SEAL
INCORPORATED BERHAD (4887-M)

# PROGRESSING TOWARDS GREATER SUCCESSES

ANNUAL REPORT 2015

# CONTENTS

# CORPORATE INFORMATION

## DIRECTORS

Tuan Haji Abdul Hamid Bin Mohd Hassan
*Chairman, Executive Director*

Dato' Sri Koay Teng Choon
*Executive Director*

Fang Siew Hong
*Executive Director*

Fang Pern Kok
*Non-Independent Non-Executive Director*

Datuk Tan Hiang Joo
*Independent Non-Executive Director*

Tuan Haji Liakat Ali Bin Mohamed Ali
*Independent Non-Executive Director*

Allen Chee Wai Hong
*Independent Non-Executive Director*

## AUDIT COMMITTEE

***Chairman***
Allen Chee Wai Hong

***Members***
Tuan Haji Liakat Ali Bin Mohamed Ali
Datuk Tan Hiang Joo

## EXECUTIVE COMMITTEE

***Chairman***
Fang Siew Hong

***Members***
Tuan Haji Abdul Hamid Bin Mohd Hassan
Dato' Sri Koay Teng Choon

## REMUNERATION COMMITTEE

***Chairman***
Fang Pern Kok

***Members***
Tuan Haji Abdul Hamid Bin Mohd Hassan
Tuan Haji Liakat Ali Bin Mohamed Ali
Allen Chee Wai Hong
Dato' Sri Koay Teng Choon

## NOMINATING COMMITTEE

***Chairman***
Fang Pern Kok

***Members***
Tuan Haji Liakat Ali Bin Mohamed Ali
Allen Chee Wai Hong
Datuk Tan Hiang Joo

## ESOS COMMITTEE

***Chairman***
Tuan Haji Abdul Hamid Bin Mohd Hassan

***Members***
Fang Siew Hong
Tuan Haji Liakat Ali Bin Mohamed Ali

## SECRETARIES

Chan Yoke Yin (MAICSA 7043743)
Chai Churn Hwa (MAICSA 0811600)
Chan Eoi Leng (MAICSA 7030866)

## REGISTERED OFFICE

55A, Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh, Perak Darul Ridzuan
Tel No. : 05-5474833
Fax No. : 05-5474363

## REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Tel No. : 03-78490777
Fax No. : 03-78418151

## PRINCIPAL PLACE OF BUSINESS

Level 3A, ELIT Avenue Business Park
1-3A-18, Jalan Mayang Pasir 3
11950 Bayan Baru, Penang
Tel No. : 04-6183333
Fax No. : 04-6370333
Website : www.sib.com.my

## AUDITORS

Grant Thornton
51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

## BANKERS

AmBank (Malaysia) Berhad
CIMB Bank Berhad
Hong Leong Islamic Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fifty-Third Annual General Meeting of Seal Incorporated Berhad ("SEAL") will be held at Olive Tree Hotel, Olive 6 & 7, Level 6, 76 Jalan Mahsuri, 11950 Bayan Lepas, Penang, Malaysia on Monday, 23 November 2015 at 9.30 a.m. for the following purposes:

| | **AGENDA** | **Resolution No.** |
|---|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2015, together with the Directors' and Auditors' Reports thereon. | |
| 2. | To approve payment of increased Directors' fee of RM120,000/-. | 1 |
| 3. | To re-elect the following Directors retiring pursuant to the Articles of Association of the Company: | |
| | 3.1 Tuan Haji Liakat Ali Bin Mohamed Ali | 2 |
| | 3.2 Allen Chee Wai Hong | 3 |
| 4. | To consider and, if thought fit, pass a resolution pursuant to Section 129 of the Companies Act, 1965 to re-appoint Tuan Haji Abdul Hamid Bin Mohd Hassan as a Director of the Company to hold office until the next Annual General Meeting of the Company. | 4 |
| 5. | To re-appoint Messrs Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration. | 5 |
| 6. | To transact any other ordinary business which may properly be transacted at an Annual General Meeting. | |
| 7. | As Special Business: | |
| | **Ordinary Resolution 1 – Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965** | 6 |

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad, Securities Commission and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 2 – Proposed Renewal of Share Buy Back Authority** 7

"That, subject to the Companies Act, 1965, the provisions of the Company's Memorandum and Articles of Association, the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.40 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company ("the Proposed Share Buy Back") provided that:

i) the aggregate number of shares purchased does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

| AGENDA | Resolution No. |
|---|---|
| **Ordinary Resolution 2 – Proposed Renewal of Share Buy Back Authority (Cont'd)** | 7 |

ii) the maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy Back shall not exceed the sum of Retained Profits and/or the Share Premium Accounts of the Company based on its latest audited financial statements available up to the date of a transaction pursuant to the Proposed Share Buy Back. As at 30 June 2015, the Retained Profits and Share Premium Account of the Company are as follows:

| | As at 30 June 2014 | As at 30 June 2015 |
|---|---|---|
| Retained Profits | RM24,156,051 | RM30,217,306 |
| Share Premium | RM45,448,463 | RM45,448,463 |

iii) the shares purchased by the Company pursuant to the Proposed Share Buy Back may be dealt with in all or any of the following manner (as selected by the Company):
   a) the shares so purchased may be cancelled; and/or
   b) the shares so purchased may be retained in treasury for distribution as dividend to the shareholders and/or resold on the market of Bursa Securities and/or subsequently cancelled; and/or
   c) part of the shares so purchased may be retained as treasury shares with the remainder being cancelled.

And that any authority conferred by this resolution may only continue to be in force until:
i) the conclusion of the next Annual General Meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting, whichever occurs first.

And that authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the Main LR and/or guidelines of Bursa Securities and all other relevant governmental and/or regulatory authorities."

By Order of the Board

Chan Yoke Yin
Chan Eoi Leng
Chai Churn Hwa
Company Secretaries

Ipoh, Perak Darul Ridzuan, Malaysia
30 October 2015

**NOTES:**

1. Agenda 1 is meant for discussion only as Section 169(1) of the Companies Act, 1965 only requires the Audited Financial Statement to be laid before the Company at the Annual General Meeting and not shareholders' approval. Hence, Agenda 1 will not be put forward for voting.

2. Only members whose names appear on the Record of Depositors as at 16 November 2015 shall be entitled to attend the Annual General Meeting or appoint proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.

3. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.

4. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company in an Omnibus Account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

7. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 55A Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting. Faxed or emailed copies are not acceptable.

**EXPLANATORY NOTES TO SPECIAL BUSINESS**

**(a) ORDINARY RESOLUTION 1 – AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

The Ordinary Resolution 1 proposed under item 7 if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting ("AGM") until the next AGM to allot and issue shares in the Company up to a maximum of 10% of the issued and paid up share capital of the Company. This general mandate will expire at the conclusion of the next AGM of the Company, unless revoked or varied at a general meeting.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders on 24 November 2014. The Company did not utilise the mandate obtained at the last AGM and thus no proceeds were raised from the previous mandate.

The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain shareholders' approval 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 the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

**(b) ORDINARY RESOLUTION 2 – PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY**

The above Ordinary Resolution 2, if passed, will empower the Directors to purchase the Company's shares through Bursa Malaysia Securities Berhad up to 10% of the issued and paid-up share capital of the Company. Details of the Proposed Share Buy Back is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2015 Annual Report.

# CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors and the management, it gives me great pleasure to present to you the Annual Report and the Audited Financial Statements of Seal Incorporated Berhad for the financial year ended 30 June 2015.

In year 2014, the Malaysian economy grew by 6.0% supported by better performance in the external sector albeit some moderation in domestic demand. It is expected to register a steady growth of between 4.5–5.5% in 2015 supported mainly by a sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. It is believe that domestic demand will continue to anchor growth in 2015, driven by private sector spending.

The year 2015 has been a challenging year moving ahead due to the rising household debt and the introduction of the Goods and Services Tax (GST), which came into effect on April 1, are likely to contribute to a cooling of in the sector of Malaysia's property market. However, we have stepped into the GST era cautiously and remain resilient to face all obstacles with a strong foundation by focusing in our core business activities with well-planned business strategies.

**Financial Performance**

For the financial year ended 30 June 2015, the Group recorded a revenue of RM29million and profit before tax of RM4.1million as compared to a revenue of RM287million and profit before tax of RM159.5million in preceding year. The decrease in both revenue and profit before tax were mainly due to the absence of income from the development of Bayan City (Phase 1), which was the main contributor to the financial results in the preceding financial year 2014 and a slowdown in timber operations during the financial year under review.

**Operational Review**

With the completion of development of Bayan City (Phase 1) in the third quarter of last financial year ended 30 June 2014, the Group's revenue for the Property Development segment is now mainly contributed by the on-going development projects, Phase 2A & 2B of North Avenue, Sungai Petani, Kedah which had recorded a satisfactory result for the financial year 2015.

The Group, as Project & Contract Manager has launched Queensville (Phase 1) and commenced construction of work during the financial year 2015. This has generated approximately RM1.5million towards the Group's revenue for property construction segment in this financial year.

Queensville is an integrated urban development spanning over 12.5 acres of land, strategically located in the heart of Bandar Sri Permaisuri, Cheras, Kuala Lumpur. The development comprises of 5 elements, namely QSuite, QAvenue, QTower, QMall and QResidenz, to be developed in three phases are expected to be completed in year 2022.

Property Investment segment, mainly contributed by Selayang Mall, continues to maintain a high occupancy rate throughout the financial year, contributing approximately RM20.1million to the Group's revenue in this financial year as compared to RM19.9million last year, thanks to the continued diligence and commitment of the management team which contributed to the success of Selayang Mall and continued to make Selayang Mall to stay competitive and as preferred venue for retailer and shopper in that area. In addition to this, there was also contribution from Elit Avenue commercial lots at Bayan City (Phase 1) with a satisfactory occupancy rate throughout the financial year.

**Corporate Developments**

Seal Properties Sdn Bhd, a wholly-owned subsidiary company has on 27 June 2014 acquired a piece of prime land at Batu Maung, Penang, measuring approximately 11,500 square meters to be developed into a landed residential development, named Sapphire. This development offers a distinctively conducive and balanced lifestyle surrounded by pristine greenery yet conveniently connected to a growing list of key amenities, such as the 2nd Penang Bridge, Tun Dr. Lim Chong Eu Expressway, Bayan Lepas Free Industrial Zone (FIZ) and Penang International Airport.

**Future Outlook**

Despite continued challenges in local property market due to the cooling measures implemented by Financial Institutions and the inflationary effect in current volatile economic environment, the Group remains optimistic as the fundamentals driving the property market's growth in recent years have not changed. The expected growth in population and earning capacity, low unemployment rate and changing demographics are factors strong enough to sustain a growing property market in Malaysia.

The Group expects a steady income from its property investment segment and contribution from its property construction and development segment in next financial year. Barring any unforeseen circumstances, the Group is confident it will continue to deliver a satisfactory result in coming years.

The Group will continue to strengthen and diversify its technical capability, improve operational efficiency, manage expenditures prudently and grow our business profitably and responsibly. We shall also nurture our talents and further improve our skills to ensure that we remain competitive in the market.

**Appreciation**

On behalf of the Board, I would like to express my sincere appreciation to the SEAL family for their tireless dedication, commitment and hard work that have contributed to the Group's performance produced during the year.

I would also like to record my gratitude for the wisdom and guidance offered by my fellow Directors and for the continued support of the shareholders and investors of our Company.

