Stock Name: FSBM  
Stock Code : 9377  
Warrant Code : 9377WA

## WEBSITE

[www.fsbm.com.my](http://www.fsbm.com.my)

# DIRECTORS' PROFILE

## **DATO' IR DR ABDUL RAHIM BIN DAUD**

Chairman

Senior Independent

Non-Executive Director

Aged 72, Malaysian, Male

Dato' Ir Dr Abdul Rahim Bin Daud was appointed to the Board on 5 August 2010. On 28 November 2016, he was re-designated as a Senior Independent Non-Executive Director and Chairman of the Board of Directors, he was also re-designated as Chairman of the Nomination Committee, Remuneration Committee and Risk Monitoring Committee. He is a member of the Audit Committee.

He holds a BEng (Hons) in Electrical Engineering, University of Liverpool, an MSc (Eng) in Communication Engineering, University of Birmingham, and a PhD (Eng) from the University of Bath (UK). Dato' Ir Dr Abdul Rahim also holds an MBA from Ohio University. He is a member of the Professional Engineer Malaysia (P.ENG), and a Fellow of The Institution of Engineers, Malaysia (FIEM).

Dato' Ir Dr Abdul Rahim joined Jabatan Telekom Malaysia (TM) in 1973. He has been in various senior positions in TM and in 1996, he was appointed as Chief Operating Officer. In July 1998, he was appointed as Executive Director of TM Group and remained as the Chief Operating Officer until February 2001 when he assumed the position of Executive Director, Corporate Strategy and Development. He was then appointed as the Group Deputy Chief Executive/ Executive Director of TM from 29 May 2001 until his retirement on 30 June 2004. He remained on the Board of TM as an Independent Non-Executive Director until April 2008. He was appointed Chairman of GITN Sdn Bhd from 2001 until February 2010.

He was the first Malaysian to be elected as Chairman of Commonwealth Telecommunications Organisation (CTO) in London for 3 terms from September 1999 to November 2002. He also joined the Board of Governor of Intelsat (International Satellite Consortium in Washington DC) for 2 years until its privatization in 2002.

Dato' Ir Dr Abdul Rahim has completed the Advanced Management Program (AMP) from the Harvard Business School (USA) and Senior Executive Development Program from the Wharton School of Business, Pennsylvania, USA. He was an Adjunct Professor of University Kebangsaan Malaysia. He is currently an Independent Non-Executive Director of Multimedia University (MMU).

Save as disclosed above, Dato' Ir Dr Abdul Rahim does not hold any directorship in any other public or public listed companies.

He holds 24,500 ordinary shares in the Company. He does not hold any shares in the subsidiary companies of the Company. He has no family relationship with any director and/or major shareholder of the Company, no conflict of interest with the Company, and has not been convicted of any offences in the past 10 years.

**DATO' TAN HOCK SAN**  
**@TAN HOCK MING**  
Managing Director  
Non-Independent Executive  
Director  
Aged 71, Malaysia, Male

Dato' Tan Hock San @ Tan Hock Ming was one of the first Directors and founder of the Company. He was appointed as Managing Director since the incorporation of the Company on 27 February 1984. He is also a member of the Remuneration Committee and Risk Monitoring Committee.

He holds a Bachelor of Computer Science (Hons) degree from University of London. He has over 40 years of experience in Information and Communication Technology ("ICT"). Prior to the founding of the Company, he had served in several large corporations including IBM World Trade Corporation, Exxon Production Malaysia Incorporation, HRM Sdn Bhd and Business Computers Sdn. Bhd. Being one of the pioneers in the computer industry in Malaysia, and with his extensive experience, he is well positioned to gauge the direction of the industry as a whole. He is pivotal in setting the overall direction of the Company and has successfully listed the Company on the Bursa Malaysia Securities Berhad in October 1994. As the Managing Director of the Company, he steers the development and growth of the Group's business.

Dato' Tan is not a director of any other public or public listed companies. He holds directly 19,605,700 ordinary shares and has deemed interest of 26,076,200 ordinary shares in the Company via Sanyee Holdings Sdn. Bhd., Sanyee Corporation Sdn. Bhd., spouse and children. He does not hold any shares in the subsidiary companies of the Company.

Mr Tan Ee Ern and Miss Tan Wan Yen, the son and daughter of Dato' Tan Hock San respectively were appointed to the Board on 27 April 2007 and 27 November 2008 respectively as Executive Directors.

Save as disclosed above, Dato' Tan has no family relationship with any director and/or major shareholder of the Company, no conflict of interest in any business arrangement involving the Company, and has not been convicted of any offences in the past 10 years.

## **DIRECTORS' PROFILE**

*(cont'd)*

### **ABDUL JALIL BIN**

#### **ABDUL JAMIL**

Independent Non-Executive  
Director

Aged 70, Malaysian, Male

Encik Abdul Jalil Bin Abdul Jamil was appointed to the Board as an Independent Non-Executive Director on 24 May 2017. On 6 May 2020, he was re-designated as Chairman of the Audit Committee. He is a member of the Nomination Committee and Remuneration Committee.

Encik Abdul Jalil graduated from the University of Exeter with a Bachelor of Science Degree in Chemical Engineering in 1974. He further obtained a Diploma in Teaching of English to Speakers of Other Languages (TESOL) from London Teacher Training College in 2007.

Encik Abdul Jalil started his career in 1975 in information technology industry as a Senior Systems Analyst in ESSO Malaysia Berhad and later as Senior IT Consultant in HRM Sdn. Bhd.

After attaining a Master in Business Administration, he joined Southern Bank Berhad in 1985 where he engaged in management and business administration and his last appointment was Bank Manager before he left the bank in 1993.

He started his own franchise service business as Franchise Service Dealer in 1994 managing overall administration and operations of a motor vehicle servicing franchise with Edaran Otomobil Nasional Berhad.

He joined Humana Executive Search Consultants (M) Sdn. Bhd. in 1997 as Associate Director for 3 years until 1999 providing head-hunting services and human resource management.

He is currently a Director of Vibrant Pro (M) Sdn. Bhd. providing consultancy services in financial, education and IT services. Meanwhile, he has been an English Language Facilitator and part-time Lecturer throughout the years.

Encik Abdul Jalil does not hold any directorship in any other public or public listed companies.

He does not hold any shares, directly or indirectly, in the Company and in the subsidiary companies of the Company. He has no family relationship with any director and/or major shareholder of the Company, no conflict of interest with the Company, and has not been convicted of any offences in the past 10 years.

### **TAN EE ERN**

Executive Director

Aged 40, Malaysian, Male

Mr Tan Ee Ern was appointed as an Executive Director of the Company on 27 April 2007.

He graduated from the London School of Economics and Political Science with a BSc (Hons) in Economics in 2002 and MSc in Management Information System in 2003.

He worked in the Finance Department of Fujitsu Services Ltd. United Kingdom for 2 years. After returning from United Kingdom, he served as Special Assistant to the President and is a member of the Exco Committee.

Mr Tan does not hold any directorship in any other public or public listed companies.

Mr Tan is the son of Dato' Tan Hock San, who is the Managing Director of the Company. Mr Tan is brother of Ms Tan Wan Yen, the Executive Director of the Company. Mr Tan does not hold any shares directly in the Company. However, he has a total deemed interest of 25,480,000 ordinary shares via Sanyee Corporation Sdn. Bhd. and Sanyee Holdings Sdn. Bhd.

Save as disclosed above, Mr Tan has no family relationship with any director and/or major shareholder of the Company, no conflict of interest in any business arrangement involving the Company, and has not been convicted of any offences in the past 10 years.

**TAN WAN YEN**  
Executive Director  
Aged 37, Malaysian, Female

Miss Tan Wan Yen was appointed as an Executive Director of the Company on 27 November 2008.

She graduated from the London School of Economics and Political Science with a BSc (Hons) in Accounting and Finance in 2004, and she completed internships at PriceWaterhouse Coopers and Accenture.

After graduation, Miss Tan worked in the Corporate Finance division of Aseambankers Malaysia Berhad for 2 years. Thereafter she joined BinaFikir Sdn Bhd, a boutique financial advisory firm, as an analyst. She has since been with FSBM and is a member of the Exco Committee.

Miss Tan does not hold any directorship in any other public or public listed companies.

Miss Tan is the daughter of Dato' Tan Hock San, who is the Managing Director of the Company. Miss Tan is the sister of Mr Tan Ee Ern, the Executive Director of the Company. Miss Tan holds 681,900 ordinary shares in the Company, and has a total deemed interest of 25,480,000 ordinary shares via Sanyee Corporation Sdn. Bhd. and Sanyee Holdings Sdn. Bhd.

Save as disclosed above, Miss Tan has no family relationship with any director and/or major shareholder of the Company, no conflict of interest in any business arrangement involving the Company, and has not been convicted of any offences in the past 10 years.

**Notes to Directors' Profile:**

*The details of the Directors' attendance at Board and Audit Committee Meetings are set out on page 16 of this Annual Report.*

*The composition of the Board of Directors complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad whereby one-third (1/3) of the Board are Independent Directors.*

## PROFILE OF KEY SENIOR MANAGEMENT

The Key Senior Management of FSBM Holdings Berhad comprises of Dato' Tan Hock San (Managing Director), Mr Tan Ee Ern (Executive Director) and Miss Tan Wan Yen (Executive Director). All of them are also members of the Executive Council (Exco) Committee.

Their profiles are presented in the Profile of Directors on pages 7 to 9 of this Annual Report

# LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present, on behalf of the Board of Directors of the Company, the Annual Report and the Audited Financial Statements of FSBM Holdings Berhad for the financial period ended 31 December 2019.

On behalf of the Board of Directors, I wish to extend my thanks to the staff and management for their dedication in carrying out their duties over the past year. I would also like to thank our customers, shareholders, business partners, government authorities and business associates for their continued support and trust.

Further information on FSBM's performance in the financial year is detailed in the Management Discussion and Analysis on page 11 of the Annual Report.

**DATO' IR DR ABDUL RAHIM BIN DAUD**  
Chairman

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL

FSBM Group reports a revenue of RM191,000 and loss before tax of RM572,000 for the financial year ended 31 December 2019.

This compares to a revenue of 1.26 million and a loss before tax of RM669,000 for the financial year ended 30 June 2018.

In 2019, we had changed our financial year end from 30 June 2019 to 31 December 2019, thus the financial period in review is for an 18 month period.

The historical financial performance of our Group has been less favourable mainly because of, amongst others, the problem of recoverability of debts due to an altercation with a debtor who was formerly a related party, of which we have taken legal actions to recover this debt, and the stability of the revenue stream which is very much dependent on the volatility of the ICT sector. Our Board is working to turn around our Group with continued efforts to strengthen our core business activities in Systems and Solution, Communication and Multimedia, and Education.

## SYSTEMS AND SOLUTIONS

There have been many encouraging prospects for our Student Accommodation Management System from Ireland. We are actively pursuing to provide its offerings via a cloud-based Application Service Provider (ASP) business model to the education sector in Malaysia.

## EDUCATION

In 2013 the Government launched the Malaysian Education Blueprint 2013-2025, which aims to advance Malaysia into a knowledge-based economy by 2025.

In the Malaysian Education Blueprint, ICT has been identified as one of the key platforms to advance and support the conduct of education in schools, both for the students and teachers. A holistic approach, incorporating the implementation of appropriate ICT infrastructure, ICT skill training, content development, pedagogy, various delivery systems and support services, is required to ensure the smooth and successful implementation of a technology driven education system for the new Malaysia.

Teachers' ICT skills need to be continuously upgraded, and their knowledge on integrating ICT into their classroom teaching, be constantly enhanced.

Students must have quick and easy access to user devices to enable them to study anywhere anytime and at their own pace. With these devices, classroom lessons can be recorded for later revision. This will help narrow the digital divide between the rural and urban schools. Digital textbooks and exercise books will greatly reduce the burden on school bags, a constant concern of many parents.

In 2019 the Ministry of Education had greatly improved the internet connectivity to all the schools in Malaysia, using a mix of fixed-line fibre broadband, 3G/4G and Satellite. The recent Budget 2020 further affirms this with a sizeable budget allocation, with a focus on digital infrastructure establishment.

The Group has been making great efforts to pursue the many opportunities within this Blueprint and remains confident of successfully securing significant projects to meet the lofty aim of the Malaysian Education Blueprint in the near future.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

*(cont'd)*

### **OUTLOOK**

Albeit better compared to the previous years, the financial period ending 31 December 2019 remained a very challenging year for the FSBM Group. While our efforts to pursue several large scale Government projects continued, we were still heavily involved in the liquidation and legal action against a former business partner for the recovery of debts. We believe we will have the outcome in the near future.

We shall continue to expand our foothold in the provision of ICT solution for the accommodation sector in universities and colleges, especially through our cloud ASP offering.

We are actively pursuing the opportunities in the Ministry of Education, for the end-user devices, and the ICT infrastructure development.

In view of the above and subject to being able to secure some projects and gaining more acceptance of our products and services, our Board is cautiously optimistic that the prospects of our Group are encouraging and barring any unforeseen circumstances, our Group would be able to improve its financial position and hope to return to profitability in the near future.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FSBM Holdings Berhad Group is managed under a Malaysian Corporate Governance Framework and guided by Corporate Governance Guidelines and operated within Bursa Malaysia Securities Berhad Main Market Listing Requirements, Companies Act, 2016 and other applicable laws.

The Board is committed to ensuring that it provides effective leadership to lead and oversee the performance and effective control of the Company and the Group towards achieving the desired goals and objectives while meeting its fiduciary duty to protect and enhance interest of shareholders and other stakeholders. The Board recognises the spirit of the Malaysian Code on Corporate Governance (“MCCG”) released by the Securities Commission Malaysia on 26 April 2017, and acknowledges that the practice of a high standard of corporate governance is a key to realise the Board’s commitment.

This Corporate Governance Overview Statement (“CG Overview Statement”) is presented in compliance with paragraph 15.25(1) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements. It is intended to give shareholders an overview of the Company’s application of the Practices contained in the three (3) Key Principles of the MCCG outline below, how they operated and the extent of application of each of the practices during the financial period ended 31 December 2019 as well as the Board’s key focus areas and future priorities:

## **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS**

- Board Responsibilities
- Board Composition
- Remuneration

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

- Audit Committee
- Risk Management and Internal Control Framework

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

- Communication with Stakeholders
- Conduct of General Meetings

This CG Overview Statement is to be read together with the Corporate Governance Report 2019 (“CG Report”) of the Company which discloses the details of the Company’s application of each Practice. The CG Report is available at the Company’s website at <https://www.fsbm.com.my/content/view/35/114/>

## **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS**

### **BOARD RESPONSIBILITIES**

The Board’s primary responsibility is to ensure the Company’s prosperity by directing and overseeing the Company’s affairs. The Board is accountable to shareholders for the performance of the Company and Group. Thus, the Board has at all times exercised their powers for the purpose they are conferred, for the benefit and best interest of the Company, shareholders and stakeholders.

The Board set the mission and vision of the Company and Group, assuring that all actions are related to and adhere to that mission. Base on the corporate mission statement, the Board determines the Company and Group’s direction, formulates strategic plans, financial objectives and significant policies for the Company and Group toward achievement of long-term success. The details of the principal responsibilities and procedures of the Board are disclosed in the CG Report under Practice 1.1.

The Board’s key focus areas during the financial period was to strengthen the Company and Group’s core business activities via its effort to pursue potential projects. Such effort is ongoing and it will be the Board’s future priority in order to bring the Group back to the right track.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

*(cont'd)*

### **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

#### **BOARD RESPONSIBILITIES (CONT'D)**

##### **Delegation to Senior Management**

The Board has delegated to the Managing Director (“MD”) and through the MD to the Senior Management, the authority and responsibilities for implementation of policies, strategies and business plans, and managing the operational activities and financial performance of the Company. The Board’s role is to oversee the management and governance of the Company, and guide the implementation of the strategy and the achievement of objectives. The Board review and monitors Management’s action and performance. While supporting Management’s duties, the Board ensures the Company has adequate and well-managed resources at its disposal.

##### **Delegation to Board Committees**

The Board has established the following committees to assist it in the execution of specific responsibilities:

1. Audit Committee
2. Nomination Committee
3. Remuneration Committee
4. Risk Monitoring Committee
5. Executive Council Committee (“Exco”)

The Board ensures that all Committees are provided with sufficient resources to undertake their duties. All the Committees, except the Exco, are operating under clearly defined Terms of Reference detailing their responsibilities and the extent to which they have been delegated powers of the Board of Directors. The Exco was established to formalise the decision making process for managing the Company’s regular business activities. The Committees report directly to the Board. The ultimate responsibility for the final decision on all matters lies with the Board. However, the Exco and the Risk Monitoring Committee were not active during the financial period as the Group was operated with minimum level of business activities. Moving forward, the Board will activate the roles of the Exco and Risk Monitoring Committee when the Group’s activities increase.

##### **Board Chairman**

The Board is led by the Chairman, Dato’ Ir Dr Abdul Rahim Bin Daud, who is a Senior Independent Non-Executive Director. Dato’ Chairman is responsible for the leadership of the Board. He leads the Board in its collective oversight of the management and overall performance of the Group and ensures the efficient organisation and conduct of the Board’s function while instilling positive culture and good corporate governance within the Board. The details on the responsibilities of the Chairman is disclosed in the CG Report under Practice 1.2.

##### **Managing Director**

The Group does not appoint a Chief Executive Officer (CEO), rather the operation of the Company and Group is led by the Managing Director (MD), namely Dato’ Tan Hock San @ Tan Hock Ming. He is primarily responsible for managing the Company and Group operations and resources. The details on the responsibilities of the MD is disclosed in the CG Report under Practice 1.3.

##### **Separation of position of Board Chairman and MD**

The Company has been practicing good corporate governance to ensure the overall integrity of the Company by having the position of Chairman and MD held by different individuals with clear division of duties and responsibilities.