My sincere thanks to all our business associates, customers, bankers, suppliers and regulatory authorities for your unflinching support which have made it possible for the Group to achieve all that we have thus far.

I look forward to reporting to you on our success and progress in the years to come.

**TUAN HAJI ABDUL HAMID**
**BIN MOHD HASSAN**
***Chairman***

# PROFILE OF DIRECTORS


*From left to right :*

- Tuan Haji Abdul Hamid Bin Mohd Hassan • Fang Pern Kok • Fang Siew Hong
- Dato' Sri Koay Teng Choon • Datuk Tan Hiang Joo • Allen Chee Wai Hong
- Tuan Haji Liakat Ali Bin Mohamed Ali

## TUAN HAJI ABDUL HAMID BIN MOHD HASSAN

77 years of age, Malaysian
*Chairman, Executive Director*
*Chairman, ESOS Committee*
*Member, Remuneration Committee*
*Member, Executive Committee*

He was appointed to the Board on 7 February 2002. He became a member of the Remuneration Committee and Executive Committee on 22 August 2002.

He was President of the Malaysian Institute of Taxation. He has 33 years of experience working in the Department of Inland Revenue from which he retired in June 1993 as Deputy Director General. He was the General Manager of Paramount Malaysia (1963) Sdn. Bhd. from July 1993 to August 1997 and the General Manager of the taxation division of the See Hoy Chan Sdn. Bhd. group of companies from August 1997 to January 2002.

He also sits on the Board of the Company's subsidiary, Great Eastern Mills Berhad and several other subsidiaries.

## DATO' SRI KOAY TENG CHOON

52 years of age, Malaysian
*Executive Director*
*Member, Executive Committee*
*Member, Remuneration Committee*

He was appointed to the Board on 12 September 2005. He was then appointed as Chairman of the Remuneration Committee and as a member of the Nominating Committee on 20 April 2012. Subsequently, he was redesignated as a member of the Remuneration Committee, ceased to be member of the Nominating Committee and appointed as a member of the Executive Committee on 24 November 2014. He has been a director of several private limited companies involved in trading and investment holding since year 1999.

## FANG SIEW HONG

39 years of age, Malaysian
*Executive Director*
*Chairman, Executive Committee*
*Member, ESOS Committee*

She was appointed to the Board as Executive Director of the Company on 12 September 2005. She was also appointed as a member of the Executive Committee on even date and subsequently redesignated as Chairman of the Executive Committee on 24 November 2014.

She graduated with a Bachelor of Commerce, Accounting & Information Systems from Deakin University, Australia. She has gained various exposures and has extensive experience in auditing, taxation, management and planning in finance and accounts.

She also sits on the Board of the Company's subsidiary, Great Eastern Mills Berhad and several other subsidiaries.

Fang Siew Hong is the daughter of Fang Pern Kok, a Non-Independent Non-Executive Director, and sister of Fang Siew Poh. Fang Pern Kok and Fang Siew Poh are substantial shareholders of the Company. Fang Siew Hong is also deemed connected to Kesan Anggun Sdn. Bhd., a substantial shareholder of the Company.

## FANG PERN KOK

63 years of age, Malaysian
*Non-Independent Non-Executive Director*
*Chairman, Remuneration Committee*
*Chairman, Nominating Committee*

He was appointed to the Board on 3 October 2014. He was then appointed as Chairman of the Remuneration Committee and Nominating Committee on 24 November 2014. He has been director of several private limited companies involved in investment holding since 1980.

Fang Pern Kok is the father of Fang Siew Hong, an Executive Director, and Fang Siew Poh. Fang Siew Hong and Fang Siew Poh are substantial shareholders of the Company and Fang Pern Kok is also deemed connected to Kesan Anggun Sdn. Bhd., a substantial shareholder of the Company.

## DATUK TAN HIANG JOO

52 years of age, Malaysian
*Independent Non-Executive Director*
*Member, Audit Committee*
*Member, Nominating Committee*

He was appointed to the Board on 3 October 2014. He was then appointed as a member of the Audit Committee and Nominating Committee on 24 November 2014. He holds a law degree LLB (Hons) from University of Malaya and is an advocate and solicitor with the High Court of Malaya. He has been in practice since 1989 and is a partner of Syarikat Ng & Anuar. He was a Penang Municipal Councilor from 1998 to 1999. He is the Vice President of Penang Chinese Chamber of Commerce and Chairman of the Penang Chinese Chamber of Commerce Charity Fund Committee. He is also a member of Board of Governors of Han Chiang College, Han Chiang Secondary and Primary Schools.

He is also an Independent Non-Executive Director of Eupe Corporation Berhad which is listed on Bursa Malaysia Sendirian Berhad.

## TUAN HAJI LIAKAT ALI BIN MOHAMED ALI

52 years of age, Malaysian
*Independent Non-Executive Director*
*Member, Audit Committee*
*Member, Remuneration Committee*
*Member, Nominating Committee*
*Member, ESOS Committee*

He was appointed to the Board and the Audit Committee on 25 September 2009. He was also appointed as a member of the Remuneration Committee and Nominating Committee on even date.

He was a Penang Municipal Councilor from 2000 to 2002 and was appointed as the Treasury State UMNO Youth in 2001 and subsequently appointed as Deputy State UMNO Youth from 2002 to 2004. At the same time, he was the State Secretary of the Barisan Nasional Youth from 2001 to 2004. Currently he is the Managing Director of Pangkal Sinar Sdn. Bhd., the Public Relations Director of Systematic Conglomerate Sdn. Bhd. and the Deputy President of UMNO Bayan Baru Division.

## ALLEN CHEE WAI HONG

42 years of age, Malaysian
*Independent Non-Executive Director*
*Chairman, Audit Committee*
*Member, Remuneration Committee*
*Member, Nominating Committee*

He was appointed to the Board and the Audit Committee on 20 April 2012. He was also appointed as a member of the Remuneration Committee and Nominating Committee on even date. He was then appointed as Chairman of the Audit Committee on 24 November 2014.

He holds an LL.B Honours Degree from University of London, United Kingdom and a Master Degree in Business Administration from University Utara Malaysia. He is a qualified Advocate and Solicitor and is a member of the Malaysian Bar. He is also a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom and a Member of the Malaysian Institute of Accountants.

He helmed the position of Executive Director of a Main Market listed company in Malaysia for 12 years where he was involved in the area of corporate finance and accounting. He is now a partner of a public practice in Penang.

# CORPORATE SOCIAL RESPONSIBILITY

At Seal Incorporated Berhad ("Seal"), the Board of Directors acknowledges that corporate social responsibility ("CSR") is mainstream for the Group embed sustainability into the core business to create shared value for business and society. Effort and resources are channeled into the Group's CSR initiatives and our top management is directly involved in the Group's CSR programs. We believe in giving back to society in the hope of making a difference in the lives we touch.

**The Workplace**

Seal recognizes the value and importance of employees in driving the organization to success and acknowledges their invaluable contribution to the organization's growth.

In line with the Group's strong belief in human capital development, we always aspire to safeguard the welfare, health, training and career development of our employees. We conduct in-house training and also send our employees for training courses from time to time to continuously improve on professionalism, knowledge and keep abreast with latest developments.

To cultivate a harmonious working environment, the Group consistently organizes activities such as annual dinner, company trips, group outings, employees' birthday celebration and sports/recreational programs. This is to cultivate closer ties and better working relationships among all levels of employees.

**The Community**

The Group continues to play an active role by conducting various community welfare programmes to address the daily need of charity homes, shelters and community centers. The Group has organized charity visits to various homes, and together with its employees have made contributions in cash and in kind. Fun-filled activities were organized, aimed at improving the quality of life as well as building a greater team spirit and volunteerism amongst the employees in the Group.

The Group continues its effort to make contributions through schools and to provide assistance to students with back to school programmes. The contributions made were for the purchase of reference books, school uniforms, shoes and other school necessities for the low income families, as well as meal sponsorships and organizing motivational talks and activities that bring positive effects to their learning development.

**The Environment**

The Group believes that with new developments and fast growing urban infrastructure, greater emphasis should be placed towards the environment, to maximize the efficiency and productivity of its resources, to minimize waste emissions and the adverse impacts on the environment. In respecting the environment and lowering our carbon footprint, the Group continues to identify and devote resources in environmental friendly initiatives.

The Group ensures that waste is reused or recycled as much as possible with the aim of cultivating environmental awareness in our employees and at the same time develop awareness of people around it. The Group and departments practice recycling paper, double sided printing, minimize colour printing and using electronic communications and documents instead of hard copy printouts where possible. Simple energy saving drives like switching off non-essential equipment and lightings, maintaining electrical devices and air-conditioning on a need-to-use basis are practiced at all times.

**The Marketplace**

The Group is responsible in maintaining a high standard of corporate governance with the objective of safeguarding our shareholders' value and other stakeholders' interest. The Group is also sensitive to our customers' satisfaction, feedbacks and on-time delivery principles and seeks efforts to improve using out-of-the-box concepts. To have a better understanding of the Group's operation, strategies, performance and growth prospects, effective communication channels, as well as a corporate website provided for the general public to access.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") acknowledges and continues to reinforce the importance of good corporate governance for long term sustainable business growth. The Board is committed to ensuring that the highest standards of corporate governance are practiced throughout Seal Incorporated Berhad and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to safeguard shareholders' investments and protect the interests of all stakeholders. The Board is pleased to present this statement which narrates how the Group has applied the principles and extent of compliance with the recommendations as set out in the Malaysian Code on Corporate Governance 2012.

## A. BOARD OF DIRECTORS

***Roles and Responsibilities of the Board***

The Board is primarily responsible for the overall governance of the Group and actively play its role in setting and leading the long term direction and corporate strategy of the Group in order to enhance shareholders' value.

Generally, the Executive Directors are responsible for the day-to-day management of the Group's business, implementation of the Board's policies and making operational decisions while the Non-Executive Directors contribute their knowledge and experience in business strategic plans.

The Independent Non-Executive Directors contributes to the formulation of policies and decision making of the Group by providing independent judgment, experience and objectivity without being subordinated to operational considerations. They bring the caliber necessary to carry sufficient weight in the Board's decisions, to ensure the interests of all stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

The roles and responsibilities for the Chairman have been defined in the Board Charter to ensure that there is balance of power and authority.

***Board Composition and Independence***

The Board, as at the date of this statement, consists of seven (7) members, made up of three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. Together, the Board has a balanced composition of Executive and Non-Executive Directors where no individual or small group of individuals can dominate the Board's decision making. The Board complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") which requires that at least two Directors or one-third of the Board of the Company, whichever is higher, are Independent Directors. The Board also adopts the gender diversity policy with Miss Fang Siew Hong being a member of the Board.

The Board comprises members from diverse backgrounds ranging from accounting, finance, banking, legal, property sector and public service, all of which provide the Group with a wealth of expertise, experiences and networks to draw upon. This combination of different professionals and skills provide much insight and a diversity of perspectives to lead and guide the Group in an increasingly complex and competitive business environment.

The profiles of the Directors are set out in pages 8 to 11 of this Annual Report.

The Board is mindful that the Chairman, Tuan Haji Abdul Hamid Bin Mohd Hassan, is an Executive Director of the Board. However, the presence of sufficient Independent Directors on the Board who provides unbiased views, advice and judgment plays a pivotal role in ensuring that there is enough check and balance and corporate accountability. Moreover, the Chairman's vast experience in the taxation field would enable him to provide the Board with relevant real life cases and knowledge to proper manage the Group.