The Board’s main roles is to direct and oversee the Company’s affairs to ensure it is being run in line with the mandate of the Company and at the best interest of the shareholders, whilst the MD is responsible for managing the operation of the Company and Group. The Board is always mindful that having a combined Chairman and MD position would result in possible conflict of interest situation and abuse of the position. The Board has applied Practice 1.3 of the MCGG.

The presence of Independent Non-Executive Directors provides a good complementary role to ensure a balance of power and authority. Their role is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined as they provide unbiased and independent views, advice and judgment to take account of interests of the Company and Group, shareholders, stakeholders and communities in which the Group conducts business.

## **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

### **BOARD RESPONSIBILITIES (CONT'D)**

#### **Board Charter**

There is demarcation of responsibilities between the Board, Board Committees and Management. The Board is guided by the Board Charter in discharging its duties and fiduciary obligation to the Company and Group as per Practice 2.1 of the MCCG. The Board Charter clearly specified the roles of the Board, Board Committees, Chairman, MD, Executive and Non-Executive Directors. The Board Committees are also guided by their Terms of Reference.

The Board Charter and Terms of Reference of the Committees can be viewed on the Company's website at [www.fsbm.com.my](http://www.fsbm.com.my).

#### **Code of Ethics and Conduct**

With the commitment to maintaining a culture of high standard of ethical business behaviors as per Practice 3.1, the Board has established a Code of Ethics and Conduct to be observed by the Directors. Management and employees are guided by the Code of Ethics and Conduct contained in the Group HR Policies and Procedures. The Code of Conduct seeks to ensure that Directors, Management and employees conduct themselves ethically, without conflict of interest, diligently and appropriately in discharging their duties.

#### **Whistleblowing Policy**

Besides that, the Board has also put in place a Whistleblowing Policy to encourage employees and others who have serious concerns about any aspect of the Company and Group including, but not limited to unethical or fraudulent practices within the Group to come forward and voice those concerns. The purpose of a Whistleblowing Policy is to establish a system for the reporting, investigation and resolution of reportable conduct, so that, damage control or remedial action can be taken promptly. The Board has applied Practice 3.2 of the MCCG.

The Whistleblowing Policy can be viewed on the Company's website at [www.fsbm.com.my](http://www.fsbm.com.my).

#### **Company Secretary**

The Board is supported by a competent Company Secretary who is qualified to act as Company Secretary under Section 235 of the Companies Act, 2016. She is a Chartered Secretary (ICSA) and is an associate of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). She is accountable directly to the Board on all matters to do with the proper functioning of the Board including the provision of secretarial support to the Board and Board Committees. She plays an advisory role to ensure the Board complies with relevant regulations, laws and Bursa's Listing Requirement and assists the Board in applying the best practices of the MCCG to meet the Board's needs and shareholders' expectation. In order to be equipped with the necessary knowledge and skills to carry out her functions, the Company Secretary and her team have attended continuous professional development programs and conferences to keep themselves abreast of the changing regulatory environment, and development on corporate governance. The Board has applied Practice 1.4 of the MCCG.

#### **Board meetings**

In discharging the role of overseeing the management and governance of the Company and Group vested in the Board, the Board meets at least once in every quarter with additional meetings to be convened as and when necessary. Meeting materials relating to agenda items are provided to Board members in advance of meetings to allow the Directors to prepare for discussion of matters at the meeting. To ensure smooth running of the meeting and time efficiency, certain discussion papers particularly the financial results are circulated via electronic mail to the Board for their comment before the papers are finalised for circulation to the Board. The Company Secretary records the meeting proceedings, matters presented and reported at the meeting, the discussion and how the decision is reached. The minutes are circulated to all Directors for their review and comment to ensure the minutes correctly reflect the deliberation and decision of the Board and Board Committee. All minutes are tabled and confirmed at the next meetings. The Company Secretary ensures that all minutes and meeting materials are properly kept to ease future reference. The Board has applied Practice 1.5 of the MCCG.

Apart from formal meeting, urgent matters that require Board's review are also frequently discussed via electronic mail or through informal discussions and all decisions are confirmed by way of circular resolutions.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### BOARD RESPONSIBILITIES (CONT'D)

##### Board commitment

All Board members' had demonstrated high commitment in terms of time and knowledge contribution with full attendance at Board Meetings. None of the Directors holds directorship in more than five (5) public or public listed companies to ensure sufficient of devotion time to the affair of the Company. The Directors' attendance at Board and Board Committee meetings are disclosed below:

Director	No. of Meeting Attended/No. of Meeting Held from 1/7/2018 to 31/12/2019**			
	Board meeting	AC meeting	NC meeting	RC meeting
Dato' Ir Dr Abdul Rahim Daud	8/8	8/8	-	-
Dato' Tan Hock San @ Tan Hock Ming	8/8	8/8^	*n/a	-
Encik Abdul Jalil Bin Abdul Jamil	8/8	8/8	-	-
Mr Tan Ee Ern	6/8	8/8^	*n/a	*n/a
Ms Tan Wan Yen	8/8	8/8^	*n/a	*n/a

Director	No. of Meeting Attended/No. of Meeting Held from 1/1/2020 to 23/7/2020**			
	Board meeting	AC meeting	NC meeting	RC meeting
Dato' Ir Dr Abdul Rahim Daud	2/2	2/2	1/1	1/1
Dato' Tan Hock San @ Tan Hock Ming	2/2	2/2^	1/1^	1/1
Encik Abdul Jalil Bin Abdul Jamil	2/2	2/2	1/1	1/1
Mr Tan Ee Ern	2/2	2/2^	*n/a	*n/a
Ms Tan Wan Yen	2/2	2/2^	*n/a	*n/a

\*n/a Not applicable

\*\* There were no Risk Monitoring Committee meetings held during the financial period as there were no projects embarked during the financial period and the Company and Group operated with minimum activities.

^ By invitation

#### BOARD COMPOSITION

The Board of Directors shall comprise of such number of Directors as the Board deems appropriate to function efficiently subject to the Company's Constitution, the provision of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the application of the MCGG.

During the financial period ended 31 December 2019, the Board consists of five (5) members, with two (2) Independent Non-Executive Directors, representing 40% of the total Board members. This has not fulfilled Practice 4.1 of the MCGG which requires at least half of the Board comprises Independent Directors. Thus, while concentrating to strengthen the Group's business activities, the Board had focused in sourcing for a suitable qualified candidate to be appointed as Independent Director. However, the Board had not been successful, and will continue with its effort to look for suitable candidate so that, the Company fulfils Practice 4.1 of the MCGG.

The Board recognises the benefit in having access to the diversity of input from people with a wide range of backgrounds, skills and experience. These criteria has been applied by the Board and the Nomination Committee in the recent effort in sourcing for a suitable qualified candidate to fill up the vacancy of Independent Director.

## **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

### **BOARD COMPOSITION (CONT'D)**

The Board members are as follows:

1. Dato' Ir Dr Abdul Rahim Bin Daud (Senior Independent Non-Executive Chairman)
2. Dato' Tan Hock San @ Tan Hock Ming (Managing Director)
3. Encik Abdul Jalil Bin Abdul Jamil (Independent Non-Executive Director)
4. Mr Tan Ee Ern (Executive Director)
5. Ms Tan Wan Yen (Executive Director)

The profile of each Director in office is disclosed in the Annual Report under the section of Profile of Directors.

### **Tenure of Independent Directors**

Independent Directors play an important role in improving corporate credibility and governance standards functioning. During the financial period under review, Practice 4.2 was not applicable to the Company as none of the Independent Directors of FSBM has exceeded the tenure of a cumulative term of nine (9) years in the Company.

However, the Board recognises that shareholders are increasingly concerned about the potential negative impact of long tenure Independent Directors due to familiarity and close relationship with the Board and Management. Bearing this in mind, the Board has laid down a policy in its Board Charter on the tenure of its Independent Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. If the Board desires to retain them beyond nine (9) years, upon recommendation of the Nomination Committee, the Board should justify and seek annual shareholders' approval. If the Board continues to retain the independent director by a further year after the twelfth (12th) years, the Board should seek annual shareholders' approval through a Two-Tier Voting Process.

### **Role and activities of Nomination Committee**

The Board has delegated to the Nomination Committee ("NC") the following responsibilities:

1. Nomination and appointment process for new Directors and Key Senior Management, and its succession planning.
2. Assessment of effectiveness and performance of the Board, Board Committees and individual Directors.

The NC comprises two (2) members, exclusively of Independent Non-Executive Directors, and is chaired by a Senior Independent Non-Executive Chairman as per Practice 4.7 of the MCCG. The members of the NC are as follows:-

1. Dato' Ir Dr Abdul Rahim Bin Daud – Chairman (Senior Independent Non-Executive Chairman)
2. Encik Abdul Jalil Bin Abdul Jamil – Member (Independent Non-Executive Director)

The Terms of Reference of the NC can be viewed on the Company's website at [www.fsbm.com.my](http://www.fsbm.com.my)

### **Nomination and appointment process**

The NC assesses the strength, effectiveness and the level of diversity of the Board and Senior Management in determining the need for proposing new appointments of Director or Senior Management. As and when necessary, recommendation will be made to the Board for consideration.

The Board concurs with Practice 4.4 of the MCCG that the selection and appointment of members of the Board and Senior Management are based on merit and objective criteria with due regard for the benefits of diversity with no restriction on ethnicity, age and gender. The Board and Senior Management as a whole should have the right mix of skills.

The general criteria for Board membership is disclosed in the CG Report under Practice 4.4. The appointment of Senior Management is based on pre-determined criteria according to position and job descriptions with due regard for equality in the workplace. At present, the Key Senior Management of FSBM is represented by the Managing Director and two Executive Directors. The Senior Management team will be enlarged when the Group's activities increase.

The appointment of new Directors is decided by the Board in consultation with and based on recommendation of the Nomination Committee after assessing the candidates' suitability. During the financial period, the NC and the Board was endeavoured to source a suitable and qualified candidate to fill up the vacancy of Independent Director and Audit Committee member. The main source of candidates for appointment of Directors is through Directors networking and referral. The Board may use external search consultancies for appointment as and when necessary as recommended by Practice 4.6 of the MCCG. The effort to source for suitable candidates is ongoing.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

*(cont'd)*

### **PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

#### **BOARD COMPOSITION (CONT'D)**

##### **Nomination and appointment process (cont'd)**

With regards to the chairman position of the Audit Committee which had been vacant over the years, the NC had recommended to re-designate the remaining Audit Committee member, namely Encik Abdul Jalil Bin Abdul Jamil as chairman of the Audit Committee so that it is comply with the Main Market Listing Requirements.

##### **Board Gender Diversity Policy**

The Board has not applied Practice 4.5 to formalise its Board Gender Diversity Policy alongside targets and measures to meet the targets. The Board currently comprises a woman Director, namely Ms Tan Wan Yen who is the Executive Director of the Group, equivalent to 16% women representation on the Board. Given the current state of the Group's business activities, the Board is of the view that it is more crucial to have the right mix of skills on the Board to lead the Company to the right track instead of achieving the 30% gender target. Nonetheless, the Board recognises the spirit of the MCCG. Moving forward, proper measures will be taken to achieve sufficient board gender diversity when the Group's activities increase.

##### **Annual Assessment Process**

The Board has undertaken a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each individual Director as per Practice 5.1 of the MCCG.

The NC assists the Board on the assessment process:

- The assessment is performed annually and internally facilitated. The evaluation process is facilitated by the Company Secretary.
- The NC applies the performance evaluation criteria and assessment forms / checklists as recommended in the Corporate Governance Guide in conducting the annual assessments of Board and Board Committees and individual Directors, and assesses the independence of the Independent Directors.
- Prior to NC meeting, the respective questionnaires are circulated to the NC members via electronic-mail.
- At the NC meeting, the NC discusses the performance of the Board and Board Committees, and each individual Director.
- The NC then recommends the outcome of the assessments to the Board for its review.

The NC had conducted an annual assessment on the performance and effectiveness of the Board, Board Committees and each individual Director in respect of the financial period ended 31 December 2019.

The following assessment outcomes were reported by the NC:

- Given the challenges faced by the Company and Group, the Board had discharged its fiduciary duties adequately. However, an Independent Director with accounting qualification should be appointed as soon as possible so that the Board composition is proper.
- The Board Committees i.e., Audit Committee, Nomination Committee and Remuneration Committee had performed well in discharging their duties, except for the Risk Monitoring Committee which was not active during the year as the Group operating with minimum activities. The composition of the Audit Committee should be rectified.
- Each Director had sufficiently contributed his/her skills, experience, business and industry knowledge and time in discharging their duties and responsibilities.
- The Independent Directors have exercised due care during their tenure as Independent Directors of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgment into the decision making of the Board in the best interest of the Company and its shareholders.

Meanwhile, the NC recommended that the following issues required the Board's focus when the Group's activities increase:

- To review and refresh the Senior Management team to ensure it is equipped to manage the Group's business plan and new projects.
- To restructure the membership of the Risk Monitoring Committee.
- To revise the membership of the Remuneration Committee ("RC") to align with Guidance 6.2 of the MCCG that the RC composition to consist solely Non-Executive Directors.

**PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**BOARD COMPOSITION (CONT'D)**

**Annual Assessment Process (cont'd)**

- Directors are encouraged to continually update their skills and knowledge of the business and to actively participate on continuous professional development programs. So that, the Board is equipped to meet the fast changing competitive business environment and technological changes.
- To review the succession planning and increase the discussion of succession planning at Board level.
- The Board should increase its engagement with shareholders and stakeholders.

Based on its assessment outcomes, the NC reviewed the continued appropriateness of the following Directors who retire by rotation according to Clause 97 of the Company's Constitution and recommended to the Board to seek shareholders' approval for re-election at the forthcoming Annual General Meeting (AGM) and at any adjournment thereof:-

1. Dato' Ir Dr Abdul Rahim Bin Daud
2. Mr Tan Ee Ern

**Directors' Training**

Paragraph 15.08 of the Listing requirements of Bursa Securities requires Directors to undertake continuous professional development programs to keep themselves abreast with the changing business environment, regulatory and corporate governance. Based on the results of the annual assessments, the NC assisted the Board undertake an assessment on the training needs of each Directors. All Directors were also requested to identify their areas of training needs. Directors were encouraged to continually update their skills and knowledge of the business and to actively participate on continuous professional development programs, so that, the Board is equipped to meet the fast changing competitive business environment and technological changes.

During the financial period, all Directors had attended training programs, with details as follows:-

<b>Training Title</b>	<b>Date</b>	<b>Duration</b>
Global Reporting Initiative - Workshop on Sustainability Reporting	January 2019	1 Day
BNM - Fire Side Chat for Directors	June 2019	1 Day
Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times	June 2019	1 Day
BNM - Artificial Intelligent and Directors Role	July 2019	1 Day
BNM - Value Base Intermediation for Directors	August 2019	1 Day
BNM - Leadership In a Disruption World	August 2019	1 Day
Malaysian Institute of Integrity - Inculcating Good Corporate Governance in Corporate Entity	October 2019	1 Day
Strategic Direction for Multimedia University	November 2019	1 Day

**REMUNERATION**

As per Practice 6.1 of the MCGG, the Board has put in place a Remuneration Policy and Procedure to determine the remuneration at a level sufficient to attract, retain and motivate Directors and Senior Management that are needed to run the Company and Group successfully.

The details of the Remuneration Policy and Procedure are disclosed in Practice 6.1 of the CG Report.

**Role and activities of Remuneration Committee**

As per Practice 6.2 of the MCGG, the Remuneration Committee ("RC") assists the Board in setting the remuneration framework on remuneration packages for Directors and Senior Management, and implements the remuneration policy and procedures.

The Terms of Reference of the NC can be viewed on the Company's website at [www.fsbm.com.my](http://www.fsbm.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### REMUNERATION (CONT'D)

##### Role and activities of Remuneration Committee (cont'd)

At present, the RC comprises three (3) members, with a majority of Independent Non-Executive Directors, and is chaired by a Senior Independent Non-Executive Chairman. The members of the RC are as follows:-

1. Dato' Ir Dr Abdul Rahim Bin Daud – Chairman (Senior Independent Non-Executive Director)
2. Encik Abdul Jalil Bin Abdul Jamil – Member (Independent Non-Executive Director)
3. Dato' Tan Hock San @ Tan Hock Ming – Member (Managing Director)

According to Guidance 6.2 of the MCCG, RC composition should consist of solely Non-Executive Directors and a majority of them Independent Directors. Despite that, having considered the Group's current financial position, the NC recommended that the RC should maintain its current membership as the RC still requires guidance of Dato' Tan Hock San @ Tan Hock Ming, who is the Managing Director, on matters relating to remuneration. Moving forward, the membership shall be revised to consist of solely Non-Executive Directors when the Group's activities increase and back to the right financial track.

The RC applies the following procedures on implementation of the remuneration policy:

- The RC conducts its annual review of the remuneration packages of the Managing Director, Executive Directors, Non-Executive Directors and Senior Management, and makes recommendation to the Board. The annual review is normally conducted in August of each year.
- The RC is guided by the assessment outcome of the NC and the view of the Managing Director in its review of the remuneration packages. Comparisons are made with the remuneration paid by other comparable public listed companies.
- None of the individual Directors or the Chairman participates in the discussion and decision relating to their own remuneration.

The RC had conducted its annual review of the remuneration package of the Board in respect of the financial period ended 31 December 2019.

In consideration of the financial difficulty faced by the Company and Group, the RC accepted the proposal of the Managing Director, as follows:

- The remuneration packages of the Managing Director and two Executive Directors shall remain unchanged as per the remuneration approved by the Board since January 2009. However, in view of the Company and Group have been facing cash flow constraint since the past few years, the salary of Managing Director and the two Executive Directors shall be accrued and reflected at a later period when the Group is back to a healthy financial position.
- The Directors fees for the Independent Non-Executive Directors shall also remain unchanged.
- Moving forward, the RC's key area of focus is to review again the remuneration packages of the Executive Directors and Non-Executive Directors and make adjustment accordingly according to market rate after the Group has successfully secured new projects and back to a healthy financial position.