***Board Charter***

The Board has formalized and adopted a Board Charter which sets out the composition, roles and responsibilities and processes of the Board. The Board will review the Board Charter as and when required to ensure compliance with the regulations. The concise Board Charter is available in the Company's website (www.sib.com.my).

## A. BOARD OF DIRECTORS (CONT'D)

***Formalised Ethical Standards through Code of Conduct***

The Group has established a Code of Ethics and a Code of Conduct which sets out the principles and standard of business ethics and conduct of the Group. The code serves as a road map to help guide actions and behaviours while working and dealing with the Group to maintain high standards of business ethics and encourage performance with integrity.

In addition to that, the Group has also established a Whistle-Blowing Policy in line with the Group's commitment to honesty and transparency, providing a mechanism for employees, Directors or any persons to report genuine concerns relating to any malpractice or improper conduct of the Group's businesses.

***Board Meetings***

The Board meets at least four (4) times a year on a scheduled basis with additional meetings convened as and when necessary. The meetings are scheduled in advance before the end of the financial year to enable the Directors to plan accordingly, to fit the Board meetings into their schedules.

The Board has met for a total of five (5) times during the financial year ended 30 June 2015. All Directors have fulfilled the Main Market Listing Requirements ("MMLR") in relation to their attendance at Board Meetings. Details of attendance of Directors at the Board Meetings are as follows:

| Name of Directors | Number of Meetings held in financial year during Director's tenure in office | Number of Meetings Attended |
|---|---|---|
| Tuan Haji Abdul Hamid Bin Mohd Hassan | 5 | 5 |
| Dato' Sri Koay Teng Choon | 5 | 5 |
| Fang Siew Hong | 5 | 5 |
| Tuan Haji Liakat Ali Bin Mohamed Ali | 5 | 5 |
| Allen Chee Wai Hong | 5 | 5 |
| Fang Pern Kok *(Appointed with effect from 3 October 2014)* | 3 | 3 |
| Datuk Tan Hiang Joo *(Appointed with effect from 3 October 2014)* | 3 | 3 |
| Chuah Chong Ewe *(Resigned on 9 October 2014)* | 2 | 2 |
| Chuah Chong Boon *(Retired on 24 November 2014)* | 2 | 2 |
| Ng Ngoon Weng *(Retired on 24 November 2014)* | 2 | 2 |

The agenda for all board meetings, board papers and relevant documents are distributed to the Directors in advance. All proceedings from the Board meetings are duly recorded and the minutes thereof are signed by the Chairman of the meeting.

***Supply of Information***

Board members have unrestricted access to timely and accurate information with the Group. Board papers with sufficient notice are circulated to Directors before Board meetings to enable the Directors to peruse through and have the opportunity to seek additional information, obtain further explanation and clarification on the matters to be discussed.

The Board papers provide information on both financial and operation results, corporate developments, corporate announcements released to Bursa Securities, policies and procedures, acquisitions and disposals proposals, if any, and any other important matters which require the Boards attention and direction.

## A. BOARD OF DIRECTORS (CONT'D)

***Qualified and Competent Company Secretary***

All Directors have access to the advice and services of qualified Company Secretaries on matters relating to their roles and responsibilities. Company Secretaries support the Board by providing updates on new statutory and regulatory requirements, as well as ensuring adherence to Board policies and procedures.

***Directors' Training***

The Directors recognise the need to develop and update themselves and the Company provides a dedicated training budget for Directors' continuing education. Relevant training programmes are arranged by the Management. All the Directors of the Company have completed the Mandatory Accreditation Programmes as prescribed by the Listing Requirements of Bursa Securities.

The Directors have undergone the following training programmes during the financial year ended 30 June 2015:

a) 2015 Budget Updates & GST Awareness Briefing – Property Development Industry
b) Corporate Financial Reporting
c) Pengenalan Akta Pengurusan Strata 2013 (Akta 757) Dan Menginterpretasikan Undang-Undang Perumahan
d) Issues of Shares & Warrants
e) Members' Voluntary Winding Up
f) Malaysian Budget 2015
g) GST for Construction & Property Development Activities
h) The Impact of Cyber Security at Board Levels

The Directors will continue to undergo training and other relevant programmes to further enhance their skills and knowledge where relevant.

***Board Committees***

The Board of Directors has delegated specific responsibilities to several committees, namely the Audit Committee, Executive Committee, Nominating Committee and Remuneration Committee to assist in the execution of its duties and responsibilities. These Committees operate within their respective defined terms of reference approved and specific authority delegated by the Board.

The terms of reference of the Audit Committee are set out in the section under the Audit Committee Report.

***Appointments to the Board***

The Nominating Committee was formed on 22 August 2002 to ensure effective director selection process and appropriate structure for management development. Its responsibilities include the following:

a) proposing new nominees to the Board and Committees of the Board;
b) assessing the structure, size and composition of the Board;
c) reviewing annually relevant mix of skills and other qualities, including core competencies which Non-Executive Directors should bring to the Board;
d) assessing annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director; and
e) ensure orientation and education programme is provided for Directors

## A. BOARD OF DIRECTORS (CONT'D)

***Appointments to the Board*** **(Cont'd)**

The members of the Nominating Committee during the year, composed exclusively of Non-Executive Directors, were as follows:

| Name of members | |
|---|---|
| Fang Pern Kok | - Non-Independent Non-Executive Director (Chairman) *(Appointed with effect from 24 November 2014)* |
| Tuan Haji Liakat Ali Bin Mohamed Ali | - Independent Non-Executive Director (Member) |
| Allen Chee Wai Hong | - Independent Non-Executive Director (Member) |
| Datuk Tan Hiang Joo | - Independent Non-Executive Director (Member) *(Appointed with effect from 24 November 2014)* |

The Nominating Committee shall meet at least once a year and as and when deemed necessary. Two meetings were held during the financial year ended 30 June 2015. The annual assessments of each individual Director, Independent Directors, retiring Directors and the Board as a whole have been documented and noted.

***Re-appointment and Re-election of Directors***

In accordance with the Articles of Association of the Company, an election of Directors shall take place every year and all Directors shall retire from office once at least in every 3 years. In addition, a Director who attains the age of 70 retires at every Annual General Meeting pursuant to the Companies Act, 1965.

## B. DIRECTOR'S REMUNERATION

The members of the Remuneration Committee during the year, composed mainly of Non-Executive Directors, were as follows:

| Name of members | |
|---|---|
| Fang Pern Kok | - Non-Independent Non-Executive Director (Chairman) *(Appointed with effect from 24 November 2014)* |
| Tuan Haji Abdul Hamid Bin Mohd Hassan | - Executive Director (Member) |
| Tuan Haji Liakat Ali Bin Mohamed Ali | - Independent Non-Executive Director (Member) |
| Allen Chee Wai Hong | - Independent Non-Executive Director (Member) |
| Dato' Sri Koay Teng Choon | - Independent Non-Executive Director (Member) *(Redesignated as member on 24 November 2014)* |

The Remuneration Committee shall meet at least once a year and as and when deemed necessary. One meeting was held during the financial year ended 30 June 2015.

Fees payable to the Directors are recommended by the Board with the approval from shareholders at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereas the remuneration package of Non-Executive Directors is reflective of their experience and level of responsibilities, which is determined collectively by the Board. Individual Directors do not participate in the decisions regarding their individual remuneration.

## B. DIRECTOR'S REMUNERATION (CONT'D)

Details of Directors' Remuneration received and/or receivable for the financial year ended 30 June 2015 are as follows:

| | Executive Directors RM | Non-Executive Directors RM | Total RM |
|---|---|---|---|
| **Fees** | – | 120,000 | 120,000 |
| **Salaries & Other Emoluments** | 1,567,442 | – | 1,567,442 |
| **Employees Provident Fund** | 59,016 | – | 59,016 |
| **Total** | 1,626,458 | 120,000 | 1,746,458 |

The number of Directors of the Company whose total remuneration falls within the following bands for the year ended 30 June 2015 is as follows:

| Range | Executive Directors | Non-Executive Directors | Total |
|---|---|---|---|
| Below RM50,000 | 1 | 4 | 5 |
| RM50,001-RM100,000 | 2 | – | 2 |
| RM100,001-RM150,000 | 1 | – | 1 |
| RM1,350,001-RM1,400,000 | 1 | – | 1 |

## C. RELATIONS WITH SHAREHOLDERS AND INVESTORS

***Dialogue between Company and Investors***

The Group recognizes and values the importance of effective and clear communication to its shareholders as well as to potential investors and the public. The Group practices the highest standard of transparency and accountability in its communication and disclosure of pertinent information relating to the Group. This is achieved through timely announcements and disclosures made to Bursa Securities during the year, including the release of financial results on a quarterly basis and other circulars to shareholders. Seal Incorporated Berhad's website at www.sib.com.my also provides an avenue for shareholders, investors and members of the public to access information pertaining to the Group, which is updated regularly. The Group has also adopted a Shareholder Communication Policy to practice high quality, ongoing dialogue and communication with its shareholders in order to build trust and understanding in the relationship between the Company and its shareholders.

***Annual General Meeting***

The Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) are the principle forums for dialogue and communication with shareholders. The notice of meetings is sent out to the shareholders at least twenty-one (21) days before the date of the meeting in accordance with the Company's Articles of Association.

The Board presents an overview of the Group's business strategy, performance and major developments at each AGM. Shareholders are encouraged to participate in the question and answer sessions. The Board members, senior management and the Group's external auditors as well as relevant advisors are available to respond to shareholders queries during the general meetings.

## D. ACCOUNTABILITY AND AUDIT

***Financial Reporting***

In presenting the annual financial statements and quarterly announcements to the shareholders, the Board has taken reasonable steps to ensure a clear, balanced and understandable assessment of the Group's financial position and prospects.

The Board is assisted by the Audit Committee in overseeing the Group's financial reporting processes and the quality of its financial reporting to ensure accuracy and authenticity of the reporting.

***Corporate Disclosure Policy***

The Group has on the recommendation of the Malaysian Code on Corporate Governance 2012, adopted the Corporate Disclosure Policy to ensure accurate, comprehensive and timely dissemination of information to shareholders and investors as they are critical towards building and maintaining corporate credibility and investor confidence.

***Directors' Responsibility Statement***

The Board is responsible for ensuring the financial statements of the Group and of the Company are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the financial performance and cash flows for the financial year then ended. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to financial statements accordingly.

***Relationship with the Auditors***

The Board, through the Audit Committee, has always maintained a formal and transparent relationship with the external auditors in seeking professional advice towards ensuring compliance with accounting standards. The Audit Committee meets up with the external auditors to discuss the audit planning memorandum and their audit findings.

## E. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound system of internal controls which includes financial controls, operational and compliance controls and risk management to safeguard shareholders' interest and the Company's assets. The Statement on Risk Management and Internal control is set out on pages 20 to 21 of this Annual Report.

## COMPLIANCE STATEMENT

The Group has substantially complied with the Principles and Best Practice and Recommendations of Malaysian Code on Corporate Governance 2012.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code of Corporate Governance 2012 requires listed companies to maintain a sound system of internal controls and risk management to safeguard shareholders' investment and the Group's assets.

Guided by the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies, the Board of Directors of Seal Incorporated Berhad is pleased to present the Statement on Risk Management and Internal Control ("the Statement") which is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. In view of the limitations that are inherent in any systems of internal control, the systems of internal control are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error or losses.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of this Statement for inclusion in the Annual Report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

## RISK MANAGEMENT

The Board and the management practice proactive significant risks identification in the processes and activities of the Group, particularly in major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and assess the appropriate risk response strategies and controls.

## INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has outsourced its internal audit function to an independent professional services firm, BDO Governance Advisory Sdn Bhd as part of its efforts to provide adequate and effective internal control systems. The performance of internal audit function is carried out as per the annual audit plan approved by the Audit Committee.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The audit focuses on high risk area to ensure that an adequate action plan is in place to address the risks and concerns identified. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement.

## INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides a documented and auditable trail of accountability;
- A set of documented internal policies and procedures which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

## REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the 2015 Annual Report. This Statement is reviewed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

## CONCLUSION

The Board has received assurance from Executive Directors that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to date of this Statement. Taking this assurance into consideration, the Board is of the view that there were no significant weaknesses in the current system of internal control of the Group that may have material impact on the operations of the Group for the financial year ended 30 June 2015. The Board and the management will continue to take necessary measures and ongoing commitment to strengthen and improve its internal control environment and risk management.

This Statement is issued in accordance with a resolution of the Directors dated 1 October 2015.

# AUDIT COMMITTEE REPORT

**TERMS OF REFERENCE**

**Compositions and Meetings**

The Audit Committee comprises three members, all of whom are Independent Non-Executive Directors.

During the financial year under review, a total of five (5) audit committee meetings were held and the details of the attendance of each member of the committee are tabulated below:

| Name of Members | | Number of Meetings Attended |
|---|---|---|
| Allen Chee Wai Hong | Chairman, Independent Non-Executive Director *(Appointed on 24 November 2014)* | 5 out of 5 |
| Tuan Haji Liakat Ali Bin Mohamed Ali | Member, Independent Non-Executive Director | 5 out of 5 |
| Datuk Tan Hiang Joo | Member, Independent Non-Executive Director *(Appointed on 24 November 2014)* | 2 out of 2 |
| Ng Ngoon Weng | Independent Non-Executive Director *(Retired on 24 November 2014)* | 2 out of 2 |

The Committee shall be appointed by the Board from among its Directors (except alternate directors) and shall fulfil the requirement of paragraph 15.09 (c)(i) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board shall, within three (3) months of any vacancy occurring in the Committee which results in the non-compliance of the composition of the Committee appoint such number of new members as may be required to comply with the required composition.

The Committee shall meet with the external auditors without executive board members present at least twice a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. The quorum for a meeting of the Committee shall be two (2) provided always that the majority of members present must be independent directors and any decision shall be by a simple majority.

Other Board members and employees may attend any particular meeting only at the Committee's invitation. The Company Secretary shall be the Secretary of the Committee. The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board.

**Functions**

The functions of the Committee shall include the following:

(1) review the following and report the same to the Board:

- (a) with the external auditors, their audit plan;
- (b) with the external auditors, their evaluation of the system of internal controls;
- (c) with the external auditors, their audit report, management letter and management's response;
- (d) the assistance given by the employees of the Company to the external auditors;
- (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events; and
    - (iii) compliance with accounting standards and other legal requirements;

## TERMS OF REFERENCE (CONT'D)

**Functions (cont'd)**

The functions of the Committee shall include the following: (cont'd)

(1) review the following and report the same to the Board: (cont'd)

  (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  (i) any letter of resignation from the external auditors of the Company; and
  (j) whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment; and

(2) recommend the nomination of a person or persons as external auditors.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference of the Audit Committee, the summary of the main activities carried out by the audit committee during the financial year under review is as follows:

(a) reviewed the audit planning memorandum with the external auditors;
(b) reviewed the results and audit report arising from audit with the external auditors;
(c) reviewed the annual and quarterly financial statements and reporting to the Bursa Securities and ensured compliance with the additional disclosure requirements in accordance with the Listing Requirements of Bursa Securities;
(d) reviewed the annual internal audit plan including its scope, basis of assessments and risks ratings of the proposed areas of audit; and
(e) reviewed the internal audit reports and audit recommendations made by the internal auditors and management's responses thereto.

## INTERNAL AUDIT FUNCTION

The Company outsourced the internal audit function to a professional services firm. The internal auditor reports directly to the Audit Committee and assists the Board in obtaining the assurance concerning adequacy and effectiveness of the system of internal control, risk management and governance framework of the Group. The internal auditor undertakes internal audit function based on the audit plan approved by the Audit Committee. The costs incurred for the internal audit function for the financial year were RM24,000.

During the financial year, the following activities were carried out by the internal audit function:

(a) ascertained the extent of compliance with established policies, procedures and statutory requirements;
(b) reviewed and assessed the adequacy, integrity and effectiveness of the system of internal control of the Group;
(c) reported the findings of assessment and recommended improvements where necessary; and
(d) performed follow-up audit on implementation of audit recommendations agreed by the management.

# ADDITIONAL COMPLIANCE INFORMATION

**Conflict of Interest**

Save for Fang Siew Hong and Fang Pern Kok, none of the other Directors has any family relationship with any Director and/or major shareholder of SEAL Incorporated Berhad.

Save for the above, none of the other Directors has any conflict of interest with the Group.

**Conviction of Offence**

None of the Directors has been convicted of any offence.

**Utilisation of Proceeds**

The Company did not raise any fund through any corporate proposal during the financial year.

**Share Buy-Backs**

The information on share buy-backs for the financial year are presented in the Directors' Report.

**Options, Warrants or Convertible Securities**

The Company did not issue any options, warrants or convertible securities during the financial year.

**Depository Receipt Programme**

The Company did not sponsor any Depository Receipt Programme during the financial year.

**Sanctions and/or Penalties**

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

**Non-Audit Fees**

Non-audit fees paid or payable to the external auditors for the financial year amounted to RM3,000.

**Variation in Results**

There was no material variance between the audited results for the financial year ended 30 June 2015 and unaudited results announced for the financial quarter ended 30 June 2015.

**Profit Guarantee**

There was no profit guarantee given by the Company during the financial year.

**Material Contracts**

There was no material contract entered into by the Company and its subsidiaries involving Directors' and major shareholders interests which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

# DIRECTORS' REPORT
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **30 June 2015**.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company consist of property investment, building contractor, project manager for property development, trading of goods and extraction and sale of timber. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

**RESULTS**

| | GROUP RM | COMPANY RM |
|---|---|---|
| (Loss)/Profit after tax for the year | **(6,715,847)** | **6,061,255** |
| Attributable to: | | |
| Owners of the parent | **(5,523,314)** | **6,061,255** |
| Non-controlling interests | **(1,192,533)** | **–** |
| | **(6,715,847)** | **6,061,255** |

In the opinion of the directors, except for those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**DIVIDENDS**

No dividends have been declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

**RESERVES AND PROVISIONS**

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

**SHARE CAPITAL AND DEBENTURE**

The Company did not issue any share or debenture during the financial year and did not grant any option to anyone to take up unissued shares of the Company.

**TREASURY SHARES**

During the financial year, the Company repurchased 51,000 of its issued ordinary shares from the open market at an average price of RM0.72 per share for a total consideration of RM36,553. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 30 June 2015, the Company held a total of 5,822,500 treasury shares out of its 221,402,684 issued ordinary shares. The treasury shares are held at a carrying amount of RM2,129,723 and further relevant details are disclosed in Note 18 to the financial statements.

### EMPLOYEE SHARE OPTION SCHEME

The Company had on 9 June 2010 and 15 July 2010 obtained approvals from Bursa Malaysia Securities Berhad and its shareholders respectively to establish an Employee Share Option Scheme ("ESOS") with duration of ten years from the effective date.

As at 30 June 2015, no options were granted.

The salient features of the ESOS are disclosed in Note 37 to the financial statements.

### DIRECTORS

The directors who served since the date of the last report are as follows:

**Tuan Haji Abdul Hamid Bin Mohd Hassan**
**Fang Siew Hong**
**Dato' Sri Koay Teng Choon**
**Fang Pern Kok**
**Chee Wai Hong**
**Tuan Haji Liakat Ali Bin Mohamed Ali**
**Datuk Tan Hiang Joo**
**Chuah Chong Ewe (resigned on 9.10.14)**
**Chuah Chong Boon (retired on 24.11.14)**
**Ng Ngoon Weng (retired on 24.11.14)**

### DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

| | ← Number of ordinary shares of RM0.40 each → | | | |
|---|---|---|---|---|
| | **Balance at 1.7.14** | **Bought** | **Sold** | **Balance at 30.6.15** |
| **The Company** | | | | |
| **Direct Interest:** | | | | |
| Dato' Sri Koay Teng Choon | 17,462,000 | 4,432,200 | – | 21,894,200 |
| Datuk Tan Hiang Joo | 29,000[1] | – | – | 29,000 |
| **Deemed Interest:** | | | | |
| [2] Fang Siew Hong | 40,000,000 | – | (20,000,000) | 20,000,000 |
| [3] Dato' Sri Koay Teng Choon | 4,867,100 | – | – | 4,867,100 |
| [3] Fang Pern Kok | 45,889,400[1] | 310,000 | (20,000,000) | 26,199,400 |

[1] At date of appointment.
[2] Deemed interested by virtue of shares held by companies in which the directors have interest.
[3] Deemed interested by virtue of shares held by immediate family members of the director.

By virtue of their interests in the Company, **Ms. Fang Siew Hong, Dato' Sri Koay Teng Choon and Mr. Fang Pern Kok** are deemed interested in the shares of the subsidiaries, to the extent that the Company has interests.

Other than as disclosed above, none of the other directors have any interest in shares in the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a 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 those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects 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

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 all known bad debts had been written off and that adequate provision had been made for doubtful debts, and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, and

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

## AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

................................................................ ................................................................

**Tuan Haji Abdul Hamid Bin Mohd Hassan** **Fang Siew Hong**

**Penang,**

**Date: 1 October 2015**

# DIRECTORS' STATEMENT
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

In the opinion of the directors, the financial statements set out on pages 31 to 83 are properly drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **30 June 2015** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 84 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

..................................................................

**Tuan Haji Abdul Hamid Bin Mohd Hassan**

..................................................................

**Fang Siew Hong**

**Date: 1 October 2015**

# STATUTORY DECLARATION

I, **Fang Siew Hong**, the director primarily responsible for the financial management of **Seal Incorporated Berhad** do solemnly and sincerely declare that the financial statements set out on pages 31 to 83 and the supplementary information set out on page 84 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 in Penang this **1st** )
day of **October 2015.** )

..................................................................

**Fang Siew Hong**

**Before me,**

..................................................................

**Commissioner for Oaths**
**Goh Suan Bee, P0125**

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF SEAL INCORPORATED BERHAD

**Report on the Financial Statements**

We have audited the financial statements of **Seal Incorporated Berhad**, which comprise the statements of financial position as at **30 June 2015** of the Group and of the Company, 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 financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 83.

**Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **30 June 2015** and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act,

(b) We have considered the accounts of a subsidiary of which we have not acted as auditors which is indicated in Note 7 to the financial statements,

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out page 84 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Grant Thornton**
**No. AF: 0042**
**Chartered Accountants**

**John Lau Tiang Hua, DJN**
**No. 1107/03/16 (J)**
**Chartered Accountant**

**Date: 1 October 2015**

**Penang**

# STATEMENTS OF FINANCIAL POSITION
## AS AT 30 JUNE 2015

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | NOTE | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **2,147,447** | 2,071,619 | **295,273** | 506,267 |
| Investment properties | 5 | **51,948,566** | 51,948,566 | **1,494,327** | 1,494,327 |
| Land held for development | 6 | **17,487,200** | 17,461,347 | **17,487,200** | 17,461,347 |
| Investment in subsidiaries | 7 | **–** | – | **12,104,386** | 8,324,590 |
| Other investments | 8 | **19,298,625** | 28,162,500 | **19,298,625** | 28,162,500 |
| Timber concession | 9 | **19,442,427** | 18,492,605 | **8,330,890** | 8,492,445 |
| Deferred tax assets | 10 | **–** | 7,718,000 | **–** | 7,744,000 |
| | | **110,324,265** | 125,854,637 | **59,010,701** | 72,185,476 |
| **Current assets** | | | | | |
| Property development costs | 11 | **87,372,194** | 44,234,259 | **–** | – |
| Inventories | 12 | **28,224,081** | 25,953,291 | **282,372** | 20,159 |
| Trade receivables | 13 | **13,154,510** | 24,874,543 | **698,992** | 444,260 |
| Other receivables | 14 | **61,444,038** | 76,463,059 | **283,599** | 362,139 |
| Amount due from subsidiaries | 15 | **–** | – | **98,971,989** | 81,522,246 |
| Current tax assets | | **1,453,265** | 48,565 | **–** | – |
| Other investments | 8 | **37,481,178** | 15,980,490 | **10,298,450** | – |
| Deposits with licensed banks | 16 | **42,051,618** | 74,904,587 | **2,801,504** | 8,649,657 |
| Cash and bank balances | | **3,845,388** | 14,686,671 | **1,031,680** | 4,872,927 |
| | | **275,026,272** | 277,145,465 | **114,368,586** | 95,871,388 |
| **TOTAL ASSETS** | | **385,350,537** | 403,000,102 | **173,379,287** | 168,056,864 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 17 | **88,561,074** | 88,561,074 | **88,561,074** | 88,561,074 |
| Share premium | | **45,448,463** | 45,448,463 | **45,448,463** | 45,448,463 |
| Treasury shares | 18 | **(2,129,723)** | (2,093,170) | **(2,129,723)** | (2,093,170) |
| Reserves | 19 | **(952,216)** | 342,045 | **352,940** | 352,940 |
| Retained profits | 20 | **106,712,053** | 112,235,367 | **30,217,306** | 24,156,051 |
| | | **237,639,651** | 244,493,779 | **162,450,060** | 156,425,358 |
| **Non-controlling interests** | | **66,016,320** | 85,740,774 | **–** | – |
| **Total equity** | | **303,655,971** | 330,234,553 | **162,450,060** | 156,425,358 |
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | **35,254,552** | 1,062,384 | **–** | – |
| Deferred tax liabilities | 10 | **6,000** | – | **–** | – |
| | | **35,260,552** | 1,062,384 | **–** | – |
| **Current liabilities** | | | | | |
| Trade payables | 22 | **8,745,086** | 11,824,832 | **368,418** | 370,864 |
| Progress billings in respect of property development | | **531,876** | 3,350,437 | **–** | – |
| Other payables | 23 | **23,846,602** | 41,800,889 | **5,398,218** | 5,200,341 |
| Amount due to subsidiaries | 15 | **–** | – | **5,143,591** | 5,466,301 |
| Borrowings | 21 | **12,995,550** | 587,507 | **–** | – |
| Current tax liabilities | | **314,900** | 14,139,500 | **19,000** | 594,000 |
| | | **46,434,014** | 71,703,165 | **10,929,227** | 11,631,506 |
| **Total liabilities** | | **81,694,566** | 72,765,549 | **10,929,227** | 11,631,506 |
| **TOTAL EQUITY AND LIABILITIES** | | **385,350,537** | 403,000,102 | **173,379,287** | 168,056,864 |

The notes set out on pages 37 to 83 form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | **NOTE** | **RM** | RM | **RM** | RM |
| Revenue | **24** | **29,189,952** | 287,088,951 | **30,161,856** | 32,456,938 |
| Direct operating costs | **25** | **(13,536,283)** | (134,254,321) | **(13,589,093)** | (17,018,171) |
| **Gross profit** | | **15,653,669** | 152,834,630 | **16,572,763** | 15,438,767 |
| Other income | **26** | **3,251,687** | 31,487,698 | **3,543,039** | 2,255,522 |
| Administrative expenses | | **(14,515,797)** | (24,783,020) | **(4,709,320)** | (9,163,410) |
| **Operating profit** | | **4,389,559** | 159,539,308 | **15,406,482** | 8,530,879 |
| Finance costs | | **(290,664)** | (28,159) | **(152,606)** | – |
| **Profit before tax** | **27** | **4,098,895** | 159,511,149 | **15,253,876** | 8,530,879 |
| Tax expense | **28** | **(10,814,742)** | (44,080,479) | **(9,192,621)** | (7,030,343) |
| **(Loss)/Profit for the year** | | **(6,715,847)** | 115,430,670 | **6,061,255** | 1,500,536 |
| **Other comprehensive income/(loss), net of tax** | | | | | |
| **Item that will be reclassified subsequently to profit or loss:** | | | | | |
| Fair value adjustment on available-for-sale financial assets | | **23,818** | (63,183) | **–** | (2,422) |
| **Total comprehensive (loss)/income for the year** | | **(6,692,029)** | 115,367,487 | **6,061,255** | 1,498,114 |
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the parent | | **(5,523,314)** | 59,392,783 | **6,061,255** | 1,500,536 |
| Non-controlling interests | | **(1,192,533)** | 56,037,887 | **–** | – |
| | | **(6,715,847)** | 115,430,670 | **6,061,255** | 1,500,536 |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owners of the parent | | **(5,509,472)** | 59,337,145 | **6,061,255** | 1,498,114 |
| Non-controlling interests | | **(1,182,557)** | 56,030,342 | **–** | – |
| | | **(6,692,029)** | 115,367,487 | **6,061,255** | 1,498,114 |
| **(Loss)/Earnings per share attributable to owners of the parent (sen)** | | | | | |
| - Basic | **29** | **(2.56)** | 27.52 | | |
| - Diluted | **29** | **–** | – | | |

The notes set out on pages 37 to 83 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

| | | Attributable to Owners of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | Distributable | | | |
| | NOTE | Share Capital RM | Share Premium RM | Treasury Shares RM | Reserves RM | Retained Profits RM | Total RM | Non-controlling Interests RM | Total Equity RM |
| **2015** | | | | | | | | | |
| Balance at beginning | | **88,561,074** | **45,448,463** | **(2,093,170)** | **342,045** | **112,235,367** | **244,493,779** | **85,740,774** | **330,234,553** |
| Other comprehensive income: | | | | | | | | | |
| Fair value of available-for-sale financial assets | | **–** | **–** | **–** | **13,842** | **–** | **13,842** | **9,976** | **23,818** |
| Loss for the year | | **–** | **–** | **–** | **–** | **(5,523,314)** | **(5,523,314)** | **(1,192,533)** | **(6,715,847)** |
| Total comprehensive loss for the year | | **–** | **–** | **–** | **13,842** | **(5,523,314)** | **(5,509,472)** | **(1,182,557)** | **(6,692,029)** |
| Transactions with owners: | | | | | | | | | |
| Purchase of treasury shares | **18** | **–** | **–** | **(36,553)** | **–** | **–** | **(36,553)** | **–** | **(36,553)** |
| Dividends to non-controlling interests of a subsidiary | | **–** | **–** | **–** | **–** | **–** | **–** | **(18,620,000)** | **(18,620,000)** |
| Premium paid on acquisition of subsidiaries from non-controlling interests | **7** | **–** | **–** | **–** | **(1,308,103)** | **–** | **(1,308,103)** | **78,103** | **(1,230,000)** |
| Total transactions with owners | | **–** | **–** | **(36,553)** | **(1,308,103)** | **–** | **(1,344,656)** | **(18,541,897)** | **(19,886,553)** |
| Balance at end | | **88,561,074** | **45,448,463** | **(2,129,723)** | **(952,216)** | **106,712,053** | **237,639,651** | **66,016,320** | **303,655,971** |
| 2014 | | | | | | | | | |
| Balance at beginning | | 88,561,074 | 45,448,463 | (1,950,237) | 397,683 | 51,207,728 | 183,664,711 | 31,344,854 | 215,009,565 |
| Other comprehensive loss: | | | | | | | | | |
| Fair value of available-for-sale financial assets | | – | – | – | (55,638) | – | (55,638) | (7,545) | (63,183) |
| Profit for the year | | – | – | – | – | 59,392,783 | 59,392,783 | 56,037,887 | 115,430,670 |
| Total comprehensive income for the year | | – | – | – | (55,638) | 59,392,783 | 59,337,145 | 56,030,342 | 115,367,487 |
| Transactions with owners: | | | | | | | | | |
| Purchase of treasury shares | 18 | – | – | (142,933) | – | – | (142,933) | – | (142,933) |
| Dilution of non-controlling interest of a subsidiary | | – | – | – | – | 1,634,856 | 1,634,856 | (1,634,856) | – |
| Issuance of shares to non-controlling interest of subsidiaries | | – | – | – | – | – | – | 434 | 434 |
| Total transactions with owners | | – | – | (142,933) | – | 1,634,856 | 1,491,923 | (1,634,422) | (142,499) |
| Balance at end | | 88,561,074 | 45,448,463 | (2,093,170) | 342,045 | 112,235,367 | 244,493,779 | 85,740,774 | 330,234,553 |

The notes set out on pages 37 to 83 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

| | NOTE | Share Capital RM | Share Premium RM | Treasury Shares RM | Reserves RM | Retained Profits RM | Total Equity RM |
|---|---|---|---|---|---|---|---|
| | | ← Non-distributable | | | → | ← Distributable → | |
| **2015** | | | | | | | |
| Balance at beginning | | **88,561,074** | **45,448,463** | **(2,093,170)** | **352,940** | **24,156,051** | **156,425,358** |
| Net profit, representing total comprehensive income for the year | | **–** | **–** | **–** | **–** | **6,061,255** | **6,061,255** |
| Transactions with owners: | | | | | | | |
| Purchase of treasury shares | **18** | **–** | **–** | **(36,553)** | **–** | **–** | **(36,553)** |
| Balance at end | | **88,561,074** | **45,448,463** | **(2,129,723)** | **352,940** | **30,217,306** | **162,450,060** |
| 2014 | | | | | | | |
| Balance at beginning | | 88,561,074 | 45,448,463 | (1,950,237) | 355,362 | 22,655,515 | 155,070,177 |
| Other comprehensive loss: | | | | | | | |
| Fair value of available-for-sale financial assets | | – | – | – | (2,422) | – | (2,422) |
| Profit for the year | | – | – | – | – | 1,500,536 | 1,500,536 |
| Total comprehensive income for the year | | – | – | – | (2,422) | 1,500,536 | 1,498,114 |
| Transactions with owners: | | | | | | | |
| Purchase of treasury shares | 18 | – | – | (142,933) | – | – | (142,933) |
| Balance at end | | 88,561,074 | 45,448,463 | (2,093,170) | 352,940 | 24,156,051 | 156,425,358 |