The above recommendations were approved by the Board.

#### Directors' remuneration

The Board applies Practice 7.1 of the MCCG to disclose Directors' remuneration on named basis for individual Directors with detailed remuneration breakdown. The remunerations received or receivable by the Directors in respect of the financial period ended 31 December 2019 are disclosed below:-

##### Company

##### Non-Executive Directors

No.	Name	Directors' Fees RM	Other Emoluments RM	Total RM
1.	Dato' Ir Dr Abdul Rahim Bin Daud (Senior Independent Non-Executive Chairman)	25,000	nil	25,000
2.	Abdul Jalil Bin Abdul Jamil (Independent Non-Executive Director)	22,500	nil	22,500

**PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**REMUNERATION (CONT'D)**

**Directors' remuneration (cont'd)**

**Company (cont'd)**

**Managing Director and Executive Directors**

No.	Name	Salary RM	Bonus RM	EPF RM	Benefits in-kind RM	Other Allowance RM	Total RM
1.	Dato' Tan Hock San @Tan Hock Ming (Managing Director)	nil	nil	nil	nil	nil	nil
2.	Tan Wan Yen (Executive Director)	nil	nil	nil	nil	nil	nil
3.	Tan Ee Ern (Executive Director)	nil	nil	nil	nil	nil	nil

**Group**

**Non-Executive Directors**

No.	Name	Directors' Fees RM	Other Emoluments RM	Total RM
1.	Dato' Ir Dr Abdul Rahim Bin Daud (Senior Independent Non-Executive Chairman)	25,000	nil	25,000
2.	Abdul Jalil Bin Abdul Jamil (Independent Non-Executive Director)	22,500	nil	22,500

**Managing Director and Executive Directors**

No.	Name	Salary RM	Bonus RM	EPF RM	Benefits in-kind RM	Other Allowance RM	Total RM
1.	Dato' Tan Hock San @Tan Hock Ming (Managing Director)	nil	nil	nil	nil	nil	nil
2.	Tan Wan Yen (Executive Director)	nil	nil	nil	nil	nil	nil
3.	Tan Ee Ern (Executive Director)	nil	nil	nil	nil	nil	nil

Note: There were no remunerations paid to the Managing Director and Executive Directors of the Company and its subsidiaries during the financial period ended 31 December 2019. The remunerations of the Non-Executive Directors have yet to be accrued, and will be reviewed at a later period when the Group is back to a healthy financial position.

**Key Senior Management's remuneration**

The Key Senior Management of FSBM is represented by Dato' Tan Hock San @ Tan Hock Ming (Managing Director), Mr Tan Ee Ern (Executive Director) and Miss Tan Wan Yen (Executive Director). As disclosed above, there were no remunerations paid to them during the financial period ended 31 December 2019.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

(cont'd)

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

#### **AUDIT COMMITTEE**

The Audit Committee ("AC") assists the Board to fulfil its corporate governance and oversight responsibilities in relation to financial reporting, internal control system, risk management system and internal and external audit functions.

An independent AC is a fundamental component of good corporate governance.

It has been the practice of the Company that AC is chaired by an Independent Director Non-Executive Director who is not the Chairman of the Board. The Board has applied Practice 8.1 of the MCCG. The Board is chaired by Dato' Ir Dr Abdul Rahim Bin Daud. The position of Audit Committee had been vacant during the financial period ended 31 December 2019. The Board had on 6 May 2020 re-designated the remaining Audit Committee member, namely Encik Abdul Jalil Bin Abdul Jamil as Audit Committee Chairman.

The AC comprise solely of Independent Directors as per Practice 8.4 of the MCCG, its members are as follows:-

1. Encik Abdul Jalil Bin Abdul Jamil – Chairman (Independent Non-Executive Director)
2. Dato' Ir Dr Abdul Rahim Bin Daud – Member (Senior Independent Non-Executive Director)

The composition of the AC does not fulfil the requirement of Paragraph 15.09(1)(a) of the Main Market Listing Requirements that requires AC composed of not less than three (3) members. None of the AC members possess the accounting qualification as prescribed in Paragraph 15.09(10)(c). Thus, the key focus areas and the future priority of the Board in this respect is continue to source for suitable qualified candidate for appointment of AC members in order to comply with the Main Market Listing Requirements while maintaining the effectiveness of the AC.

To further enhance the independence of AC, the Board has applied Practice 8.2 of the MCCG to adopt the policy that requires a former audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. During the financial year, none of the AC members was a former key audit partner of the Company and Group.

Practice 8.5 of the MCCG recommends AC should possess an appropriate mix of skills, experience and expertise. They should have a mix of accounting and financial expertise, as well as industry knowledge to enable them to discharge their duties effectively. The members of the AC have an understanding of the industry in which the Company operates. The AC members continuously keeps up-to-date with developments of the accounting and auditing standards through various avenues so that they are able to assume the responsibility on overseeing the financial report of the Company and Group effectively.

The AC is responsible to oversee the relationships with the External Auditors, the selection process, review the scope of the audit, and monitor the independence and effectiveness of the External Auditors and remuneration payable to them. The AC has put in place policies and procedures to assess the suitability, objectivity and independence of the External Auditors as per Practice 8.3 of the MCCG before recommending to the Board on the appointment, removal or whether to put forward the Auditors for re-appointment at the AGM, and the Auditors' remuneration. Further details are disclosed in the CG Report under Practice 8.3, and this Annual Report under the section of AC Report.

#### **RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board acknowledges that risk management and internal control are an integral part of good management practice.

The Board has established a Risk Management Framework as per Practice 9.1 of the MCCG which provides key principles and concepts, and a clear direction and guidance on risk management to give assertion on the state of risks and controls, with the objective to protect the interest of shareholders and stakeholders and achieve the Group's business objectives.

The Risk Management Framework lays down the following:

1. The risk management policy
2. Key objectives for financial risk management
3. Risk management process
4. Risk responsibilities

**PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)**

Instead of establishing a Risk Management Committee (“RMC”) as recommended by Practice 9.3 of the MCCG, the Risk Monitoring Committee assumes the role to assist the Board to oversee the risk management framework and policies.

Details of the Risk Management and Internal Control Framework and its adequacy and effectiveness are disclosed in the CG Report under Practice 9.2 and this Annual Report under the section of Statement of Risk Management and Internal Control.

Overall, given the Group’s present low business operations, the control and monitoring arrangements currently in place is appropriate.

The Board and management have been continuously mitigating the risks and that may have a considerable impact on the Company. Current risks on which the Board and management are continuing to focus are operational and financial risks. Various initiatives have been taken by the Board and management to sufficiently manage the risks to ensure the Group is operating on a going concern basis. It is acknowledged that when the Group’s activities increase, more resources will be made available to enhance the risk management process.

**Internal Audit Function**

The Company outsources its Internal Audit Function to a professional services firm. The Internal Auditors are engaged to conduct regular reviews and appraisals of the effectiveness of governance, risk management and internal control process within the Company and Group.

Internal Audit Function is important in assisting the AC in execution of its oversight function and discharge its responsibilities by performing independent reviews to ensure the adequacy and effectiveness of the internal control and risk management systems established by the Group.

The AC acknowledged that when the Group’s activities increase and return to a healthy financial position, more resources will be made available for the effective functioning of the Risk Monitoring Committee and Internal Audit Function. The management has provided assurance to the AC and the Board that the Group’s risk management and internal control system has operated adequately.

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

**COMMUNICATION WITH STAKEHOLDERS**

The Board is responsible in reporting to shareholders and ensures accountability the stakeholders. The Board has put in place a Corporate Disclosure Policies and Procedures and ensures that it is implemented effectively. The Board has applied Practice 11.1 of the MCCG.

Despite the Group is currently operating with low business operations, the Board has ensured that all disclosure requirements are duly complied with. All financial reports and statements, news releases, presentations, corporate governance documents and other information are accessible to shareholders via the Company’s corporate website.

Besides that, Annual General Meetings are properly held and the procedures are compliance with the regulatory requirements and MCCG.

The Board has not applied Practice 11.2 to adopt an integrated reporting based on a globally recognised framework in its reporting approach to stakeholders as the Company is not a Large Company as defined in the MCCG.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

*(cont'd)*

### **PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)**

#### **CONDUCT OF GENERAL MEETINGS**

Annual General Meeting (“AGM”) is the principal forum for dialogue with shareholders.

The Company has been practising the recommendation of Practice 12.1 of the MCCG by sending Notice of Annual General Meeting (“AGM”) to shareholders more than 28 days prior to the meeting. Apart from that, the Board ensures suitability of venue and timing of meeting and undertake other measures to encourage shareholders’ participation at the meetings. The Notice of AGM provides the relevant information pertaining to each Agenda to facilitate shareholders’ understanding and evaluation of the resolution and make informed decision. The Board ensure that all information and explanatory notes provided in the Notice of AGM are in compliance with the Listing Requirements and MCCG.

The Company has practised the recommendation of Practice 12.2 to ensure all Directors and members of the Board Committees are present at the AGM or General Meetings. The Company’s AGM/General Meetings provide the opportunity for all shareholders to meet and to put questions to the Board Directors. All Directors are present at the AGM each year to provide responses to questions from the shareholders during these meetings.

The Company has not applied Practice 12.3 to leverage technology to facilitate voting in absentia and remote shareholders’ participation at AGM or general meeting. As present, the Company has a total of approximately 1,000 shareholders (based on record of the record of depositors as at 30 June 2020) and it is not categorised as a listed company with large shareholders. Hence, taking into the cost consideration, it is not practical for the Company to conduct voting in absentia or remote shareholders’ participation at General Meetings. Alternatively, The Board will continue ensure the suitability of venue and timing of general meeting to encourage shareholders’ participation. Shareholders who are unable to attend the general meetings may appoint proxies to attend, speak and vote on their behalf.

This CG Overview Statement was approved by the Board on 23 July 2020.

# STATEMENT ON DIRECTORS' RESPONSIBILITIES

## FINANCIAL REPORTING

The Directors are required by the Companies Act, 2016 (“the Act”) to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year.

The Board of Directors considers that in preparing the financial statements for the financial period ended 31 December 2019, the Company and the Group have:

- complied with the applicable financial reporting standards in Malaysia and the provisions of the Companies Act, 2016;
- selected and consistently applied the suitable and appropriate accounting policies; and
- made estimates and judgments which are reasonable and prudent.

The Board of Directors is responsible for ensuring that the Company and the Group maintain adequate accounting records which disclose with reasonable accuracy the financial position of the Company and Group to enable them to ensure that the financial statements comply with the provisions of the Act. The Board of Directors is also has general responsibilities for taking reasonable steps to safeguard the assets of the Company and the Group.

# ADDITIONAL COMPLIANCE INFORMATION

The information set out below are disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”):

## 1. Utilisation of Proceeds

There were no corporate proposals undertaken by the Company to raise funds during the financial period ended 31 December 2019.

## 2. Revaluation Policy on Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers.

## 3. List of Properties

There was no property held by the Company during the financial period ended 31 December 2019.

## 4. Recurrent Related Party Transactions of a Revenue or Trading Nature

During the financial period ended 31 December 2019, the Company did not enter into recurrent related party transactions of a revenue or trading nature.

## 5. Material Litigation

### FSBM Holdings Berhad (“FSBM”) vs Technitium Sdn Bhd (“TSB”)

On 14 April 2010, FSBM initiated legal proceedings against Technitium Sdn Bhd for the recovery of a debt of RM8,563,212.65. On 24 January 2011, both FSBM and TSB went into arbitration.

The High court’s decision on 21 November 2011 allowed the court Order that all monies claimed by FSBM in the arbitration proceeding with TSB, being RM8,563,212.64, be deposited into FSBM’s solicitor’s bank account as stakeholders, dismissing the appeal filed by TSB on 9 February 2012. To date, TSB has not complied with the court Order.

On 18 June 2012, the Court has ordered that TSB be wound up under the provisions of the Companies Act, 1965.

### FSBM CTech Sdn Bhd (“FSBM CTech”) vs TSB

On 23 April 2010, FSBM CTech Sdn Bhd, a wholly owned subsidiary of the company, initiated legal proceedings against TSB for the recovery of a debt of RM32,409,434.77.

On 20 January 2012 the court delivered its Judgement and ordered TSB to pay FSBM CTech the sum of RM32,409,434.77 and interest at 8% commencing from date of filing of Writ until date of judgment including costs of RM200,000.00 to be paid by TSB to FSBM CTech. In addition, the Court dismissed TSB’s counter-claim.

On 18 June 2012, the Court has ordered that TSB be wound up under the provisions of the companies Act, 1965. On 2 July 2012, FSBM CTech received the sealed winding up order on TSB. The Court has also appointed liquidators.

On 30 January 2012, TSB had filed an appeal in the Court of Appeal against the Judgement. At the hearing on 10 September 2012, the Court of Appeal dismissed TSB’s claim with cost of RM80,000 to be borne by the directors of TSB in their personal capacity.

TSB had subsequently appealed to the Federal Court on the same Judgement. At its hearing on 19 August 2014, the Court dismissed TSB’s application with costs of RM10,000.00 to be borne by the directors of TSB in their personal capacity.

The directors of TSB are Professor Emeritus Dr Azman Bin Awang and Haliza Binti Bidin.

## **5. Material Litigation (cont'd)**

### **FSBM and FSBM CTech against individuals and TSB**

In furtherance to the actions brought by FSBM and FSBM CTech against TSB for the recovery of debts amounting to RM8,563,212.64 and RM32,409,434.77 respectively, FSBM CTech have filed a suit in the High Court on 22 April 2014 against Dr Azman Bin Awang as 1st Defendant, Haliza Binti Bidin as 2nd Defendant, Mariana Binti Ahmad Tahar as 3rd Defendant, and TSB as 4th Defendant.

The Court delivered its Decision on 6 January 2017 which is as follows:-

- (i) the business of TSB has been carried on by the 1st and 2nd Defendants with the creditors of TSB in particular the Plaintiffs;
- (ii) the 1st and 2nd Defendants shall be jointly and severally liable and personally responsible, without any limitation of liability, for all the debts or other liabilities of TSB;
- (iii) the 1st and 2nd Defendants, jointly and/or severally do pay the outstanding debt due and owing to the 1st Plaintiff in the sum of RM 32,409,434.77 as at 18 June 2012;
- (iv) 1st and 2nd Defendants, jointly and/or severally do pay the outstanding debt due and owing to the 2nd Plaintiff in the sum of RM 8,563, 212.64 as at 18 June 2012;
- (v) Interest at the rate of 5% per annum from 18 June 2012 (the date of the Judgment) on RM40,972,647-41 until full settlement thereof;
- (vi) Costs of RM60,000.00 to be paid by the 1st and 2nd Defendants to the Plaintiffs respectively;
- (vii) Plaintiffs' claim against the 3rd Defendant dismissed with costs of RM15,000.00 to be paid by the Plaintiffs.

The Defendant had applied for a Stay of Execution, which was dismissed on 8 May 2017 with costs of RM3,000.00.

Following the Judgment on 6 January 2017 on the suit filed by FSBM and FSBM CTech in the High Court on 22 April 2014 against Dr Azman Bin Awang as 1st Defendant, Haliza Binti Bidin as 2nd Defendant, Mariana Binti Ahmad Tahar as 3rd Defendant, and TSB as 4th Defendant, the 1st and 2nd Defendants ("the Appellants") have filed a Notice of Appeal on 25 January 2017. The Appellants have filed an application for stay of execution of the Judgment pending appeal in the Court of Appeal.

FSBM and FSBM Ctech had also filed an application against the Appellants' appeal for stay on the payment of costs by the Appellants. The Court had granted a conditional stay whereby RM500,000 had to be placed with the Appellants' solicitors by 14 October 2017. The Court had also directed RM20,000 as security for costs to be paid into our lawyers' account, and the Appellants ordered to pay costs of RM5,000 to our lawyers.

Azman and Haliza had subsequently brought action against FSBM and FSBM CTech to inter alia impeach and set aside the judgements given on 20 January 2012 and 6 January 2017. Our application to strike out the claim was dismissed on 30 January 2018, and we had appealed the said decision on 28 Feb 2018, of which Hearing was set on 3 Sept 2018, but had been adjourned due to 2 Notices of Motion filed by Azman and Haliza to adduce fresh evidence and to transfer the appeal, and for it to be heard together with Appeal 213, which is on the judgement made against them. The trial was completed on 23 October 2019, and the matter is now fixed for Decision on 28 August 2020.

## **6. Material Contracts**

There was no material contract entered into by the Company and its subsidiaries involving Directors and major shareholders' interests which were subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

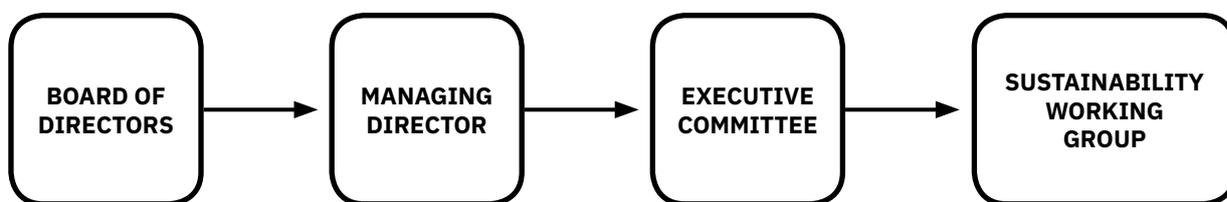
# SUSTAINABILITY STATEMENT

The Board has been committed to the Group's sustainability in evolving global environment, social and governance (ESG) aspect of business which underpin sustainability. In line with good governance practices, the Exco under the direction of our Managing Director oversees the management and implementation of material economic, environmental and social risks and opportunities presented in our business activities.

The responsibility to promote and embed sustainability in our business strategy lies with the Board of Directors. To this end, within the Exco, a Sustainability Working Group ("SWG") oversees the incorporation of sustainability in the Group's business, as well as to prepare the Group for its sustainability disclosure. The primary objective of the SWG is to facilitate the preparation of the Sustainability Statement for inclusion in the Annual Report, as required by the Bursa Malaysia's new Listing Requirements. Chaired by the Managing Director, the SWG also comprises of the Executive Directors.