The notes set out on pages 37 to 83 form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | **4,098,895** | 159,511,149 | **15,253,876** | 8,530,879 |
| Adjustments for: | | | | |
| Allowance for impairment on deposits | **–** | 446,714 | **–** | – |
| Bad debts | **27,675** | 2,572,682 | **27,675** | 3,216,084 |
| Change in fair value of investment properties | **–** | (18,743,253) | **–** | – |
| Depreciation | **397,220** | 393,479 | **75,918** | 100,611 |
| Dividend income | **(914,624)** | (344,158) | **(9,222,987)** | (16,997) |
| Gain on disposal of a subsidiary | **–** | (1,956,240) | **–** | – |
| Gain on disposal of leasehold land | **–** | (3,955,137) | **–** | – |
| Gain on disposal of quoted shares | **–** | (50,737) | **–** | – |
| Gain on redemption of investment in unit trusts | **(69,389)** | (4,056) | **–** | (4,056) |
| Impairment loss on receivables | **135,124** | – | **135,124** | – |
| Interest expense | **290,664** | 28,159 | **152,606** | – |
| Interest income | **(2,687,120)** | (2,870,669) | **(3,071,323)** | (1,244,461) |
| Reversal of impairment loss on investment in a subsidiary | **–** | – | **–** | (871,241) |
| Loss/(Gain) on disposal of property, plant and equipment | **31,383** | (49,541) | **2,300** | (3) |
| Property, plant and equipment written off | **303,721** | 212,120 | **112,554** | 754 |
| Timber concession cost recognised | **157,328** | 2,239,217 | **157,328** | 2,239,217 |
| Operating profit before working capital changes | **1,770,877** | 137,429,729 | **3,623,071** | 11,950,787 |
| Increase in land held for development | **(25,853)** | (25,855) | **(25,853)** | (25,855) |
| (Increase)/Decrease in property development costs | **(42,853,021)** | 21,490,958 | **–** | – |
| Decrease in progress billings | **(2,818,561)** | (18,905,062) | **–** | – |
| Increase in inventories | **(2,270,790)** | (20,520,337) | **(262,213)** | (11,800) |
| Decrease/(Increase) in receivables | **26,576,255** | (48,191,545) | **(338,991)** | 3,752 |
| (Decrease)/Increase in payables | **(21,034,033)** | 438,962 | **195,431** | (343,732) |
| Net change in subsidiaries' balances | **–** | – | **(773,557)** | (164,612) |
| Cash (used in)/generated from operations | **(40,655,126)** | 71,716,850 | **2,417,888** | 11,408,540 |
| Income tax paid | **(18,470,765)** | (29,960,266) | **(2,114,000)** | (2,829,000) |
| Income tax refunded | **150,723** | 328,964 | **90,379** | 289,657 |
| Interest paid | **(575,578)** | (108,974) | **(152,606)** | – |
| Net cash (used in)/from operating activities | **(59,550,746)** | 41,976,574 | **241,661** | 8,869,197 |

The notes set out on pages 37 to 83 form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS (CONT'D)
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Net cash (used in)/from operating activities | **(59,550,746)** | 41,976,574 | **241,661** | 8,869,197 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of shares from non-controlling interests | **(1,230,000)** | – | **(1,230,000)** | – |
| Dividends received | **914,624** | 342,543 | **9,222,987** | 16,997 |
| Interest received | **2,630,696** | 2,852,072 | **3,019,526** | 1,233,885 |
| Net change in subsidiaries' balances | **–** | – | **(16,998,896)** | (3,048,646) |
| (Payment)/Reversal for timber concession | **(1,107,150)** | (148,345) | **4,227** | (148,345) |
| Refund of timber concession pursuant to rescission of agreements | **–** | 3,600,000 | **–** | – |
| Purchase of short term investments | **(93,114,624)** | (7,042,591) | **(28,022,987)** | (12,696) |
| Placement of fixed deposits | **–** | (1,118,947) | **–** | (1,375,000) |
| Withdrawal/(Placement) of funds to Institutional Trust Account | **8,863,875** | (202,500) | **8,863,875** | (202,500) |
| Net cash flow from disposal of a subsidiary (Note 38(i)) | **–** | 2,999,806 | **–** | – |
| Proceeds from disposal of leasehold land (Note 38(ii)) | **–** | 5,500,000 | **–** | – |
| Proceeds from disposal of property, plant and equipment | **17,501** | 179,462 | **70,951** | 5 |
| Proceeds from disposal of quoted shares | **–** | 54,737 | **–** | – |
| Proceeds from redemption of unit trusts | **71,707,143** | 1,184,465 | **17,724,537** | 1,184,465 |
| Purchase of investment in subsidiaries | **–** | – | **(2,549,796)** | (891,776) |
| Purchase of investment properties | **–** | (14,065,277) | **–** | – |
| * Purchase of property, plant and equipment | **(693,653)** | (413,928) | **(50,729)** | (181,173) |
| Net cash used in investing activities | **(12,011,588)** | (6,278,503) | **(9,946,305)** | (3,424,784) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Dividends paid to non-controlling interests of a subsidiary | **(18,620,000)** | – | **–** | – |
| Drawdown of term loans | **56,200,000** | (245,000) | **–** | – |
| Repayment of term loans | **(9,562,428)** | – | **–** | – |
| Repayment of finance lease liabilities | **(169,361)** | (471,708) | **–** | – |
| Proceeds from a subsidiary's rights issue received from non-controlling interests | **–** | 434 | **–** | – |
| Purchase of treasury shares | **(36,553)** | (142,933) | **(36,553)** | (142,933) |
| Net cash from/(used in) financing activities | **27,811,658** | (859,207) | **(36,553)** | (142,933) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(43,750,676)** | 34,838,864 | **(9,741,197)** | 5,301,480 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING** | **87,707,459** | 52,868,595 | **11,785,694** | 6,484,214 |
| **CASH AND CASH EQUIVALENTS AT END** | **43,956,783** | 87,707,459 | **2,044,497** | 11,785,694 |
| **Cash and cash equivalents are represented by:** | | | | |
| Deposits with licensed banks | **40,111,395** | 73,020,788 | **1,012,817** | 6,912,767 |
| Cash and bank balances | **3,845,388** | 14,686,671 | **1,031,680** | 4,872,927 |
| | **43,956,783** | 87,707,459 | **2,044,497** | 11,785,694 |
| *** Purchase of property, plant and equipment** | | | | |
| Total acquisition cost | **825,653** | 894,928 | **50,729** | 181,173 |
| Acquisition under finance lease | **(132,000)** | (481,000) | **–** | – |
| Total cash acquisition | **693,653** | 413,928 | **50,729** | 181,173 |

The notes set out on pages 37 to 83 form an integral part of these financial statements.

## 1. CORPORATE INFORMATION

### General

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

The registered office of the Company is located at 55A Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak.

The principal place of business of the Company is located at Level 3A, ELIT Avenue Business Park, 1-3A-18 Jalan Mayang Pasir 3, 11950 Bayan Baru, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 1 October 2015.

### Principal Activities

The principal activities of the Company consist of property investment, building contractor, project manager for property development, trading of goods and extraction and sale of timber.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia.

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies as set out in Note 3.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset 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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

**2.2 Basis of Measurement (Cont'd)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

**2.3 Functional and Presentation Currency**

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency.

**2.4 Adoption of Amendments/Improvements to FRS and IC Interpretation ("IC Int")**

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following Standards that are mandatory for the current financial year:

**Effective for annual periods beginning on or after 1 January 2014**

| | |
|---|---|
| Amendments to FRS 10, 12 and 127 | *Investment Entities* |
| Amendments to FRS 132 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to FRS 136 | *Recoverable Amount Disclosure for Non-Financial Assets* |
| Amendments to FRS 139 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| IC Int 21 | *Levies* |

**Effective for annual periods beginning on or after 1 July 2014**

| | |
|---|---|
| Amendments to FRS 119 | *Defined Benefit Plans: Employee Contributions* |
| Amendments to FRS | *Annual improvements to FRS 2010-2012 Cycle* |
| Amendments to FRS | *Annual improvements to FRS 2011-2013 Cycle* |

Initial application of the above Standards did not have any material impact to the financial statements of the Group and of the Company.

**2.5 Standards Issued But Not Yet Effective**

**2.5.1 Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual period beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Company and certain subsidiaries fall within the definition of Transitioning Entities and have opted to defer the adoption of MFRS Framework. However, for subsidiaries which financial statements are prepared in accordance with MFRS were converted to FRS for the purpose of the preparation of the Group financial statements.

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

### 2.5 Standards Issued But Not Yet Effective (Cont'd)

#### 2.5.1 Malaysian Financial Reporting Standards (Cont'd)

In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have not completed their quantification of the financial effects of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 30 June 2015 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2019.

#### 2.5.2 FRS and Amendments to FRS Issued But Not Yet Effective

The Group and the Company have not applied the following Standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

**Effective for annual periods beginning on or after 1 January 2016**

| | |
|---|---|
| FRS 14 | *Regulatory Deferral Accounts* |
| Amendments to FRS 10, FRS 12 and FRS 128 | *Investment Entities: Applying the Consolidation Exception* |
| Amendments to FRS 10 and FRS 128 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* |
| Amendments to FRS 11 | *Accounting for Acquisitions of Interests in Joint Operations* |
| Amendments to FRS 101 | *Disclosure Initiative* |
| Amendments to FRS 116 and FRS 138 | *Clarification of Acceptable Methods of Depreciation and Amortisation* |
| Amendments to FRS 127 | *Equity Method in Separate Financial Statements* |
| Amendments to FRS | *Annual Improvements to FRS 2012-2014 Cycle* |

**Effective for annual periods beginning on or after 1 January 2018**

| | |
|---|---|
| FRS 9 | *Financial Instruments* (IFRS 9 issued by IASB in July 2014) |
| Amendments to FRS 7 | *Mandatory Date of FRS 9 and Transition Disclosures* |

The standards above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of certain FRS and Amendments to FRS above.

The Group's and the Company's financial statements for annual period beginning 1 July 2018 will be prepared in accordance with the MFRS Framework issued by MASB and International Financial Reporting Standards. As a result, the Group and the Company will not be adopting FRS, Interpretations and amendments that are effective for annual periods beginning on or after 1 July 2018.

### 2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

**2.6 Significant Accounting Estimates and Judgements (Cont'd)**

**2.6.1 Judgements made in applying accounting policies**

There are no significant areas of critical judgement in applying accounting policies that have a significant effect on the amount recognised in the financial statements.

**2.6.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Useful lives of depreciable assets**

The depreciable costs of plant and equipment are allocated on the straight line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets thereby affecting future depreciation charges.

**(ii) Impairment of loans and receivables**

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is 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 and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

**(iii) Property development**

The Group recognises property development revenue and expenses by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

**(iv) Construction contracts**

The Group recognises construction contract revenue and expenses in the profit or loss using the stage of completion method. The stage of completion is measured by reference to the proportion of the survey of works performed to date bear to the estimated total contract sum.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue and costs, as well as recoverability of the construction projects. Total revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

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

### 2.6 Significant Accounting Estimates and Judgements (Cont'd)

#### 2.6.2 Key sources of estimation uncertainty (Cont'd)

**(v) Timber concession**

Timber concession costs charged to profit or loss are based on quantity of timber extracted over the estimated quantity of timber available for extraction.

Significant judgement is required in determining the total estimated quantity of timber available for extraction. In making the judgement, the Group and the Company evaluate based on past experience and by relying on the work of specialists.

**(vi) Income taxes**

The Group and the Company are subject to income taxes whereby significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(vii) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

### 3.1 Basis of Consolidation

**(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

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

### 3.1 Basis of Consolidation (Cont'd)

#### (ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vi) Transactions eliminated on consolidation

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

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

### 3.2 Property, Plant and Equipment

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

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

| | |
|---|---|
| Leasehold shoplot | Amortised over the lease period of 59 years |
| Plant and machinery | 5% - 20% |
| Electrical installation | 10% |
| Office equipment, furniture and fittings | 5% - 20% |
| Motor vehicles | 10% - 20% |

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

### 3.3 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 using market-based approach undertaken by external independent qualified valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

### 3.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

**Finance lease**

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

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

### 3.4 Leases (Cont'd)

**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 in substance is an operating lease is classified as prepaid land lease payments.