Among others, the responsibility of the SWG includes overseeing the following:

- Stakeholder engagement process (e.g. identification of key stakeholders and engagement with stakeholders);
- Materiality assessment (e.g. identification of sustainability risks relevant to the Group's business, risk/ opportunity assessment on sustainability risks, and identification of material sustainability risks);
- Oversee the management of material sustainability matters identified; and
- Preparation of sustainability disclosures.



## SUSTAINABILITY MATTERS

To identify what is deemed material to the Group's business, we adopt a materiality assessment process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits. Our materiality assessment process considers:

- (a) Whether it reflects our economic, environmental and social impacts in a significant way; or
- (b) Whether it substantively influences the assessments and decisions of stakeholders.

We then take on a prioritization approach, taking into consideration important sustainability issues from both the perspective of our Group, as well as its key stakeholders. We therefore undertake to engage with stakeholders to determine the important sustainability matters and to solicit their views and input.

In our journey towards integrating sustainability in our business, we seek to establish formal procedures in internalising sustainability considerations in our organisation. We will strive to further seek enhancement opportunities in pursuing business, environmental and social sustainability.

# REPORT OF AUDIT COMMITTEE

The Board is pleased to present the Report of the Audit Committee (“Report”). This Report is intended to give an overview of the role and activities of the Audit Committee in assisting the Board to fulfill its oversight responsibilities relating to the integrity of the Group’s financial statements, the monitoring of the financial risk management and system of internal control, and the independence of the External Auditors in respect of the financial period ended 31 December 2019.

## COMPOSITION OF MEMBERS

During the financial period under review, the members of the Audit Committee are:

- Dato’ Ir Dr Abdul Rahim Bin Daud (member)  
(Senior Independent Non-Executive Director)
- Abdul Jalil Bin Abdul Jamil (member)  
(Independent Non-Executive Director)

The Audit Committee comprised exclusively of Independent Non-Executive Directors, this met the requirement of Paragraph 15.09(1)(b) of the Main Market Listing Requirements (“Main Market LR”). However, the composition did not fulfil the requirement of Paragraph 15.09(1)(a) and (c) of Main Market LR as the Audit Committee composed of less than three (3) members and none of the Audit Committee members possess the accounting qualification as prescribed by Paragraph 15.09(1)(c) of the Main Market LR. The position of Audit Committee Chairman had been vacant at that time.

The Board had on 6 May 2020 re-designated the remaining Audit Committee member, namely Encik Abdul Jalil Bin Abdul Jamil as Audit Committee Chairman. The composition of the Audit Committee after the change are as follows:

- Abdul Jalil Bin Abdul Jamil (Chairman)  
(Independent Non-Executive Director)
- Dato’ Ir Dr Abdul Rahim Bin Daud (member)  
(Senior Independent Non-Executive Director)

Although none of the Audit Committee members possess the accounting qualification as prescribed by the Main Market LR, they are financially literate, able to interpret and understand the financial statements, and have extensive business experience and skills to enable the Audit Committee discharge its duties and responsibilities effectively.

## AUTHORITY

The Audit Committee is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information pertaining to the Company and Group, from the internal and external auditors, Management and all employees. The Terms of Reference of the Audit Committee can be viewed on the Company’s corporate website at [www.fsbm.com.my](http://www.fsbm.com.my).

## KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

Audit Committee should assume four (4) fundamental responsibilities:

- (a) Overseeing financial reporting;
- (b) Assessing the financial risk management and internal control environment;
- (c) Evaluating the internal and external audit process; and
- (d) Reviewing conflict of interest situations and related party transactions.

The Board had reviewed and assessed the performance of the Audit Committee based on the Nomination Committee’s Report, and is satisfied that the Audit Committee has discharged its function, duties and responsibilities effectively in accordance with its Terms of Reference.

## REPORT OF AUDIT COMMITTEE

(cont'd)

### MEETING

During the financial period ended 31 December 2019, the Audit Committee held eight (8) meetings and their attendance are disclosed below:

<b>Audit Committee</b>	<b>No. Of Meetings Attended/ No. Of Meetings Held from 1/7/2018 - 31/12/2019</b>
Abdul Jalil Bin Abdul Jamil	8/8
Dato' Ir Dr Abdul Rahim Bin Daud	8/8

As at the date of Board's approval of this Report, two (2) meetings were held in year 2020, i.e., on 26 February 2020 and 23 July 2020. The attendance of the Audit Committee are disclosed below:

<b>Audit Committee</b>	<b>No. Of Meetings Attended/ No. Of Meetings Held from 1/1/2020 - 23/7/2020</b>
Abdul Jalil Bin Abdul Jamil	2/2
Dato' Ir Dr Abdul Rahim Bin Daud	2/2

### Proceedings of meeting

Each Audit Committee Meeting is scheduled in advance and has been conducted with proper meeting proceedings. The quorum for a meeting of the Audit Committee shall be two (2) members.

Relevant notice, agenda, information and supporting documents were circulated to the Audit Committee members prior to the meeting so as to provide the Audit Committee members with relevant and timely information to enable the Audit Committee members to review and analyse the subject matters for effective and meaningful discussions during the meeting. It has been the practice that discussion papers such as financial results are circulated via electronic mail to the Audit Committee for their review and comments before the papers are finalised for a formal circulation to the Audit Committee members.

The Audit Committee meetings are held without the presence of other Directors, Management and employees, except when the Audit Committee requested their attendance. The Audit Committee also has the right to hold private discussion with the External Auditors for exchange of free and honest views and opinion without the presence of other Directors and Management, whenever deemed necessary. Both the Internal and External Auditors have unfettered access to members of the Audit Committee. The Company Secretary was in attendance at all the meetings.

With a view to facilitate the efficiency of the Board's subsequent reviewing and deliberating the recommendations of the Audit Committee pertaining to the quarterly financial results and other subject matters, the Audit Committee may invite other Board members to be present at the Audit Committee meetings, except the private discussion sessions with the External Auditors. The Managing Director was invited to the meetings to provide clarification on audit issues and updates on the Group's operations and legal suits to facilitate direct communication and discussion. The responsible Executive Directors were also invited to present the quarterly financial statements and report any related party transaction and conflict of interest of situation that may rise within the Company or its Group. Apart from that, the lead audit engagement partner of the External Auditors was invited to some of the meetings to present Audit Plan, Audit Results and Audited Financial Statements.

Deliberation during the meetings are recorded by the Company Secretary and the minutes of meeting will be tabled at the next following Audit Committee meeting before disseminating to the Board for perusal.

The Audit Committee Chairman reports to the Board after every meeting where recommendations and significant issues are brought up for discussion at the Board meetings.

## **SUMMARY OF ACTIVITIES**

In the discharge of its duties and responsibilities, the major activities undertaken by the Audit Committee during the financial period ended 31 December 2019 comprised the following:

### **1. Financial Reporting**

#### **(a) Review of quarterly financial reports**

The Audit Committee reviewed the quarterly financial reports on a quarterly basis at its quarterly Audit Committee meetings.

The first (1st), second (2nd), third (3rd), fourth (4th), fifth (5th) and sixth (6th) quarterly financial results in respect of the financial period ended 31 December 2019 were presented by Management to the Audit Committee for its review at the quarterly meetings held on 28 November 2018, 28 February 2019, 29 May 2019, 28 August 2019, 29 November 2019 and 26 February 2020 respectively.

At the quarterly meetings, the Audit Committee reviewed the quarterly financial results and reports and in consultation with Management deliberated the integrity of the quarterly financial results as well as the significant issues of concerns focusing on the following aspects before recommending to the Board for approval for submission to Bursa Malaysia Securities Berhad for public release:-

- Significant financial reporting issues and judgements;
- The appropriateness of accounting policies, key judgements and fairness of management estimates and going concern assumptions;
- The material financial areas in which significant judgements have been made;
- Changes in or implementation of major accounting policy and practices;
- Compliance with financial reporting standards and governance requirements;
- Other significant and unusual events; and
- The clarity of disclosures.

The Audit Committee enquired as to the reliability of the quarterly financial reports to ensure compliance with the applicable Financial Reporting Standards. It was satisfied that the quarterly financial reports were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting and paragraph 9.22, including appendix 9B of the Main Market LR. Meanwhile, the lawyers had reviewed the status of the material litigations as disclosed in the quarterly financial reports.

#### **(b) Audited Financial Statements**

In each financial year, the Audit Committee reviews the draft Audited Financial Statements before recommending to the Board for approval. The Audit Committee while reviewing the draft Audited Financial Statements also discusses with Management with regard to the audit findings, disclosures and key areas relating the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.

- On 26 October 2018, the Audit Committee reviewed the draft Audited Financial Statements for the financial year ended 30 June 2018. A private meeting with the Lead Audit Engagement Partner was held without the presence of the Managing Director and Executive Directors. The Audit Committee was briefed on the progress of the audit and significant matters that need to be resolved by management before the audit could be finalised. Following the private discussion, the Audit Committee Chairman conveyed to Management the key issues that require their urgent attention and actions before the External Auditors could conclude the audit within the timeline. Since the finalisation of the audit was pending some outstanding matters to be resolved by the Management, the Audit Committee decided to defer its recommendation to the Board for approval until the audit was concluded.
- On 30 December 2019, the Audit Committee reviewed the Audited Financial Statements for the financial year ended 30 June 2018 again and a private meeting with the External Auditors was held without the presence of Managing Director and Executive Directors. The Audit Committee subsequently recommended the said Audited Financial Statements to the Board for approval.
- On 23 July 2020, the Audit Committee reviewed the draft Audited Financial Statements for the financial period ended 31 December 2019. A private meeting with the Lead Audit Engagement Partner was held without the presence of the Managing Director and Executive Directors. A number of key issues were highlighted and discussed. Following the private discussion, Audit Committee further discussed the issues and sought clarification of the Management.

## REPORT OF AUDIT COMMITTEE

(cont'd)

### SUMMARY OF ACTIVITIES (CONT'D)

#### 2. External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the External Auditors and their remuneration, and makes recommendation to the Board as to the re-appointment or appointment of new External Auditors, and audit fees.

##### (a) Re-appointment/appointment of External Auditors

The Audit Committee performs assessment of the suitability and independence of the External Auditors by considering the following criteria:

- The independence, objectivity and professionalism of the External Auditors in accordance with the terms of the professional and regulatory requirements of the Malaysian Institute of Accountants;
- The experience and resources of the audit firm;
- The performance and competencies of the External Auditors;
- The quality of services including the responsiveness to issues and ability to provide realistic analysis with technical knowledge and independent judgement, and sufficiency of resources they provided to the Group; and
- The level of non-audit services to be rendered by the External Auditors and its affiliates.

Following the completion of the 2019 financial period audit, the Audit Committee was satisfied with the suitability and independence of Messrs Moore Stephens Associates PLT as External Auditors the Group and the Company.

At the Audit Committee held on 23 July 2020, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs Moore Stephens Associates PLT as External Auditors the Company and Group for the ensuing financial year.

The Board at its meeting held on 23 July 2020 approved the Audit Committee's recommendation to re-appoint Messrs Moore Stephens Associates PLT as External Auditors subject to the shareholders' approval at the forthcoming Annual General Meeting.

##### (b) Audit and Non-Audit Fees

Before recommending the proposed audit fees and the assurance-related fees to the Board for approval, the Audit Committee evaluated the quantum of audit work, the audit process and approach; the engagement team's credentials and experience, their ability to provide value advice and services and to perform audit work within the Group timeline.

At the Audit Committee meeting held on 23 July 2020, the Audit Committee recommended to the Board for approval of the Company's audit fee of RM219,000 and non-audit fee of RM5,000, and the Group's total audit fee of RM296,150 and total non-audit fee of RM5,000 in respect of the financial period ended 31 December 2019.

#### 3. Internal Audit

The Group out sources its Internal Audit Function to a professional services firm, namely Messrs Aden Management Services. The Internal Auditors were engaged to conduct regular reviews and appraisals of the effectiveness of governance, risk management and internal control process within the Company and the Group.

##### Internal Audit Report

At the Audit Committee meeting held on 23 July 2020, the Internal Report on Corporate Affairs – Conducting of Annual General Meeting was presented to the Audit Committee for review.

It was recognized that Internal Audit Function is important in assisting the Audit Committee to execute its oversight function and discharge its duties and responsibilities by performing independent reviews to ensure the adequacy and effectiveness of the internal control and financial risk management systems established by the Group. The Audit Committee acknowledged that when the Group's activities increase, more resources will be made available for the effective functioning of the Internal Audit Function. The Board has been continuously identifying and mitigating the risks and that may have a considerable impact on the Group and the Company. Various initiatives have been taken by the Board to sufficiently manage the risks to ensure the Group is operating on a going concern basis.

## **SUMMARY OF ACTIVITIES (CONT'D)**

### **3. Internal Audit (cont'd)**

#### **Statement on Internal Control and Risk Management**

At the Audit Committee meeting held on 23 July 2020, the Audit Committee reviewed the Statement on Internal Control and Risk Management for inclusion in the 2019 Annual Report.

### **4. Review of related party transaction and conflict of interest**

At each quarterly meeting, the Audit Committee reviews any related party transaction ("RPT") and conflict of interest ("COI") situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of management integrity.

The Audit Committee reviews RPT and/or COI situation presented by Management prior to the Company entering into such transactions.

As such, the Audit Committee must ensure:

- (a) Adequate oversight over the controls on the following:
  - i. identification of the interested parties; and
  - ii. identification of the related party transactions and possible conflict of interest situations; and
- (b) Assess and address the reasonableness of the RPT or COI situation to ensure that interested parties do not abuse their powers to gain unfair advantage.

Upon receiving of a report of a RPT transaction and/or COI situation, the Audit Committee reviews and determines whether the RPT or COI situation is fair, reasonable, on normal commercial terms and in the best interest of the company.

The key considerations taken by the Audit Committee when it reviews the RPT or COI situation are as follows:

- (a) Whether the transaction price is at arm's length basis or whether the terms are fair to the Company;
- (b) Whether there are business reasons for the Company to enter into the transaction with the related party and not a third party;
- (c) Whether the business reasons are in line with the overall strategy and objectives of the Company;
- (d) What benefits the interested party will derive from the transaction;
- (e) What impact the transaction will have on the financial statements;
- (f) Whether there is economic substance in entering into the transaction; and
- (g) Enquire to ascertain whether, apart from the review of related party transactions and conflicts of interest, transactions entered into have been disclosed in the company's financial statements under the relevant financial reporting standards.

The Audit Committee reports to the Board of any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group.

For the financial period ended 31 December 2019, the Audit Committee reviewed the outstanding related party receivables at each of its quarterly meetings. Other than that, there were no related party transaction and conflict of interest situation reported by the Management.

## **REPORT OF AUDIT COMMITTEE**

*(cont'd)*

### **INTERNAL AUDIT FUNCTION**

The main role of the Internal Audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

The audit plan covers review of the adequacy of financial and operational controls, compliance with laws and regulations and risk monitoring activity.

The internal audit report issued for the financial year was deliberated by the Audit committee and recommendations are duly acted upon by management.

The cost incurred for Internal Audit Function for the financial period ended 31 December 2019 was below RM5,000.

This Report of Audit Committee was approved by the Board on 23 July 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is required, under paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia) Listing Requirements, to issue a statement about the state of internal control. The Board is also guided by the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“Guidelines”) issued by Bursa Malaysia Securities Berhad.

## RESPONSIBILITY

The Board has the overall responsibility to oversee the Group’s internal control and risk management system to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and effectiveness of the said system. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group’s business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against material misstatement or loss.

The Group has an on-going process for identifying, evaluating and managing the significant risks it faces. The Board regularly reviews the results of this process, including measures taken by Management to address areas of key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement.

## RISK MANAGEMENT

Currently, there are processes to manage risks in the Group. The Risk Monitoring Committee was established to assist the Board in the discharge of risk monitoring and control responsibilities. The Risk Monitoring Committee comprises of management team for each business activity, Managing Director, Executive Directors, and is chaired by an Independent Non- Executive Director.

The significant business risks faced by the business units and key issues pertaining to operational and external environment are typically discussed regularly at the Exco meetings. However, as the Group had minimal activities, the risk management were applied as and when appropriate and applicable.

The Board also undertakes ongoing reviews of the key commercial and financial risks facing the Group’s businesses together with more general risks such as those relating to compliance with law and regulation.

The monitoring arrangements in place give reasonable assurance that the structure of controls and operation is appropriate to the Group’s and the Company’s situation and that there is an acceptable level of risk management throughout the Group’s businesses.

## INTERNAL CONTROL

The key elements of the Group’s internal control system are described below:

### (a) Limits of authority and responsibility

Clearly defined delegations of responsibilities to committees of the Board, the management and operating units, including authorization levels for all aspect of the businesses. Each operating unit has clear policies for ensuring that appropriate risk and control procedures are in place. The delegations are subject to ongoing review throughout the year as to their implementation and for continuing suitability;

### (b) Written policies and procedures

Standard operating procedures are issued to address business needs, and to manage the risks to which they are exposed. Ongoing reviews carried out to ensure adequacy and effectiveness of the Group’s system of internal control;

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

*(cont'd)*

### **INTERNAL CONTROL (CONT'D)**

#### **(c) Planning, monitoring and reporting**

- i. Regular and comprehensive information provided by management, covering financial performance, key business indicators and cash flow performance;
- ii. A detailed budgeting process where operating units prepare and submit budgets for the ensuing year;
- iii. Monitoring of results against budget, with major variances being addressed and management action taken, where necessary;
- iv. Assurance by internal auditors on the adequacy and effectiveness of the Group's system of internal control; and
- v. Review on risk and control issues identified by Risk Monitoring Committee and the status of corrective actions taken by management;

As the Group had minimal activities, the controls were applied as and when appropriate and applicable.

#### **(d) Human Resource**

The professionalism and competence of staff is maintained through a rigorous recruitment process, a performance appraisal system and a wide variety and continuous training and development programs.

### **INTERNAL AUDIT FUNCTION**

The independent internal audit function is outsourced to a professional services firm and reports to the Audit Committee. Further details of the activities of the internal audit function are provided in the Report of the Audit Committee.

### **EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL**

In line with the Guidelines, the Managing Director and Executive Directors have provided assurance to the Board stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

The Board is of the view that the risk management and internal control systems are satisfactory. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

### **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the period ended 31 December 2019 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of internal control of the Group.

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2020

Total Number of Issued Shares	:	140,223,760 ordinary shares (excluding a total of 1,090,700 ordinary shares bought back by the Company and retained as Treasury Shares)
Issued Shares Capital	:	RM10,064,275.24 (inclusive of RM2,998,552.24 being the amount reclassification from the share premium account pursuant to the Companies Act 2016).
Classes of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share (on poll)

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 to 99	2	0.194	100	0.00
100 to 1,000	227	21.996	179,638	0.128
1,001 to 10,000	549	53.198	2,369,662	1.690
10,001 to 100,000	191	18.508	6,204,700	4.425
100,001 to 7,011,187 (less than 5% of issued holdings)	60	5.814	65,287,760	46.560
7,011,188 (5% of issued holdings) and above	3	0.290	66,181,900	47.197
<b>Total</b>	<b>1,032</b>	<b>100.000</b>	<b>140,223,760</b>	<b>100.000</b>

## SUBSTANTIAL SHAREHOLDERS (Direct & Indirect)

No.	Name of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
1.	Chew Weng Yew	31,868,200	22.727	-	-
2.	Sanyee Holdings Sdn Bhd	25,290,000	18.035	-	-
3.	Dato' Tan Hock San @ Tan Hock Ming	19,605,700	13.982	26,076,200 <sup>1</sup>	18.596
4.	Tan Wan Phing	491,200	0.350	25,480,000 <sup>2</sup>	18.171
5.	Tan Wan Yen	681,900	0.486	25,480,000 <sup>2</sup>	18.171
6.	Tan Ee Ern	-	-	25,480,000 <sup>2</sup>	18.171
7.	Datin Phang Hong Yee	105,000	0.075	25,480,000 <sup>2</sup>	18.171

<sup>1</sup> Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of Section 8 of the Companies Act, 2016.

<sup>2</sup> Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

## DIRECTORS' SHAREHOLDINGS (Direct & Indirect)

Name of Directors	Direct Interest	%	Indirect Interest	%
Dato' Ir Dr. Abdul Rahim Bin Daud	24,500	0.017	-	-
Dato' Tan Hock San @ Tan Hock Ming	19,605,700	13.982	26,076,200 <sup>1</sup>	18.596
Abdul Jalil Bin Abdul Jamil	-	-	-	-
Tan Ee Ern	-	-	25,480,000 <sup>2</sup>	18.171
Tan Wan Yen	681,900	0.486	25,480,000 <sup>2</sup>	18.171

<sup>1</sup> Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of section 8 of the Companies Act, 2016.

<sup>2</sup> Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

**ANALYSIS OF SHAREHOLDINGS**  
**AS AT 30 JUNE 2020**  
*(cont'd)*

**TOP THIRTY SHAREHOLDERS**

<b>No.</b>	<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1.	Chew Weng Yew	31,819,200	22.692
2.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sanyee Holdings Sdn Bhd) (THS 091012)	20,000,000	14.263
3.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dato' Tan Hock San @ Tan Hock Ming)	14,362,700	10.243
4.	Ooi Kong Tiong	7,011,000	5.000
5.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for General Technology Sdn Bhd) (PB)	6,681,800	4.765
6.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Allan Wong Sai Wah)	6,462,700	4.609
7.	Sanyee Holdings Sdn Bhd	5,290,000	3.773
8.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dato' Tan Hock San @ Tan Hock Ming) (091011)	5,210,000	3.715
9.	Eng Soh Chng (Eric)	3,785,300	2.699
10.	Leong Chooi May	3,195,700	2.279
11.	Citigroup Nominee (Asing) Sdn Bhd [Exempt AN for UBS AG Hong Kong (Foreign)]	2,959,160	2.110
12.	Chia Su Yen	2,338,000	1.667
13.	Ng Chee Chau	2,300,000	1.640
14.	Chia Tsuey Ying	2,050,600	1.462
15.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for Bank Julius Baer & Co. Ltd (Hong Kong Branch)]	2,027,200	1.446
16.	OUB Kay Hian Nominees (Asing) Sdn Bhd [Exempt AN for OUB Kay Hian Pte Ltd (A/C Clients)]	1,860,000	1.326
17.	Tee Bee Leng	1,000,000	0.713
18.	Tan Wan Yen	681,900	0.486
19.	Leisure Link Sdn Bhd	674,200	0.481
20.	Tan Yeow	660,000	0.471
21.	Chiang Siew Eng @ Le Yu Ak Ee	645,400	0.460
22.	Sharon Ng Mew Ying	612,600	0.437
23.	Ong Wei Yeang	554,800	0.396
24.	Hon Kah Sin	497,500	0.355
25.	Tan Wan Phing	491,200	0.350
26.	Khoo Hung Chuan	451,200	0.322
27.	Ong Li Qian	425,900	0.304
28.	Sharon Ng Mew Ying	420,000	0.300
29.	Lawrence Chin	403,000	0.287
30.	Goh Ling Ping	382,600	0.273
	<b>TOTAL</b>	<b>125,253,660</b>	<b>89.324</b>

# ANALYSIS OF WARRANT HOLDINGS

AS AT 30 JUNE 2020

Number of outstanding warrants	:	49,782,530	Pursuant to the Rights Issue with Warrants on the basis of one (1) free Warrant for every one (1) Rights Share subscribed
Exercise price per warrant	:	RM0.30 per warrant	
Exercise period of warrants	:	Period of ten (10) years expiring on 16 May 2022	
Voting Rights	:	None unless warrant holders exercise their warrants for new ordinary shares	

## DISTRIBUTION OF WARRANT HOLDINGS

	Holders	%	No. of Warrants	%
1 to 99	2	0.643	100	0.00
100 to 1,000	89	28.617	48,500	0.097
1,001 to 10,000	112	36.013	555,700	1.116
10,001 to 100,000	75	24.116	2,930,800	5.887
100,001 to 2,489,125 (less than 5% of issued holdings)	29	9.325	10,722,800	21.539
2,489,126 (5% of issued holdings) and above	4	1.286	35,524,630	71.361
<b>TOTAL</b>	<b>311</b>	<b>100.000</b>	<b>49,782,530</b>	<b>100.000</b>

## DIRECTORS WARRANT HOLDINGS (Direct & Indirect)

Name of Directors	Direct Interest	%	Indirect Interest	%
Dato' Ir. Dr. Abdul Rahim Bin Daud	24,500	0.049	-	-
Dato' Tan Hock San @ Tan Hock Ming	4,200	0.008	11,028,600 <sup>1</sup>	22.154
Abdul Jalil Bin Abdul Jamil	-	-	-	-
Tan Ee Ern	7,000	0.014	10,778,000 <sup>2</sup>	21.650
Tan Wan Yen	5,700	0.011	10,778,000 <sup>2</sup>	21.650

<sup>1</sup> Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of Section 8 of the Companies Act, 2016.

<sup>2</sup> Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

**ANALYSIS OF WARRANT HOLDINGS  
AS AT 30 JUNE 2020**  
(cont'd)

**TOP THIRTY WARRANT HOLDERS**

<b>No.</b>	<b>Name of Warrant Holders</b>	<b>No. of warrants held</b>	<b>%</b>
1.	Chew Weng Yew	16,682,370	33.510
2.	Sanyee Holdings Sdn Bhd	8,648,000	17.372
3.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for General Technology Sdn Bhd) (PB)	5,745,700	11.542
4.	Citigroup Nominees (Asing) Sdn Bhd [Exempt AN for UBS AG Hong Kong (Foreign)]	4,448,560	8.936
5.	Sanyee Corporation Sdn Bhd	2,130,000	4.279
6.	Low Tian Heng	1,107,900	2.225
7.	Tan Yu Wei	650,000	1.306
8.	Yo Kok Kong @ Yue Kok Kong	600,000	1.205
9.	Leisure Link Sdn Bhd	464,200	0.932
10.	Tan Siok Thieng	418,000	0.840
11.	Boon Kim Yu	398,400	0.800
12.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Boon Kim Yu) (CCTS)	379,200	0.762
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ramlee Bin Mohd Shariff) (8124826)	332,000	0.667
14.	Tee Yeow	330,000	0.663
15.	Sharon Ng Mew Ying	301,800	0.606
16.	Tan Chee Koon	286,000	0.575
17.	Eng Soh Chng (Eric)	284,900	0.572
18.	Yong Kwee Len	271,700	0.546
19.	Leow Kuan Shu	254,000	0.510
20.	Tan Wan Phing	245,600	0.493
21.	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Aw Khoon Lee)	241,000	0.484
22.	Gan Keng Eak	227,100	0.456
23.	Sharon Ng Mew Ying	210,000	0.422
24.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Jason Ching Chou-Yi)	205,000	0.412
25.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Cheah Yin Leng)	200,000	0.402
26.	Goh Ling Ping	191,300	0.384
27.	Tan Wah Kiong	185,900	0.373
28.	Ng Chiew Peng	185,000	0.372
29.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chew Pok Oi)	169,400	0.340
30.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Eng Min) (CCTS)	127,500	0.256
	<b>TOTAL</b>	<b>45,920,530</b>	<b>92.242</b>

# FINANCIAL STATEMENTS

Directors' Report	42
Statement by Directors	47
Statutory Declaration	47
Independent Auditors' Report	48
Statements of Comprehensive Income	55
Statements of Financial Position	56
Statements of Changes in Equity	57
Statement of Cash Flows	59
Notes to the Financial Statements	61

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 31 December 2019.

**CHANGE OF FINANCIAL YEAR END**

The financial year end of the Group and of the Company were changed from 30 June to 31 December. Accordingly, the comparative amounts for the statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes are not directly comparable.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company consist of distribution of computers, computers related products, education related products, provision of related services and investment holding. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial period.

**RESULTS**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the financial period attributable to:		
Owners of the Company	(602)	(2,658)
Non-controlling interests	30	-
	<u>(572)</u>	<u>(2,658)</u>

**RESERVES AND PROVISIONS**

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

**ISSUANCE OF SHARES OR DEBENTURES**

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

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial period.

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Company is not in a position to pay or declare dividends for the current financial period.

## DIRECTORS OF THE COMPANY

The Directors of the Company in office since the beginning of the financial period to the date of this report are:

Dato' Tan Hock San @ Tan Hock Ming  
 Dato' Ir Dr Abdul Rahim bin Daud  
 Abdul Jalil Bin Abdul Jamil  
 Tan Ee Ern  
 Tan Wan Yen

## DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries of the Company since the beginning of the financial period to the date of this report excluding those who are already the Directors of the Company are as follows:

Ahmad Rashidi bin Abd Rahman  
 Khairul Anwar bin Mohd Akhir  
 Lawrence Chin

## DIRECTORS' INTERESTS

The interests and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial period end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Director	Number of Ordinary Shares			At 31.12.2019 Unit
	At 1.7.2018 Unit	Bought Unit	Sold Unit	
<i>Ordinary shares in the Company</i>				
<b>FSBM Holdings Berhad</b>				
Direct interest:				
- Dato' Tan Hock San @ Tan Hock Ming	19,572,700	-	-	19,572,700
- Dato' Ir Dr Abdul Rahim bin Daud	24,500	-	-	24,500
- Tan Wan Yen	681,900	-	-	681,900
Indirect interest*:				
- Dato' Tan Hock San @ Tan Hock Ming	26,076,200	-	-	26,076,200
- Tan Ee Ern	25,480,000	-	-	25,480,000
- Tan Wan Yen	25,480,000	-	-	25,480,000

**DIRECTORS' INTERESTS (CONT'D)**

The interests and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial period end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows: (cont'd)

	Number of Warrants 2012/2022			At 31.12.2019 Unit
	At 1.7.2018 Unit	Bought Unit	Sold Unit	
<i>Warrants 2012/2022</i>				
Direct interest:				
- Dato' Tan Hock San @ Tan Hock Ming	4,200	-	-	4,200
- Dato' Ir Dr Abdul Rahim bin Daud	24,500	-	-	24,500
- Tan Ee Ern	7,000	-	-	7,000
- Tan Wan Yen	5,700	-	-	5,700
Indirect interest*:				
- Dato' Tan Hock San @ Tan Hock Ming	11,028,600	-	-	11,028,600
- Tan Ee Ern	10,778,000	-	-	10,778,000
- Tan Wan Yen	10,778,000	-	-	10,778,000

\* Indirect interest (shares held by companies in which the Director is deemed to have an interest and/or shares held by children).

Dato' Tan Hock San @ Tan Hock Ming, Tan Ee Ern and Tan Wan Yen are deemed to have interest in the shares held by the Company in its subsidiaries by virtue of their substantial interest in shares of the Company.

The other Director in office at the end of the financial period did not have any interest in the ordinary shares of the Company or its related corporations during the financial period.

**DIRECTORS' REMUNERATION AND BENEFITS**

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or its subsidiaries for their services to the Company or its subsidiaries were as follows:

	Company RM'000
Other emoluments	19
Fees	1
	20

## **DIRECTORS' REMUNERATION AND BENEFITS (CONT'D)**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest other than disclosed in Note 19 to the financial statements.

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

## **OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets 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.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period 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 period.

## **OTHER STATUTORY INFORMATION (CONT'D)**

- (d) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial period, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the results of the operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.
- (e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial period from the Company and its subsidiaries is RM296,000.
- (f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.
- (g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company and its subsidiaries.

## **SUBSEQUENT EVENT**

The details of the subsequent event are disclosed in Note 24 to the financial statements.

## **AUDITORS**

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 27 July 2020

DATO' TAN HOCK SAN @ TAN HOCK MING

TAN EE ERN

Registration No.: 198401003091 (115609-U)

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 55 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 at 31 December 2019 and of their financial performance and cash flows for the financial period then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 27 July 2020.

DATO' TAN HOCK SAN @ TAN HOCK MING

TAN EE ERN

**STATUTORY DECLARATION**

Pursuant to Section 251(1) of the Companies Act 2016

I, Dato' Tan Hock San @ Tan Hock Ming, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 55 to 106 are to the best of my knowledge and belief, 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  
at Kuala Lumpur in the Federal Territory  
on 27 July 2020.

DATO' TAN HOCK SAN @ TAN HOCK MING

Before me,

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

**Report on the Audit of the Financial Statements**

**Disclaimer of Opinion**

We were engaged to audit the financial statements of FSBM Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 106.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

A. Opening Balances

Reference is made to our audit report dated 30 December 2019 whereby a disclaimer of opinion was expressed on the financial statements for the financial year ended 30 June 2018 and on the opening balances as at 1 July 2017.

We were unable to confirm or verify by alternative means the opening balances making up the statements of financial position due to matters mentioned in the disclaimer of opinion expressed on the financial statements for the financial year ended 30 June 2018, the details of which are described in the previous audit report.

Since the opening balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the period reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD (CONT'D)**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

**Basis for Disclaimer of Opinion (cont'd)**

**B. Current Period**

Due to the significance of the matters noted under the Opening Balances paragraphs, and that management was still unable to provide us the requisite documentation and information, we were unable to obtain sufficient appropriate audit evidence on the statements of financial position of the Group and of the Company and on the disclosures that are related and/or include these items, in respect of financial statements of the Group and of the Company as at 31 December 2019, including whether adjustments might have been necessary in respect of the profit for the period reported in the statements of comprehensive income and the net cash flows from operating activities reported in the statements of cash flows, except for the following balances as at 31 December 2019:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Marketable securities	342	-
Cash and cash equivalents	113	92
Share Capital	10,064	10,064
Treasury shares	712	712
Warrants reserve	4,534	4,534
Amount owing to a Director	137	-

The further matters relating to the current financial period are described in Sections C, D, E, F, and G of this audit report.

**C. Fair Value of Investments in Unquoted Shares**

During the financial period, the Group and the Company had invested RM300,000 in unquoted ordinary shares in a private limited entity incorporated in Malaysia, which is stated at fair value. The management had represented that there were no financial statements of the entity being made available to date and that no company valuation was performed.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves with regards to the fair value of the investments in unquoted shares as at 31 December 2019.

**D. Amounts due from Technitium Sdn Bhd ("TSB")**

Reference is made to our audit report on the financial statements for the financial year ended 30 June 2018 dated 30 December 2019, where it was noted that there were unreconciled differences and recoverability issues resulting in our inability to obtain sufficient appropriate audit evidence.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD (CONT'D)**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

**Basis for Disclaimer of Opinion (cont'd)**

D. Amounts due from Technitium Sdn Bhd ("TSB") (cont'd)

Included in trade and other receivables of the Group and of the Company are amounts due from TSB as follows:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Gross:</b>					
Trade receivables	11(a)	31,362	31,362	7,913	7,913
Other receivables	12(a)	<u>2,377</u>	<u>2,377</u>	<u>862</u>	<u>862</u>
		<u>33,739</u>	<u>33,739</u>	<u>8,775</u>	<u>8,775</u>
<b>Accumulated impairment loss:</b>					
Trade receivables	11(a)	(25,319)	(25,319)	(7,913)	(7,913)
Other receivables	12(a)	<u>(2,377)</u>	<u>(2,377)</u>	<u>(862)</u>	<u>(862)</u>
		<u>(27,696)</u>	<u>(27,696)</u>	<u>(8,775)</u>	<u>(8,775)</u>
<b>Net carrying value</b>		<u><u>6,043</u></u>	<u><u>6,043</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(i) Unreconciled Differences

As stated in our audit report on the financial statements for the financial year ended 30 June 2018 dated 30 December 2019, the management had represented that the gross amount due from TSB are fully represented in the debt recovery legal proceedings, the details of which are disclosed in Note 11(a) to the financial statements, which mentioned that the court has awarded a sum of RM32,409,435 to the Group and RM8,563,213 to the Company. However, the management is still unable to reconcile the differences noted together with the relevant supporting documentation, resulting in our inability to obtain sufficient appropriate audit evidence on gross balances of the Group and of the Company.