### 3.5 Land Held for Development and Property Development Costs

**Land held for development**

Land held for development consists of land where no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less impairment losses.

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

**Property development costs**

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Where the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as expenses are recognised as assets, which are measured at the lower of cost and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings.

### 3.6 Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contracts costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of the survey of works performed.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

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

### 3.6 Construction Contracts (Cont'd)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billing, the balance is classified as amount due from customers on contracts. When progress billings exceeds costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

### 3.7 Timber Concession

Timber concession is the cost of timber logs to be extracted and/or rights conferred for timber extraction and are stated at cost. Timber concession cost is charged to profit or loss based on the percentage of the volume of timber extracted compared to the total estimated volume of timber available for extraction.

### 3.8 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

### 3.9 Financial Instruments

#### 3.9.1 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 and the Company become a party to the contractual provisions of the instrument.

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

#### 3.9.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

**Financial assets**

**(a) Loans and receivables**

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

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

**3.9 Financial Instruments (Cont'd)**

**3.9.2 Financial instrument categories and subsequent measurement (Cont'd)**

**Financial assets (Cont'd)**

**(a) Loans and receivables (Cont'd)**

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

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

**(b) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity. The Institutional Trust Account of the Group and of the Company is designated into this category with a maturity period of 10 years.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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

**(c) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

All financial assets are subject to review for impairment.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

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

### 3.9 Financial Instruments (Cont'd)

#### 3.9.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

At the end of the reporting period, no values were placed on corporate guarantees provided by the Company to secure bank loans and other bank facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

#### 3.9.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.9.5 Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. 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.

### 3.10 Impairment of Financial Assets

All financial assets (except for investment in subsidiaries) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments 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.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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

**3.10 Impairment of Financial Assets (Cont'd)**

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

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.

**3.11 Inventories**

**Inventories of completed properties**

Inventories of completed properties are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes cost of land, construction, development costs and appropriate overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**Inventories of logs**

Inventories of logs are stated at the lower of cost, which is determined on the weighted average basis, and net realisable value. Cost includes the related timber concession cost plus the cost of bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

**3.12 Cash and Cash Equivalents**

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

**3.13 Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

**3.14 Income Recognition**

**(i) Sale of goods**

Revenue from invoiced value of goods sold is recognised when significant risks and ownership have been transferred to the buyers.

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

### 3.14 Income Recognition (Cont'd)

**(ii) Property development revenue**

Revenue from sale of properties is accounted for by the stage of completion method as described in the accounting policy as set out in Note 3.5.

Revenue from sale of completed development properties is recognised upon the finalisation of sale and purchase agreements and when the risk and rewards of ownership have been transferred to the buyer.

**(iii) Construction contract revenue**

Revenue from construction contracts is accounted for by the stage of completion method as set out in Note 3.6.

**(iv) Rental income**

Rental income is recognised on a time proportion basis over the lease term.

**(v) Interest income**

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

**(vi) Dividend income**

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

**(vii) Provision of services**

Revenue arising from provision of services is recognised on the date the services are rendered and completed.

### 3.15 Employee Benefits

**Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the 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 are 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 the absences occur.

**Defined contribution plans**

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as expenses as and when incurred.

### 3.16 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

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

### 3.17 Income Tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### 3.18 Goods and Services Tax

The Group's and the Company's supply of goods and services in Malaysia is subject to goods and services tax ("GST") at the applicable standard rate of 6% or at zero rate of which certain goods and services are exempted from GST.

The net amount of GST recoverable from, or payable to, the Royal Malaysian Customs Department ("RMCD") is included as part of "other receivables" or "other payables" in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on the purchase of assets or services is not recoverable from the RMCD, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

### 3.19 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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, who in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

### 3.20 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### 3.21 Share Capital, Share Issuance Expenses and Dividends

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

Share capital represents the nominal value of shares that have been issued.

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of unappropriated profits and recognised as a liability in the period in which they are declared.

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

### 3.22 Treasury Shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

## 4. PROPERTY, PLANT AND EQUIPMENT

### GROUP

| | Leasehold shoplot RM | Plant and machinery RM | Electrical installation RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **Cost** | | | | | | |
| Balance at beginning | **347,614** | **219,023** | **32,727** | **4,654,661** | **1,756,271** | **7,010,296** |
| Additions | **–** | **–** | **–** | **678,631** | **147,022** | **825,653** |
| Disposals | **–** | **–** | **–** | **(6,720)** | **(158,000)** | **(164,720)** |
| Written off | **–** | **–** | **(32,727)** | **(3,258,760)** | **(120)** | **(3,291,607)** |
| Balance at end | **347,614** | **219,023** | **–** | **2,067,812** | **1,745,173** | **4,379,622** |
| **Accumulated depreciation** | | | | | | |
| Balance at beginning | **17,548** | **125,301** | **18,015** | **3,984,860** | **792,953** | **4,938,677** |
| Current charge | **8,585** | **3,860** | **1,909** | **125,958** | **256,908** | **397,220** |
| Disposals | **–** | **–** | **–** | **(3,919)** | **(111,917)** | **(115,836)** |
| Written off | **–** | **–** | **(19,924)** | **(2,967,844)** | **(118)** | **(2,987,886)** |
| Balance at end | **26,133** | **129,161** | **–** | **1,139,055** | **937,826** | **2,232,175** |
| **Carrying amount** | **321,481** | **89,862** | **–** | **928,757** | **807,347** | **2,147,447** |
| 2014 | | | | | | |
| Cost | | | | | | |
| Balance at beginning | 347,614 | 219,023 | 32,727 | 4,475,994 | 2,165,907 | 7,241,265 |
| Additions | – | – | – | 190,664 | 704,264 | 894,928 |
| Disposals | – | – | – | (6,499) | (708,618) | (715,117) |
| Written off | – | – | – | (5,498) | (405,282) | (410,780) |
| Balance at end | 347,614 | 219,023 | 32,727 | 4,654,661 | 1,756,271 | 7,010,296 |
| Accumulated depreciation | | | | | | |
| Balance at beginning | 11,653 | 115,590 | 14,742 | 3,859,760 | 1,327,309 | 5,329,054 |
| Current charge | 5,895 | 9,711 | 3,273 | 133,329 | 241,271 | 393,479 |
| Disposals | – | – | – | (4,351) | (580,845) | (585,196) |
| Written off | – | – | – | (3,878) | (194,782) | (198,660) |
| Balance at end | 17,548 | 125,301 | 18,015 | 3,984,860 | 792,953 | 4,938,677 |
| Carrying amount | 330,066 | 93,722 | 14,712 | 669,801 | 963,318 | 2,071,619 |

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

**COMPANY**

| | Plant and machinery | Electrical installation | Office equipment, furniture and fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **2015** | | | | | |
| **Cost** | | | | | |
| Balance at beginning | **285,959** | **32,727** | **4,247,046** | **379,628** | **4,945,360** |
| Additions | **–** | **–** | **50,729** | **–** | **50,729** |
| Disposals | **–** | **–** | **(205,230)** | **–** | **(205,230)** |
| Written off | **–** | **(32,727)** | **(2,955,443)** | **(120)** | **(2,988,290)** |
| Balance at end | **285,959** | **–** | **1,137,102** | **379,508** | **1,802,569** |
| **Accumulated depreciation** | | | | | |
| Balance at beginning | **192,237** | **18,015** | **3,853,478** | **375,363** | **4,439,093** |
| Current charge | **3,860** | **1,909** | **68,636** | **1,513** | **75,918** |
| Disposals | **–** | **–** | **(131,979)** | **–** | **(131,979)** |
| Written off | **–** | **(19,924)** | **(2,855,694)** | **(118)** | **(2,875,736)** |
| Balance at end | **196,097** | **–** | **934,441** | **376,758** | **1,507,296** |
| **Carrying amount** | **89,862** | **–** | **202,661** | **2,750** | **295,273** |
| 2014 | | | | | |
| Cost | | | | | |
| Balance at beginning | 285,959 | 32,727 | 4,071,972 | 379,628 | 4,770,286 |
| Additions | – | – | 181,173 | – | 181,173 |
| Disposals | – | – | (3,200) | – | (3,200) |
| Written off | – | – | (2,899) | – | (2,899) |
| Balance at end | 285,959 | 32,727 | 4,247,046 | 379,628 | 4,945,360 |
| Accumulated depreciation | | | | | |
| Balance at beginning | 182,526 | 14,742 | 3,772,844 | 373,713 | 4,343,825 |
| Current charge | 9,711 | 3,273 | 85,977 | 1,650 | 100,611 |
| Disposals | – | – | (3,198) | – | (3,198) |
| Written off | – | – | (2,145) | – | (2,145) |
| Balance at end | 192,237 | 18,015 | 3,853,478 | 375,363 | 4,439,093 |
| Carrying amount | 93,722 | 14,712 | 393,568 | 4,265 | 506,267 |

**GROUP**

The carrying amount of motor vehicles acquired under finance lease is **RM789,597** (2014: RM924,054). The leased assets are pledged as securities for the related finance lease liabilities (Note 21).

## 5. INVESTMENT PROPERTIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015 RM** | 2014 RM | **2015 RM** | *2014 RM* |
| **At fair value** | | | | |
| Balance at beginning | **51,948,566** | 1,532,147 | **1,494,327** | 1,494,327 |
| Additions | **–** | 14,065,277 | **–** | – |
| Transferred from property development costs (Note 11) | **–** | 17,607,889 | **–** | – |
| Change in fair value recognised in profit or loss | **–** | 18,743,253 | **–** | – |
| Balance at end | **51,948,566** | 51,948,566 | **1,494,327** | 1,494,327 |

Included in the above are:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015 RM** | 2014 RM | **2015 RM** | 2014 RM |
| Freehold land | **14,328,204** | 14,328,204 | **262,927** | 262,927 |
| * Freehold shoplots | **37,582,542** | 37,582,542 | **1,231,400** | 1,231,400 |
| Leasehold building | **37,820** | 37,820 | **–** | – |
| | **51,948,566** | 51,948,566 | **1,494,327** | 1,494,327 |

* Included herein are freehold shoplots with a carrying amount of **RM28,190,240** (2014: RM Nil) which are charged to a licensed bank as securities for banking facility granted to a subsidiary.

The following are recognised in profit or loss in respect of investment properties:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015 RM** | 2014 RM | **2015 RM** | 2014 RM |
| Rental income | **190,130** | 48,000 | **21,000** | 48,000 |
| Direct operating expenses: | | | | |
| - income generating investment properties | **18,937** | 9,362 | **5,543** | 9,362 |
| - non-income generating investment properties | **245,525** | 143,075 | **–** | – |

**Fair value information**

Fair value of investment properties is categorised as Level 2.

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

## 5. INVESTMENT PROPERTIES (CONT'D)

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair value of the investment properties has been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

## 6. LAND HELD FOR DEVELOPMENT

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Land, at cost | **17,060,055** | 17,060,055 |
| Property development costs | | |
| Balance at beginning | **401,292** | 375,437 |
| Additions | **25,853** | 25,855 |
| Balance at end | **427,145** | 401,292 |
| | **17,487,200** | 17,461,347 |
| Represented by: | | |
| Freehold land | **7,920,430** | 7,920,430 |
| Leasehold land | **9,139,625** | 9,139,625 |
| Property development costs | **427,145** | 401,292 |
| | **17,487,200** | 17,461,347 |

The freehold land and leasehold land are charged to a licensed bank for banking facilities granted to the Company.