(ii) Recoverability of amounts due from TSB

As described in Note 11(a) to the financial statements, these amounts are under debt recovery legal proceedings. However, as at the date of this report, the outcome of the various debt recovery proceedings cannot be ascertained. Accordingly, and in addition to the matters noted above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the abovementioned amounts.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD (CONT'D)**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

**Basis for Disclaimer of Opinion (cont'd)**

**E. Recoverability of Receivables**

Reference is made to our audit report on the financial statements for the financial year ended 30 June 2018 dated 30 December 2019, whereby it was noted that, in addition to those balances relating to TSB and a business consultant that were separately discussed, we were unable to obtain sufficient appropriate audit evidence on the remaining gross balances in respect of both trade and other receivables.

*Trade Receivables*

Included in trade receivables of the Group are amounts due from external parties amounting to RM297,000 as at 31 December 2019 of which we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the abovementioned amount.

*Other Receivables*

Included in other receivables of the Group is an amount due from a business consultant amounting to RM2,244,000 as at 31 December 2019 of which we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the abovementioned amount.

**F. Liabilities, contingent liabilities and commitments**

Due to the inability of the management to provide us the requisite documentation and information on the financial statements of the Group and of the Company, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the liabilities, contingent liabilities and commitments (if any) by the Group and the Company were properly recorded and accounted for and in compliance with the requirements of applicable MFRSs including MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and MFRS 9 Financial Instruments. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the liabilities, contingent liabilities and commitments (if any) were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the financial position of the Group and of the Company as at 31 December 2019 and the loss attributable to the Owners of the Company for the period then ended and the related disclosures thereof in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD (CONT'D)**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

**Basis for Disclaimer of Opinion (cont'd)**

G. Going Concern

As disclosed in Note 2(e) in the financial statements, the financial statements have been prepared on the assumption that the Group and the Company will continue to operate as going concerns, notwithstanding that the Group and the Company incurred a net loss of RM572,000 and RM2,658,000 respectively during the period ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by RM11,130,000 and the Company has a deficit in shareholders' equity of RM10,830,000.

On 17 October 2019, the Board of Directors of the Company announced that the Company has triggered Paragraph 8.03A(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") whereby the Group and the Company have an insignificant business or operations and accordingly, the Group and the Company are now classified as an affected listed issuer ("Affected Listed Issuer").

On 30 December 2019, the Board of Directors of the Company announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (d) of Practice Note 17 ("PN17") under the MMLR of Bursa Securities. Hence, as of the date hereof, the Company is considered as a PN17 company.

As at the date of this report, the Group and the Company are presently looking into formulating a regularisation plan to address its affected listed issuer status ("Regularisation Plan") in compliance with Paragraph 4.1(c) of PN 17.

The ability of the Group and of the Company to continue as going concerns is dependent on the formalisation and successful implementation of the regularisation plan of the Company to restore its financial position and to achieve sustainable and viable operations.

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the formalisation and implementation of the regularisation plan not materialise or not be approved, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

Moreover, as at the date of this report, we were unable obtain sufficient appropriate audit evidence to evaluate the appropriateness of management's use of the going concern basis of accounting for the Group and the Company. Therefore, we were unable to form an opinion as to whether the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and of the Company is appropriate.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FSBM HOLDINGS BERHAD (CONT'D)**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

### **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 responsibility is to conduct an audit of the Group's and of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Group and of the Company.

### **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 IESBA Code.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that in our opinion:

- (a) the accounting and other records for the matters as described in the *Basis for Disclaimer of Opinion* section have not been properly kept by the Company in accordance with the provision of the Act;
- (b) we have not obtained all the information and explanations that we required; and
- (c) the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
FSBM HOLDINGS BERHAD (CONT'D)**

Registration No.: 198401003091 (115609-U)  
(Incorporated in Malaysia)

**Other Matter**

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 contents of this report.

MOORE STEPHENS ASSOCIATES PLT  
201304000972 (LLP0000963-LCA)  
Chartered Accountants (AF002096)

Petaling Jaya, Selangor  
Date: 27 July 2020

CHUAH SOO HUAT  
03002/07/2022 J  
Chartered Accountant

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000
Revenue	4	191	1,260	-	-
Direct operating costs		(107)	(1,174)	-	-
<b>Gross profit</b>		84	86	-	-
Other income		287	1,744	117	1,744
Administrative expenses		(73)	(124)	(36)	(99)
Selling and marketing expenses		(8)	(8)	(8)	(7)
Other expenses		(862)	(2,364)	(2,731)	(6,295)
<b>Loss before tax</b>	5	(572)	(666)	(2,658)	(4,657)
Tax expense	6	-	(3)	-	(3)
<b>Loss net of tax, for the financial period/year representing total comprehensive income for the financial period/year</b>		<u>(572)</u>	<u>(669)</u>	<u>(2,658)</u>	<u>(4,660)</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		(602)	(681)	(2,658)	(4,660)
Non-controlling interests		30	12	-	-
		<u>(572)</u>	<u>(669)</u>	<u>(2,658)</u>	<u>(4,660)</u>
<b>Basic loss per ordinary share (sen)</b>	7	<u>(0.43)</u>	<u>(0.49)</u>		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	Group		Company	
		31.12.2019 RM'000	30.6.2018 RM'000	31.12.2019 RM'000	30.6.2018 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	7	8	-	-
Investment in subsidiaries	9	-	-	-	-
Other investments	10	300	59	300	59
		<u>307</u>	<u>67</u>	<u>300</u>	<u>59</u>
<b>Current assets</b>					
Trade receivables	11	6,382	6,800	5	-
Other receivables	12	2,345	3,294	133	1,776
Marketable securities	13	342	172	-	-
Tax recoverable		35	35	-	-
Cash and cash equivalents		113	254	92	217
		<u>9,217</u>	<u>10,555</u>	<u>230</u>	<u>1,993</u>
<b>Total assets</b>		<u><u>9,524</u></u>	<u><u>10,622</u></u>	<u><u>530</u></u>	<u><u>2,052</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	14	10,064	10,064	10,064	10,064
Treasury shares	15	(712)	(712)	(712)	(712)
Warrants reserve	16	4,534	4,534	4,534	4,534
Accumulated losses		<u>(8,684)</u>	<u>(8,082)</u>	<u>(24,716)</u>	<u>(22,058)</u>
<b>Equity attributable to Owners of the Company</b>		<u>5,202</u>	<u>5,804</u>	<u>(10,830)</u>	<u>(8,172)</u>
Non-controlling interests		<u>(214)</u>	<u>(244)</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u><u>4,988</u></u>	<u><u>5,560</u></u>	<u><u>(10,830)</u></u>	<u><u>(8,172)</u></u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables	17	751	1,204	190	190
Other payables	18	3,785	3,858	11,170	10,034
<b>Total liabilities</b>		<u>4,536</u>	<u>5,062</u>	<u>11,360</u>	<u>10,224</u>
<b>Total equity and liabilities</b>		<u><u>9,524</u></u>	<u><u>10,622</u></u>	<u><u>530</u></u>	<u><u>2,052</u></u>

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Registration No.: 198401003091 (115609-U)

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	← Attributable to Owners of the Company →		← Non-distributable →		← Non-Controlling Interests →		Total Equity
	Share Capital	Treasury Shares	Warrants Reserve	Accumulated losses	Total	Controlling Interests	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2018</b>							
<b>Group</b>							
<b>At 1 July 2017</b>	10,064	(712)	4,534	(7,401)	6,485	(256)	6,229
Loss net of tax, for the financial year representing total comprehensive income for the financial year	-	-	-	(681)	(681)	12	(669)
<b>At 30 June 2018</b>	10,064	(712)	4,534	(8,082)	5,804	(244)	5,560
<b>2019</b>							
<b>Group</b>							
<b>At 1 July 2018</b>	10,064	(712)	4,534	(8,082)	5,804	(244)	5,560
Loss net of tax, for the financial period representing total comprehensive income for the financial period	-	-	-	(602)	(602)	30	(572)
<b>At 31 December 2019</b>	10,064	(712)	4,534	(8,684)	5,202	(214)	4,988

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019 (CONT'D)**

	← Non-distributable →			Accumulated Losses RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Warrants Reserve RM'000		
<b>2018</b>					
<b>Company</b>					
<b>At 1 July 2017</b>	10,064	(712)	4,534	(17,398)	(3,512)
Loss net of tax, for the financial year representing total comprehensive income for the financial year	-	-	-	(4,660)	(4,660)
<b>At 30 June 2018</b>	<u>10,064</u>	<u>(712)</u>	<u>4,534</u>	<u>(22,058)</u>	<u>(8,172)</u>
<b>2019</b>					
<b>Company</b>					
<b>At 1 July 2018</b>	10,064	(712)	4,534	(22,058)	(8,172)
Loss net of tax, for the financial period representing total comprehensive income for the financial period	-	-	-	(2,658)	(2,658)
<b>At 31 December 2019</b>	<u>10,064</u>	<u>(712)</u>	<u>4,534</u>	<u>(24,716)</u>	<u>(10,830)</u>

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	Group		Company	
	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000
<b>Cash Flows from Operating Activities</b>				
Loss before tax	(572)	(666)	(2,658)	(4,657)
Adjustments for:				
Changes in fair value on:				
- Marketable securities	(170)	114	-	-
Depreciation of property, plant and equipment	1	8	-	4
Impairment loss on:				
- Trade receivables	-	1,197	-	1,048
- Other receivables	-	419	2,052	268
- Other investments	59	126	59	126
- Investment in subsidiaries	-	-	-	4,157
Loss on unrealised foreign exchange	-	3	-	-
Property, plant and equipment written off	-	10	-	5
Other receivables written off	-	382	-	382
Reversal of accruals of staff costs	-	(1,744)	-	(1,744)
Operating loss before changes in working capital	(682)	(151)	(547)	(411)
Changes in working capital:				
Receivables	1,367	(1,003)	(137)	(543)
Payables	(526)	1,374	125	1,321
<b>Net cash from operating activities</b>	<b>159</b>	<b>220</b>	<b>(559)</b>	<b>367</b>

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019 (CONT'D)**

	Group		Company	
	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000
<b>Cash Flows from Investing Activity</b>				
Purchase of other investment representing net cash used in investing activity	(300)	-	(300)	-
<b>Cash Flows from Financing Activity</b>				
Advance from/(to) subsidiaries representing net cash used in financing activity	-	-	734	(166)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(141)	220	(125)	201
Cash and cash equivalents at beginning of the financial period/year	254	34	217	16
<b>Cash and cash equivalents at end of the financial period/year</b>	113	254	92	217

Cash and cash equivalents represent cash and bank balances.

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

**FSBM HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2019**

**1. CORPORATE INFORMATION**

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

The registered office and principal place of business of the Company is located at 603, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, Petaling Jaya, 46350 Selangor, Malaysia.

The principal activities of the Company consist of distribution of computers, computers related products, education related products, provision of related services and investment holding. The principal activities of its subsidiaries are disclosed in Note 9. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial period.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 27 July 2020.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The Group and the Company have also considered the new accounting pronouncements in the preparation of the financial statements.

**(i) Accounting pronouncements that are effective and adopted during the financial period**

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 15	Clarification to MFRS 15: Revenue from Contracts with Customers
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRSs 2014 - 2016 Cycle	

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group and of the Company.

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (cont'd)

#### (ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

##### ***Effective for financial periods beginning on or after 1 January 2019***

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

##### ***Effective for financial periods beginning on or after 1 January 2020***

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	

##### ***Effective for financial periods beginning on or after 1 June 2020***

Amendments to MFRS 16	Covid-19 Related Rent Concessions
-----------------------	-----------------------------------

##### ***Effective for financial periods beginning on or after 1 January 2021***

MFRS 17	Insurance Contracts
---------	---------------------

##### ***Effective for financial periods beginning on or after 1 January 2022***

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of compliance (cont'd)

#### (ii) Accounting pronouncements that are issued but not yet effective and have not been early adopted (cont'd)

The Group and the Company have not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company: (cont'd)

#### ***Effective date to be announced***

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
------------------------------------	---

The Group and the Company will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

#### **MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on- balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date.

## 2. BASIS OF PREPARATION (CONT'D)

### (b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

### (c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to nearest thousand (RM'000) except when otherwise indicated.

### (d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below.

#### (a) Fair value estimates for certain financial assets and liabilities

The Group and the Company carry certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

#### (b) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that financial assets are impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

## 2. BASIS OF PREPARATION (CONT'D)

### (d) Significant accounting estimates and judgements (cont'd)

#### (b) Impairment of financial assets (cont'd)

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.

In adoption of MFRS 9, the Group and the Company assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk which requires management judgements.

### (e) Going concern assumption

The Group and the Company incurred a net loss of RM572,000 (2018: RM669,000) and RM2,658,000 (2018: RM4,660,000) respectively for the financial period ended 31 December 2019. As of that date, the Company's current liabilities exceeded its current assets by RM11,130,000 (2018: RM8,231,000) and the Company had a deficit in shareholders' equity in RM10,830,000 (2018: RM8,172,000).

On 17 October 2019, the Board of Directors announced that the Company has triggered Paragraph 8.03A(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") whereby the Group and the Company have an insignificant business or operations and accordingly, the Group and the Company are now classified as an affected listed issuer ("Affected Listed Issuer").

On 30 December 2019, the Board of Directors of the Company announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (d) of Practice Note 17 ("PN17") under the MMLR of Bursa Securities. Hence, as of the date hereof, the Company is considered as a PN17 company.

As at the date of this report, the Group and the Company are presently looking into formulating a regularisation plan to address its affected listed issuer status ("Regularisation Plan") in compliance with Paragraph 4.1(c) of PN 17.

The ability of the Group and of the Company to continue as going concerns is dependent on the formalisation and successful implementation of the regularisation plan of the Company to restore its financial position and to achieve sustainable and viable operations.

## 2. BASIS OF PREPARATION (CONT'D)

### (e) Going concern assumption (cont'd)

The application of the going concern basis of accounting is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business. Should the formalisation and implementation of the regularisation plan not materialise or not be approved, the application of the going concern basis of accounting may be inappropriate and adjustments may be required to, inter alia, write down assets to their immediate realisable value, reclassify all long term assets as current and to provide for further costs which may arise.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

### (a) Basis of consolidation

#### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of consolidation (cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to Owners of the Company.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

#### Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of consolidation (cont'd)

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combinations is taken to equity.

#### Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

#### Non-Controlling Interests

Non-controlling interest in a partly-owned subsidiary represents its share of net assets, other than goodwill, of the subsidiary and is presented as a component of equity separately from owner's equity. Non-controlling interest is initially measured at acquisition-date share of net assets other than goodwill as of the acquisition date and is subsequently adjusted for the changes in the net assets of the subsidiary after the acquisition date.

The Group treats a change in a parent's controlling interest in a subsidiary that does not result in a loss of control as a transaction with equity holders in their capacity as equity holders. Accordingly, the carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to the Owners of the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of consolidation (cont'd)

##### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in functional currencies using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period/year except for exchange differences arising on monetary items that form part of the Group's and of the Company's net investment in foreign operation.

#### (c) Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Revenue recognition (cont'd)

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue from sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, or performance of services, net of sales and services taxes and discounts.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

#### (d) Employee benefits

##### (i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial period/year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (d) Employee benefits (cont'd)

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

#### (e) Income taxes

##### Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial period/year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

##### Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises 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 nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets 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 business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Operating Leases

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period.

#### (g) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period/year, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own share held, for the effects of all dilutive potential ordinary shares.

#### (h) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

##### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (h) Property, plant and equipment (cont'd)

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Leasehold improvement and office renovation	3 to 10 years
Computer equipment	5 to 10 years
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

#### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

#### (j) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Financial instruments (cont'd)

##### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

##### Current financial period

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

##### Previous financial year

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

##### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### ***Financial assets***

##### Current financial period

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Financial instruments (cont'd)

##### (ii) Financial instrument categories and subsequent measurement (cont'd)

The Group and the Company categorise financial instruments as follows: (cont'd)

##### ***Financial assets (cont'd)***

##### Current financial period (cont'd)

##### (a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

##### (b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment under Note 4(k)(i)

##### Previous financial year

In the previous financial year, financial assets of the Group and of the Company were classified and measured under MFRS 139 Financial Instruments: Recognition and Measurement as follows:

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Financial instruments (cont'd)

##### (ii) Financial instrument categories and subsequent measurement (cont'd)

The Group and the Company categorise financial instruments as follows: (cont'd)

##### ***Financial assets (cont'd)***

##### Previous financial year (cont'd)

In the previous financial year, financial assets of the Group and of the Company were classified and measured under MFRS 139 Financial Instruments: Recognition and Measurement as follows: (cont'd)

##### (a) Financial assets at fair value through profit or loss (cont'd)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (b) Loans and receivables

Loans and receivables category comprise debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value, through profit or loss, are subject to review for impairment.

##### ***Financial liabilities***

##### Current financial period

##### **Amortised cost**

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

##### Previous financial year

In the previous financial year, financial liabilities of the Group and of the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Financial instruments (cont'd)

##### (ii) Financial instrument categories and subsequent measurement (cont'd)

###### *Financial liabilities (cont'd)*

###### Previous financial year (cont'd)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

##### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (v) 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 control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Impairment

##### (i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

##### Current financial period

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowance of the Group and of the Company are measured on either of the following bases:

- (i) 12-month ECL - represents the ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- (ii) Lifetime ECL - represents the ECL that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

##### Simplified approach - trade receivables, lease receivables and contract assets

The Group and the Company apply the simplified approach to provide ECL for all trade receivables, lease receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

##### General approach - other financial instruments

The Group and the Company apply the general approach to provide for ECL on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-months ECL at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Impairment (cont'd)

##### (i) Financial assets (cont'd)

###### Current financial period (cont'd)

###### General approach - other financial instruments (cont'd)

If credit risk has not increase significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant in credit risk since intial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset suffers past due event.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group and the Company are exposed to credit risk.

###### Credit Impaired financial assets

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Impairment (cont'd)

##### (i) Financial assets (cont'd)

###### Current financial period (cont'd)

###### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due. Any recoveries made are recognised in profit or loss.

###### Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

##### (ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (k) Impairment (cont'd)

##### (ii) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

#### (l) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

##### Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

##### Treasury shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, re-issuance or cancellation of treasury shares.

When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (m) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (n) 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, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

#### (o) Contingencies

##### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### (ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

#### (p) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability 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 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (p) Fair value measurements

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

#### (q) Warrants reserve

Amount allocated in relation to the issuance of free warrants are credited to a warrant reserve which is non-distributable. Warrants reserve is transferred to the share capital account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

### 4. REVENUE

The revenue of the Group represents income generated from contract system and services. The adoption of MFRS 15 during the financial period did not have any significant effect on the financial statements of the Group.

### 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Group		Company	
	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000
Auditors' remuneration:				
- Statutory audits				
- Current year	296	134	160	74
- Under/(Over)provision in prior year	48	(1)	48	-
Changes in fair value on:				
- Marketable securities	(170)	114	-	-
Depreciation of property, plant and equipment	1	8	-	4
Employees benefit expenses [Note 5(a)]	74	124	36	100

**5. LOSS BEFORE TAX (CONT'D)**

Loss before tax is arrived at after charging/(crediting): (cont'd)

	<b>Group</b>		<b>Company</b>	
	<b>1.7.2018 to 31.12.2019 RM'000</b>	<b>1.7.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 31.12.2019 RM'000</b>	<b>1.7.2017 to 30.6.2018 RM'000</b>
Impairment loss on:				
- Trade receivables	-	1,197	-	1,048
- Other receivables	-	419	2,052	268
- Other investments	59	126	59	126
- Investment in subsidiaries	-	-	-	4,157
Loss on unrealised foreign exchange	-	3	-	-
Property, plant and equipment written off	-	10	-	5
Other receivables written off	-	382	-	382
Rental of premises	149	99	149	99
Reversal of accruals of staff costs	-	(1,744)	-	(1,744)

(a) Employees benefit expenses comprise of:

	<b>Group</b>		<b>Company</b>	
	<b>1.7.2018 to 31.12.2019 RM'000</b>	<b>1.7.2017 to 30.6.2018 RM'000</b>	<b>1.7.2018 to 31.12.2019 RM'000</b>	<b>1.7.2017 to 30.6.2018 RM'000</b>
<b>Staff costs</b>				
Salaries and wages	34	26	16	12
Contributions to defined contribution plan	4	3	-	-
Other benefits	16	7	-	-
	<u>54</u>	<u>36</u>	<u>16</u>	<u>12</u>
<b>Non-executive Directors</b>				
Fees	1	74	1	74
Other emoluments	19	14	19	14
	<u>20</u>	<u>88</u>	<u>20</u>	<u>88</u>
Total employees benefit expenses	<u>74</u>	<u>124</u>	<u>36</u>	<u>100</u>

**6. TAX EXPENSE**

	<b>Group</b>		<b>Company</b>	
	<b>1.7.2018</b>	<b>1.7.2017</b>	<b>1.7.2018</b>	<b>1.7.2017</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>30.6.2018</b>	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current income tax:				
- Underprovision in prior period	-	3	-	3

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the period/year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>1.7.2018</b>	<b>1.7.2017</b>	<b>1.7.2018</b>	<b>1.7.2017</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31.12.2019</b>	<b>30.6.2018</b>	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loss before tax	(572)	(666)	(2,658)	(4,657)
Tax at the Malaysian statutory income tax rate of 24%	(137)	(160)	(638)	(1,118)
Tax effect arising from non-deductible expenses	137	862	638	1,855
Utilisation of deferred tax assets not recognised	-	(702)	-	(737)
Underprovision of prior period income tax	-	3	-	3
	-	3	-	3

The Group and the Company have estimated unutilised tax losses, unabsorbed capital allowances and unabsorbed pioneer losses available for set-off against future taxable profits as follows:

	<b>Group</b>		<b>Company</b>	
	<b>31.12.2019</b>	<b>30.6.2018</b>	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unutilised tax losses	112,080	112,080	62,416	62,416
Unabsorbed capital allowances	3,842	3,842	2,287	2,287
Unabsorbed pioneer losses	1,577	1,577	-	-
	117,499	117,499	64,703	64,703

## 6. TAX EXPENSE (CONT'D)

The availability of the tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

Any unutilised tax losses in a year of assessment ("YA") can only be allowed to be carried forward up to a maximum of 7 consecutive years of assessment effective from YA2019.

## 7. BASIC LOSS PER ORDINARY SHARE (SEN)

Basic loss per ordinary share (sen) for the financial period/year is calculated by dividing the loss after tax attributable to the Owners of the Company by the weighted average number of ordinary shares outstanding during the financial period/year.

	<b>Group</b>	
	<b>1.7.2018 to 31.12.2019</b>	<b>1.7.2017 to 30.6.2018</b>
Loss after tax attributable to the Owners of the Company (RM'000)	<u>(602)</u>	<u>(681)</u>
Weighted average number of ordinary shares for basic loss excluding treasury shares ('000 units)	<u>140,224</u>	<u>140,224</u>
Basic loss per ordinary share (sen)	<u><u>(0.43)</u></u>	<u><u>(0.49)</u></u>

Diluted loss per ordinary share is the same as basic loss per share as there is no dilutive potential ordinary shares outstanding during the financial period.

**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvement and office renovation RM'000</b>	<b>Computer equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Total RM'000</b>
<b>2019</b>					
<b>Group Cost</b>					
At 1 July 2018/ 31 December 2019	125	-	787	600	1,512
<b>Accumulated depreciation</b>					
At 1 July 2018	125	-	786	593	1,504
Charge for the financial period	-	-	-	1	1
At 31 December 2019	125	-	786	594	1,505
<b>Net carrying amount</b>					
At 31 December 2019	-	-	1	6	7
<b>2018</b>					
<b>Group Cost</b>					
At 1 July 2017	125	81	787	653	1,646
Written off	-	(81)	-	(53)	(134)
At 30 June 2018	125	-	787	600	1,512
<b>Accumulated depreciation</b>					
At 1 July 2017	124	66	786	644	1,620
Charge for the financial year	1	3	-	4	8
Written off	-	(69)	-	(55)	(124)
At 30 June 2018	125	-	786	593	1,504
<b>Net carrying amount</b>					
At 30 June 2018	-	-	1	7	8

**8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Leasehold improvement and office renovation RM'000	Computer equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
<b>2019</b>					
<b>Company Cost</b>					
At 1 July 2018/ 31 December 2019	90	-	647	-	737
<b>Accumulated depreciation</b>					
At 1 July 2018/ 31 December 2019	90	-	647	-	737
<b>Net carrying amount</b>					
At 31 December 2019	-	-	-	-	-
<b>2018</b>					
<b>Company Cost</b>					
At 1 July 2017	90	184	647	569	1,490
Written off	-	(184)	-	(569)	(753)
At 30 June 2018	90	-	647	-	737
<b>Accumulated depreciation</b>					
At 1 July 2017	90	180	647	564	1,481
Charge for the financial year	-	-	-	4	4
Written off	-	(180)	-	(568)	(748)
At 30 June 2018	90	-	647	-	737
<b>Net carrying amount</b>					
At 30 June 2018	-	-	-	-	-

**9. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted shares, at cost</b>		
At beginning/end of the financial period/year	36,099	36,099
Less: Accumulated impairment loss		
At beginning of the financial period/year	(36,099)	(31,942)
Addition	-	(4,157)
At end of the financial period/year	(36,099)	(36,099)
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>

Details of the subsidiaries are as follows:

<b>Name of companies</b>	<b>Country of incorporation</b>	<b>Effective equity interest</b>		<b>Principal activities</b>
		<b>31.12.2019</b>	<b>30.6.2018</b>	
		<b>%</b>	<b>%</b>	
Asian Technology Resources Sdn. Bhd.*	Malaysia	100	100	Provision of car park management services
FSBM CTech Sdn. Bhd.	Malaysia	100	100	Development of software applications and systems integration
FSBM Datatech Sdn. Bhd.*	Malaysia	100	100	Investment holding
FSBM I-Centre Sdn. Bhd.*	Malaysia	100	100	Development and delivery of multimedia learning and teaching products and services
FSBM I-Command Sdn. Bhd.*	Malaysia	100	100	Development of intelligent city, municipal and building solutions and the provision of related system engineering services

**9. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows: (cont'd)

Name of companies	Country of incorporation	Effective equity interest		Principal activities
		31.12.2019 %	30.6.2018 %	
FSBM I-Design Sdn. Bhd.*	Malaysia	100	100	Provider of enterprise-wide ICT and systems integration services
FSBM Learning Media Sdn. Bhd.*	Malaysia	100	100	Development and delivery of multimedia learning and teaching products and services
FSBM Mantissa (Malaysia) Sdn. Bhd.*	Malaysia	100	100	Development and provision of study plans, programs and courses including instruct, teach and delivery of courses
FSBM MSC Gateway Sdn. Bhd.*	Malaysia	100	100	Provider of communication and networking services
FSBM M2B Sdn. Bhd.*#	Malaysia	54	54	Contents syndication and distribution, contents aggregation, channel development, electronic programming, consultancy and design
FSBM Net Media Sdn. Bhd.*	Malaysia	100	100	Provider of communication and networking services
FSBM Smart Comm Sdn. Bhd.*	Malaysia	100	100	Property management
Jaring Sekitar Sdn. Bhd.*	Malaysia	100	100	Investment holding

**9. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows: (cont'd)

Name of companies	Country of incorporation	Effective equity interest		Principal activities
		31.12.2019 %	30.6.2018 %	
MyUnos Sdn. Bhd.*	Malaysia	100	100	Provider of communication and networking services
Smart 360 Sdn. Bhd.*	Malaysia	100	100	Development and delivery of training products and services for schools and teachers
Unos Sdn. Bhd.*	Malaysia	100	100	Provider of communication and networking services

**Subsidiaries of Asian Technology Resources Sdn. Bhd.**

Televas Holdings Sdn. Bhd.*#	Malaysia	51	51	Project management
------------------------------	----------	----	----	--------------------

\* Not audited by Moore Stephens Associates PLT.

# Summarised financial information of companies with non-controlling interests is not presented as these companies are not material to the Group.

**10. OTHER INVESTMENTS**

	Group and Company	
	31.12.2019 RM'000	30.6.2018 RM'000
<b>Fair value through profit or loss</b>		
<b>Club memberships</b>		
At beginning/end of the financial period/year	391	391
Less: Accumulated impairment loss on club memberships		
At beginning of the financial period/year	(332)	(206)
Addition	(59)	(126)
At end of the financial period/year	(391)	(332)
	-	59
<b>Investment in unquoted shares in Malaysia</b>		
At beginning of the financial period/year	-	-
Addition	300	-
At end of the financial period/year	300	-
<b>Total net carrying amount</b>	300	59

**11. TRADE RECEIVABLES**

	Note	Group		Company	
		31.12.2019 RM'000	30.6.2018 RM'000	31.12.2019 RM'000	30.6.2018 RM'000
External parties	(a)	35,910	36,330	9,813	9,815
Subsidiaries	(b)	-	-	2,751	2,746
		<u>35,910</u>	<u>36,330</u>	<u>12,564</u>	<u>12,561</u>
Less: Accumulated impairment loss					
- External parties					
At beginning of the financial period/year		(29,530)	(28,333)	(9,815)	(8,767)
Addition		-	(1,197)	-	(1,048)
Written off		2	-	2	-
At end of the financial period/year		(29,528)	(29,530)	(9,813)	(9,815)
- Subsidiaries					
At beginning /end of the financial period/year		-	-	(2,746)	(2,746)
		<u>(29,528)</u>	<u>(29,530)</u>	<u>(12,559)</u>	<u>(12,561)</u>
		<u>6,382</u>	<u>6,800</u>	<u>5</u>	<u>-</u>

The normal credit terms of trade receivables of the Group and of the Company range from 30 to 90 days (2018: 30 to 90 days).

**11. TRADE RECEIVABLES (CONT'D)**

- (a) Included in trade receivables from external parties is an amount due from Technitium Sdn. Bhd. ("TSB") as below:

	<b>Group</b>		<b>Company</b>	
	<b>31.12.2019</b>	<b>30.6.2018</b>	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	31,362	31,362	7,913	7,913
Less: Accumulated impairment loss				
At beginning of the financial period/year	(25,319)	(24,122)	(7,913)	(6,865)
Addition	-	(1,197)	-	(1,048)
At end of the financial period/year	(25,319)	(25,319)	(7,913)	(7,913)
	<u>6,043</u>	<u>6,043</u>	<u>-</u>	<u>-</u>

In furtherance to the legal actions brought by the Group and the Company against TSB for the recovery of debts, the Group and the Company on 22 April 2014 had filed a suit in the High Court for the recovery of debts amounting to RM32,409,435 and RM8,563,213 respectively, against the two Directors of TSB and an individual, which is inclusive of both trade receivables (noted above) and non-trade receivables, as disclosed in Note 12 (a).

The case was tried throughout on 26 March, 11 June, 5 November, 9 November and 20 November 2015, and 28 March, 26 May, and 22 July 2016. The Court delivered its Decision on January 2017, of which the sealed order was extracted and forwarded to the Group and the Company on 8 March 2017.

Following to the judgement made, the 1<sup>st</sup> and 2<sup>nd</sup> Defendants ("the Appellants") have filed a Notice of Appeal on 25 January 2017. The Court has fixed a Case Management on 29 March and 15 May 2017, with another on 6 July, pending the Grounds of Judgement by the High Court. The Appellants have filed an application for stay of execution of the Judgement pending appeal in the Court of Appeal.

FSBM and CTech have also filed an application for stay against the Appellant's appeal pending the payment of costs by the Appellants. The stay applications by both the Appellants and the Respondents were heard on 14 September 2017. The court has fixed the hearing date for Case Management on 28 July 2020.

Subsequent to stay applications, Azman and Haliza ("Plaintiffs") brought action inter alia to impeach and to set aside the Judgements dated 20 January 2012 and 6 January 2017 in totality. The matter was fixed for Hearing on 24 November 2017 for FSBM and CTech ("Defendants") to strike out the claim. Subsequently, the Plaintiffs have appealed against the court's decision in dismissing the Defendants' claims on 28 February 2018. The court has on 30 January 2018 dismissed the Defendants application to strike out the Plaintiffs' claim. The court has fixed the hearing date for Case Management on 28 August 2020.

- (b) These amounts are trade in nature, unsecured, interest free and are subject to normal trade credit terms.

**12. OTHER RECEIVABLES**

	Note	Group		Company	
		31.12.2019 RM'000	30.6.2018 RM'000	31.12.2019 RM'000	30.6.2018 RM'000
Other receivables					
- External parties	(a)	8,695	9,713	4,793	4,663
- Subsidiaries	(b)	-	-	39,546	39,269
- Staff advances		37	37	-	-
- GST receivables		-	26	-	-
Deposits		-	5	-	-
Prepayment		100	2	-	-
		<u>8,832</u>	<u>9,783</u>	<u>44,339</u>	<u>43,932</u>
Less: Accumulated impairment loss					
- External parties					
At beginning of the financial period/year		(6,489)	(6,145)	(4,663)	(4,641)
Write off		2	75	2	-
Addition		-	(419)	-	(22)
At end of the financial period/year		(6,487)	(6,489)	(4,661)	(4,663)
- Subsidiaries					
At beginning of the financial period/year		-	-	(37,493)	(37,247)
Addition		-	-	(2,052)	(246)
At end of the financial period/year		-	-	(39,545)	(37,493)
		<u>(6,487)</u>	<u>(6,489)</u>	<u>(44,206)</u>	<u>(42,156)</u>
		<u>2,345</u>	<u>3,294</u>	<u>133</u>	<u>1,776</u>

## 12. OTHER RECEIVABLES (CONT'D)

- (a) Included in other receivables is an amount due from Technitium Sdn. Bhd. ("TSB") as below:

	Group		Company	
	31.12.2019 RM'000	30.6.2018 RM'000	31.12.2019 RM'000	30.6.2018 RM'000
Other receivables	2,377	2,377	862	862
Less: Accumulated impairment loss				
At beginning of the financial period/year	(2,377)	(2,007)	(862)	(862)
Addition	-	(370)	-	-
At end of the financial period/year	<u>(2,377)</u>	<u>(2,377)</u>	<u>(862)</u>	<u>(862)</u>
	-	-	-	-

- (b) These amounts are non-trade in nature, unsecured, interest free and are collectible on demand.

## 13. MARKETABLE SECURITIES

	Group	
	31.12.2019 RM'000	30.6.2018 RM'000
<b>Fair value through profit or loss</b>		
- Investment in quoted shares outside Malaysia		
At beginning of the financial period/year	172	286
Changes in fair value	<u>170</u>	<u>(114)</u>
At end of the financial period/year	<u><u>342</u></u>	<u><u>172</u></u>

**14. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>Number of ordinary shares</b>		<b>Amount</b>	
	<b>31.12.2019</b>	<b>30.6.2018</b>	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>Unit '000</b>	<b>Unit '000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid:</b>				
At beginning/end of the financial period/year	<u>141,315</u>	<u>141,315</u>	<u>10,064</u>	<u>10,064</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

**15. TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

**16. WARRANTS RESERVE**

	<b>Group and Company</b>	
	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning/end of the financial period/year	<u>4,534</u>	<u>4,534</u>

**Warrants 2012/2022**

The Company had on 23 May 2012 issued 59,116,530 warrants in conjunction with the Rights Issue. The warrants are constituted by a Deed Poll dated 5 April 2012. The salient features of the warrants are as follows:

- (a) Each warrant entitles the registered holder to subscribe for one new ordinary share of RM0.05 each in the Company at an exercise price of RM0.30 per ordinary share;
- (b) The exercise price of the warrants are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll;
- (c) The warrant holders are not entitled to any voting rights or to participate in any distribution, rights, allotments and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants for new ordinary shares; and
- (d) The warrants are for a period of ten years and expire on 16 May 2022.

The number of unissued shares under warrants are 49,782,530 (2018: 49,782,530).

The fair value per Warrant on initial recognition on 23 May 2012 was determined to be RM0.09 per Warrant.

**17. TRADE PAYABLES**

The normal trade credit terms granted by the trade creditors to the Group and to the Company range from 1 to 30 days (2018: 1 to 30 days).

**18. OTHER PAYABLES**

	Note	Group		Company	
		31.12.2019 RM'000	30.6.2018 RM'000	31.12.2019 RM'000	30.6.2018 RM'000
Other payables					
- External parties		2,337	2,339	1,027	915
- Subsidiaries	(a)	-	-	9,055	8,044
Deposits		47	47	47	47
Accruals		1,264	1,203	1,041	1,028
Amount owing to a Director	(a)	137	269	-	-
		<u>3,785</u>	<u>3,858</u>	<u>11,170</u>	<u>10,034</u>

(a) These amounts are non-trade in nature, unsecured, interest free, and are repayable on demand.

**19. RELATED PARTY TRANSACTIONS**Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its subsidiaries, related parties and key management personnel. Related parties refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies.

Related parties' balances are disclosed in Notes 11, 12 and 18.

Related parties' transactions during the financial period/year are as follows:

	1.7.2018 to 31.12.2019 RM'000	1.7.2017 to 30.6.2018 RM'000
<b>Group</b>		
<b>Transaction with a Director is as follows:</b>		
Repayment to	<u>(132)</u>	<u>(269)</u>
<b>Company</b>		
<b>Transaction with a Director is as follows:</b>		
Repayment to	<u>(869)</u>	<u>(288)</u>

**19. RELATED PARTY TRANSACTIONS (CONT'D)**Identity of related parties

Related parties' transactions during the financial period/year are as follows: (cont'd)

	<b>1.7.2018 to 31.12.2019 RM'000</b>	<b>1.7.2017 to 30.6.2018 RM'000</b>
<b>Company</b>		
<b>Transaction with subsidiaries is as follows:</b>		
Advances from/(to)	<u>734</u>	<u>(166)</u>

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel is made up of all the Directors of the Company and its subsidiaries.

The remuneration paid by the Group and the Company to key management personnel during the financial period/year has been disclosed in Note 5(a).

**20. OPERATING SEGMENTS**

## (a) Segmental information

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely derived from contract system and services.

## (b) Geographical information

No segmental information is provided on a geographical basis as the Group's activities are conducted primarily in Malaysia.

**21. FINANCIAL INSTRUMENTS****Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

	<b>Group 31.12.2019 RM'000</b>	<b>Company 31.12.2019 RM'000</b>
<b>Financial assets</b>		
<u>Fair value through profit or loss</u>		
- Other investments	300	300
- Marketable securities	<u>342</u>	<u>-</u>
	<u>642</u>	<u>300</u>
<u>Amortised cost</u>		
- Trade receivables	6,382	5
- Other receivables	2,245	133
- Cash and cash equivalents	<u>113</u>	<u>92</u>
	<u>8,740</u>	<u>230</u>
	<u>9,382</u>	<u>530</u>

## 21. FINANCIAL INSTRUMENTS (CONT'D)

### Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows: (cont'd)

	<b>Group</b>		<b>Company</b>	
	<b>30.6.2018</b>		<b>30.6.2018</b>	
	<b>RM'000</b>		<b>RM'000</b>	
<b>Financial assets</b>				
<u>Available-for-sale financial assets</u>				
- Other investments		59		59
<u>Fair value through profit or loss</u>				
- Marketable securities		172		-
<u>Loans and receivables</u>				
- Trade receivables		6,800		-
- Other receivables		3,292		1,776
- Cash and cash equivalents		254		217
		<u>10,346</u>		<u>1,993</u>
		<u>10,577</u>		<u>2,052</u>
	<b>Group</b>		<b>Company</b>	
	<b>31.12.2019</b>	<b>30.6.2018</b>	<b>31.12.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial liabilities</b>				
<u>Financial liabilities measured at amortised cost</u>				
- Trade payables	751	1,204	190	190
- Other payables	3,785	3,858	11,170	10,034
	<u>4,536</u>	<u>5,062</u>	<u>11,360</u>	<u>10,224</u>

## 21. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies

The Group's and the Company's activities are exposed to a variety of financial risks which include credit risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from their receivables (which consist of trade receivables and other receivables). For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective are to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Group and the Company do not offer credit terms without the approval of the executive Directors.

### **Receivables**

#### **Exposure to credit risk, credit quality and collateral**

As at the end of the financial period/year, the maximum exposure to credit risk arising from receivables and financial assets is represented by the carrying amounts in the statements of financial position.

#### **Credit risk concentration profile**

At the reporting date, approximately 93% and 97% (2018: 92% and 90%) respectively of the Group's and the Company's gross trade receivables were due from 2 and 4 receivables (2018: 2 and 3 receivables) respectively.

**21. FINANCIAL INSTRUMENTS (CONT'D)****Financial Risk Management Objectives and Policies (cont'd)**

## (a) Credit risk (cont'd)

**Receivables (cont'd)****Recognition and measurement**

The Group and the Company apply the MFRS 9 simplified approach to measuring Expected Credit Losses ("ECL") which uses a lifetime expected loss allowance for trade receivables.

The Group and the Company assess impairment of trade receivables on individual basis.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group and the Company in an effective and efficient manner.

**Impairment losses**

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 31 December 2019 and 30 June 2018:

	<b>Gross RM'000</b>	<b>Loss allowances RM'000</b>	<b>Net RM'000</b>
<b>Group</b>			
<b>31.12.2019</b>			
Past due:			
More than 90 days	339	-	339
<b>Credit impaired</b>			
Individually impaired	35,571	(29,528)	6,043
	<u>35,910</u>	<u>(29,528)</u>	<u>6,382</u>
<b>30.6.2018</b>			
Not past due nor impaired	523	-	523
Past due:			
More than 90 days	234	-	234
	<u>757</u>	<u>-</u>	<u>757</u>
<b>Credit impaired</b>			
Individually impaired	35,573	(29,530)	6,043
	<u>36,330</u>	<u>(29,530)</u>	<u>6,800</u>

**21. FINANCIAL INSTRUMENTS (CONT'D)****Financial Risk Management Objectives and Policies (cont'd)**

## (a) Credit risk (cont'd)

**Receivables (cont'd)****Impairment losses (cont'd)**

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 31 December 2019 and 30 June 2018: (cont'd)

	<b>Gross RM'000</b>	<b>Loss allowances RM'000</b>	<b>Net RM'000</b>
<b>Company</b>			
<b>31.12.2019</b>			
<b>Credit impaired</b>			
Individually impaired	12,564	(12,559)	5
<b>30.6.2018</b>			
<b>Credit impaired</b>			
Individually impaired	12,561	(12,561)	-

The gross carrying amounts of credit impaired trade receivables are written off when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

**Receivables that are past due but not impaired**

Trade receivables that are past due but not impaired are unsecured in nature. However, the Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business except for those trade debtors disclosed in Note 11(a).

**Credit impaired**

Receivables that are individually determined to be credit impaired at the financial period/year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

## 21. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

#### **Receivables (cont'd)**

#### **Impairment losses (cont'd)**

##### *Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group and the Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

The movements in the allowance for impairment losses of trade receivables are disclosed in Note 11.

#### **Cash and cash equivalents**

Cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

#### **Other receivables and deposits**

ECL of other receivables is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position. The Group and the Company have provided allowances for expected credit losses on these amounts as disclosed in Note 12 except for those other debtors disclosed in Note 12(a).

#### **Inter-company balances**

The Company provides unsecured loan and advance to subsidiaries. As at the end of the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting date, there was no indication that the carrying amounts of the loans and advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. The Company monitors the results of the subsidiaries regularly.

## 21. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables.

As disclosed in Notes 2(e), the Group and the Company are in the midst of formulating a regularisation plan.

All of the Group's and the Company's liabilities at the reporting date mature within one year or repayable on demand.

## 22. FAIR VALUES INFORMATION

### Financial instrument other than those carried at fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.*

The carrying amounts of financial assets and financial liabilities approximate their fair values due to relatively short-term nature of these financial instruments and insignificant impact of discounting.

Table below analyses asset and liability carried at fair value and those not carried at fair value for which fair value is disclosed together with the carrying amounts shown in the statements of financial position.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
<b>31.12.2019</b>					
<b>Group</b>					
<b>Asset</b>					
Marketable securities	342	-	-	342	342
<b>30.6.2018</b>					
<b>Asset</b>					
Marketable securities	172	-	-	172	172

## 22. FAIR VALUES INFORMATION (CONT'D)

Level 1:

The fair value of other investments at fair value through profit or loss is determined by reference to their quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3:

The fair value of financial assets and liabilities is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial period/year.

## 23. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital is to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern. The Group and the Company monitor and maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements. No changes were made in the objectives, policies and processes during the financial period/year ended 31 December 2019 and 30 June 2018 other than the Group and the Company are currently in the midst of formulating a regularisation plan as disclosed in Note 2(e).

The Group and the Company monitor capital using net debt-to-equity ratio which is the net debt divided by total capital. Net debt includes trade and other payables, less cash and cash equivalents balances whilst total capital is equity attributable to Owners of the Company.

The net debt-to-equity ratios at end of the reporting period are as follows:

	Group		Company	
	31.12.2019 RM'000	30.6.2018 RM'000	31.12.2019 RM'000	30.6.2018 RM'000
Trade and other payables	4,536	5,062	11,360	10,224
Cash and cash equivalents	(113)	(254)	(92)	(217)
Total net debt	4,423	4,808	11,268	10,007
Total equity attributable to the Owners of the Company	5,202	5,804	(10,830)	(8,172)
Debt to equity ratio	85%	83%	N/A	N/A

*N/A: Not applicable*

There were no changes in the Group's and the Company's approach to capital management during the financial period/year.

As disclosed in Note 2(e), the Group has been considered a PN 17 company.

#### **24. SUBSEQUENT EVENT**

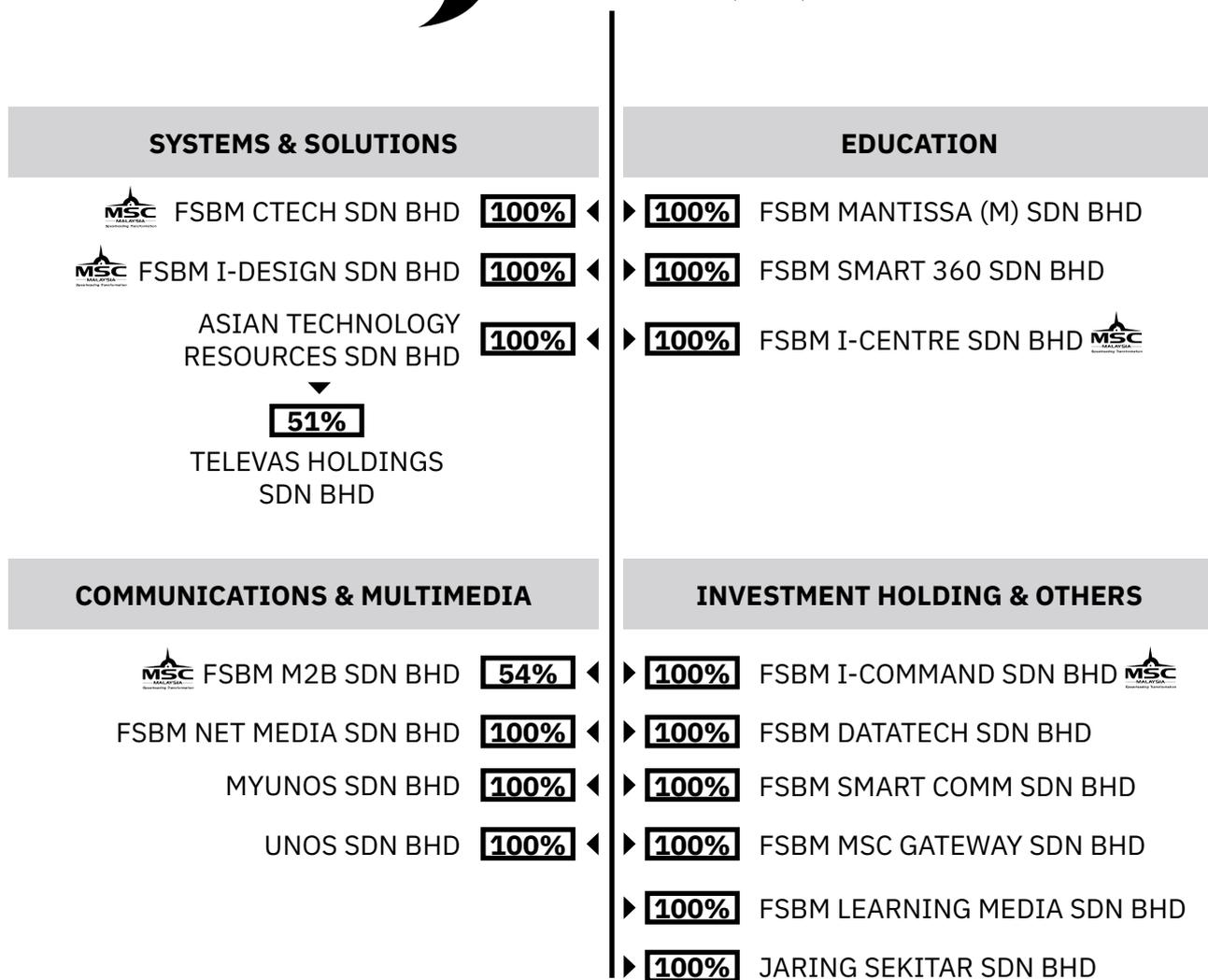
During first quarter of financial year 2020, the Coronavirus outbreak (“COVID-19”) had become a global pandemic event which adversely affected the worldwide economic condition with the strict impositions of travel restrictions, constraints on the movement of people and the suspension of many business operations to curb the spread of COVID-19. The Group and the Company anticipate a knock-on effect of COVID-19 on the Malaysian overall economy which will affect the financial results of the Group and of the Company for the financial year ending 2020.

The Group and the Company will continue to pay close attention to the development of, and the disruption to their business activities caused by prolonged effect of COVID-19 which resulted in the Movement Control Order (“MCO”) imposed by local authorities and will evaluate its impact on the financial position, cash flows and operating results of the Group and of the Company. As of the date of the report, the Group and the Company are unable to quantify the financial impact given the uncertainties caused by COVID-19.

#### **25. COMPARATIVE FIGURES**

The comparative related to the statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes are made up from 1 July 2017 to 30 June 2018 and therefore are not comparable with the current financial period from 1 July 2018 to 31 December 2019.

# CORPORATE STRUCTURE





# FSBM HOLDINGS BERHAD

Registration No. 198401003091 (115609-U)  
Incorporated in Malaysia

# PROXY FORM

35<sup>TH</sup> ANNUAL GENERAL MEETING

No. of Shares Held	
CDS Account No.	
Contact No.	
Email Address	

I/We \_\_\_\_\_ (name of shareholder in capital letters)

ICNo./PassportNo./CompanyNo.\* \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (full address)

being a member(s) of the abovenamed Company, hereby appoint \_\_\_\_\_

\_\_\_\_\_ (name of proxy in capital letters) IC No./Passport No.\* \_\_\_\_\_

of \_\_\_\_\_ (full address)

or failing him/her \_\_\_\_\_ (name of proxy in capital letters)

IC No./Passport No.\* \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (full address)

or failing him/her the Chairman of the Meeting\*\* as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at Level 1, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Tuesday, 22 September 2020 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below (unless otherwise instructed, the proxy may vote as he/she thinks fit):  
(Please indicate with an "X" in either box if you wish to direct your proxy how to vote.)

	Resolution	For	Against
Resolution 1	To approve payment of Directors' fees for the period ended 31 December 2019		
Resolution 2	Re-election of Dato' Ir Dr Abdul Rahim Bin Daud as Director		
Resolution 3	Re-election Mr Tan Ee Ern as Director		
Resolution 4	Re-appointment of Messrs. Moore Stephens Associates PLT as the Company's Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration		
Resolution 5	Renewal of Authority for Directors to Issue Shares		

\* Strike out which not applicable.

\*\* If you wish to appoint any person other than the Chairman of the Meeting to be your proxy, kindly delete the words "the Chairman of the Meeting" and insert the name of the person desired.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

\_\_\_\_\_  
Signature of Member / Common Seal of Shareholder

For appointment of more than one (1) proxy, percentage (%) of shareholdings to be represented by the proxies.			
	Name of Proxy	No. of shares	%
Proxy 1			
Proxy 2			
TOTAL			100

#### Notes:-

- A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorized. Any alteration to the instrument appointing a proxy must be initialled.
- The instrument appointing a proxy must be deposited at the Company's Registered Office at 603, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan not less than Twenty-Four (24) hours before the time appointed for holding the meeting or any adjournment thereof.
- A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- The Company has put all the Resolutions as set out in the Notice of AGM to be voted by poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 15 September 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend and vote on his behalf.

Then fold here

---

AFFIX  
STAMP

**The Company Secretary**

**FSBM HOLDINGS BERHAD**

Registration No. 198401003091 (115609-U)

Level 603, Block A, Phileo Damansara 1,  
No. 9 Jalan 16/11,  
46350, Petaling Jaya,  
Selangor Darul Ehsan

1st fold here

---