## 7. INVESTMENT IN SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Unquoted shares, at cost | **14,932,780** | 11,152,984 |
| Less: Allowance for impairment | **(3,544,381)** | (3,544,381) |
| | **11,388,399** | 7,608,603 |
| Unquoted shares, at valuation | **11,234,545** | 11,234,545 |
| Less: Allowance for impairment | **(10,518,558)** | (10,518,558) |
| | **715,987** | 715,987 |
| | **12,104,386** | 8,324,590 |

## 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name of Entity | Effective Equity Interest 2015 % | 2014 % | Principal Activities |
|---|---|---|---|
| **Direct subsidiaries** | | | |
| Great Eastern Mills Berhad | **78** | 78 | Extraction and sale of timber and property development. |
| Sam Koh Company Sdn. Bhd. | **100** | 100 | Extraction and sale of timber. |
| Seal Ventures Sdn. Bhd. | **100** | 100 | Property development. |
| Seal Trading Corporation Sdn. Bhd. | **100** | 100 | Trading of timber. |
| Seal Properties (KL) Sdn. Bhd. | **100** | 100 | Turnkey, project and construction manager for property development. |
| SM Management Sdn. Bhd. | **100** | 100 | Providing administrative services. |
| * Seal Development Sdn. Bhd. | **100** | 100 | Dormant. |
| Seal Land Sdn. Bhd. | **100** | 100 | Property development. |
| Seal Properties Sdn. Bhd. | **100** | 100 | Property investment and property development. |
| Seal Place Sdn. Bhd. | **100** | 100 | Letting of properties, advertisement billboard, car park and event space. |
| Seal City Sdn. Bhd. | **100** | 51 | Property investment. |
| Seal Properties (SP) Sdn. Bhd. | **100** | 51 | Property development. |
| Ardentige Marketing Sdn. Bhd. | **100** | 100 | Provision of marketing services. |
| Utmost Construction Sdn. Bhd. | **100** | 100 | Dormant. |
| **Indirect - held through Great Eastern Mills Berhad** | | | |
| Gem Board Sendirian Berhad | **92** | 92 | Dormant. |
| **Indirect - held through Seal Properties Sdn. Bhd.** | | | |
| Seal Lifestyle Development Sdn. Bhd. | **51** | 51 | Property development. |
| Seal Concepts Sdn. Bhd. | **51** | 51 | Property development. |
| Seal Properties (Bayan City) Sdn. Bhd. | **51** | 51 | Property development. |
| Seal Mall Sdn. Bhd. | **51** | 51 | Mall management. |
| **Indirect - held through Seal Properties (KL) Sdn. Bhd.** | | | |
| Great Eastern Mills Berhad | **14** | 14 | Extraction and sale of timber and property development. |

* Not audited by Grant Thornton during the current financial year. However, component audit has been carried out by Grant Thornton on this subsidiary for the purpose of forming a group opinion.

## 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

**2015**

(i) On 8 July 2014, the Company acquired the remaining 49% equity interest in the issued and paid-up capital of Seal Properties (SP) Sdn. Bhd. and Seal City Sdn. Bhd. for a cash consideration of RM1,000,000 and RM230,000 respectively.

(ii) During the financial year, the Company subscribed for new ordinary shares in the following subsidiaries:

(a) 999,998 new ordinary shares of RM1 each at par for a cash consideration of RM999,998 in SM Management Sdn. Bhd.;

(b) 299,900 new ordinary shares of RM1 each at par for a cash consideration of RM299,900 in Seal Properties Sdn. Bhd.;

(c) 999,998 new ordinary shares of RM1 each at par for a cash consideration of RM999,998 in Seal Place Sdn. Bhd.; and

(d) 249,900 new ordinary shares of RM1 each at par for a cash consideration of RM249,900 in Seal Properties (SP) Sdn. Bhd.

2014

(i) On 8 May 2014, the Company had acquired 100% equity interest in the issued and paid-up capital of Ardentige Marketing Sdn. Bhd. for a cash consideration of RM2.

(ii) On 8 May 2014, the Company had acquired 100% equity interest in the issued and paid-up capital of Utmost Construction Sdn. Bhd. for a cash consideration of RM2.

(iii) On 27 June 2014, the Company and its wholly-owned subsidiary, Seal Properties (KL) Sdn. Bhd. have subscribed rights issue shares of 891,772 and 156,709 ordinary shares of RM1 each respectively representing an additional 32.31% equity interest of Great Eastern Mills Berhad ("GEMB") for a total consideration of RM1,048,481. Consequently, the effective equity interest of the Company was increased from 60% to 92%.

The Group's subsidiary, Seal Properties (Bayan City) Sdn. Bhd., has material non-controlling interests ("NCI"), details of which are disclosed as follows:

| | **2015** | 2014 |
|---|---|---|
| | **RM** | RM |
| NCI percentage of ownership interest and voting interest | **49%** | 49% |
| Carrying amount of NCI | **66,159,187** | 85,324,108 |
| (Loss)/Profit allocated to NCI | **(554,897)** | 54,020,581 |

## 7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information before intra-group elimination:

| | **2015** | 2014 |
|---|---|---|
| | **RM** | RM |
| **At 30 June** | | |
| Total assets | **157,683,354** | 233,270,969 |
| Total liabilities | **(22,664,605)** | (59,140,136) |
| Net assets | **135,018,749** | 174,130,833 |
| **Year ended 30 June** | | |
| Revenue | **(426,715)** | 296,183,285 |
| (Loss)/Profit for the year | **(1,132,443)** | 110,246,084 |
| Cash flows from operating activities | **28,902,820** | 53,023,429 |
| Cash flows from investing activities | **(6,710,462)** | (3,197,292) |
| Cash flows from financing activities | **(60,979,765)** | (19,496,124) |
| Net (decrease)/increase in cash and cash equivalents | **(38,787,407)** | 30,330,013 |
| Dividends paid to NCI | **18,620,000** | – |

## 8. OTHER INVESTMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| **Non-current assets:** | | | | |
| Held-to-maturity investments | | | | |
| - Institutional Trust Account, at cost | **19,298,625** | 28,162,500 | **19,298,625** | 28,162,500 |
| **Current assets:** | | | | |
| Available-for-sale financial assets | | | | |
| - Unit trusts quoted in Malaysia, at fair value | **37,481,178** | 15,980,490 | **10,298,450** | – |
| | **56,779,803** | 44,142,990 | **29,597,075** | 28,162,500 |
| Market value of quoted unit trusts in Malaysia | **37,481,178** | 15,980,490 | **10,298,450** | – |

The Institutional Trust Account (ITA) is earmarked as a security deposit for the lease of a shopping complex which the Company has sold to Amanah Raya Berhad pursuant to the sale and purchase agreement dated 17 January 2006.

The market value of the ITA cannot be determined based on observable market data and hence the carrying value is stated at cost.

The effective interest rate of the ITA at the end of the reporting period is **3.75%** (2014: 3.75%) per annum.

The ITA with carrying amount of **RM18,960,000** (2014: RM Nil) is pledged to a bank for banking facility granted to a subsidiary.

## 9. TIMBER CONCESSION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Balance at beginning | **18,492,605** | 24,273,477 | **8,492,445** | 10,754,117 |
| Additions | **1,107,150** | 148,345 | **328,100** | 148,345 |
| Assigned to a subsidiary | **–** | – | **(332,327)** | (140,800) |
| Reclassified to prepayments | **–** | (90,000) | **–** | (30,000) |
| * Refund pursuant to rescission of agreements | **–** | (3,600,000) | **–** | – |
| | **19,599,755** | 20,731,822 | **8,488,218** | 10,731,662 |
| Cost recognised in profit or loss | **(157,328)** | (2,239,217) | **(157,328)** | (2,239,217) |
| Balance at end | **19,442,427** | 18,492,605 | **8,330,890** | 8,492,445 |

* In the previous financial year, a subsidiary has rescinded several agreements and pursuant to the rescission, the timber concession costs previously paid were refunded to the subsidiary.

## 10. DEFERRED TAX

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Balance at beginning | **7,718,000** | 11,713,000 | **7,744,000** | 11,744,000 |
| Transfer to profit or loss | **(7,724,000)** | (3,987,000) | **(7,744,000)** | (4,000,000) |
| | **(6,000)** | 7,726,000 | **–** | 7,744,000 |
| Over provision in prior year | **–** | (8,000) | **–** | – |
| Balance at end | **(6,000)** | 7,718,000 | **–** | 7,744,000 |
| Represented by: | | | | |
| Deferred tax assets | **–** | 7,744,000 | **–** | 7,744,000 |
| Deferred tax liabilities | **(6,000)** | (26,000) | **–** | – |
| | **(6,000)** | 7,718,000 | **–** | 7,744,000 |

The deferred tax is represented by temporary differences arising from:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Property, plant and equipment | **(48,000)** | (78,000) | **–** | (52,000) |
| Unabsorbed capital allowances | **42,000** | 7,796,000 | **–** | 7,796,000 |
| | **(6,000)** | 7,718,000 | **–** | 7,744,000 |

## 11. PROPERTY DEVELOPMENT COSTS

| | GROUP | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Balance at beginning | | |
| Freehold land, at cost | **38,086,818** | 61,936,941 |
| Development costs | **10,319,175** | 141,634,501 |
| | **48,405,993** | 203,571,442 |
| Costs incurred during the year | | |
| Freehold land, at cost | **40,819,070** | 14,125,817 |
| Development costs | **8,010,903** | 102,208,727 |
| | **48,829,973** | 116,334,544 |
| | **97,235,966** | 319,905,986 |
| Related development costs recognised pursuant to the disposal of leasehold land (Note 38(ii)) | **–** | (89,078) |
| Unsold units transferred to inventories | **(2,598,602)** | (20,825,903) |
| Transfer to investment properties (Note 5) | **–** | (17,607,889) |
| Reversal of completed project | **(5,583,264)** | (250,585,012) |
| | **89,054,100** | 30,798,104 |
| Costs recognised in profit or loss | | |
| Balance at beginning | **(4,171,734)** | (120,230,074) |
| Recognised during the year | **(3,093,436)** | (116,918,783) |
| Reversal of completed project | **5,583,264** | 250,585,012 |
| Balance at end | **(1,681,906)** | 13,436,155 |
| | **87,372,194** | 44,234,259 |
| Represented by: | | |
| Freehold land | **78,009,945** | 38,086,818 |
| Development costs | **11,044,155** | 10,319,175 |
| Costs recognised in profit or loss | **(1,681,906)** | (4,171,734) |
| | **87,372,194** | 44,234,259 |

(i) Freehold land of **RM19,256,870** (2014: RM Nil) is charged to a bank for banking facilities granted to a subsidiary.

(ii) Included in property development costs incurred during the financial year is borrowing costs of **RM284,914** (2014: RM80,815).

(iii) On 28 November 2012, Seal Concepts Sdn. Bhd. ("SCSB") entered into a Joint Venture Agreement ("JVA") with Koperasi Tunas Muda Sungai Ara Berhad ("the Landowner") to develop part of the Landowner's freehold land at SCSB's cost and expenses including the following consideration and upon the terms and conditions as stated in the JVA:

(a) Cash payment of RM86,248,800; and

(b) Construction of one block of commercial building for the Landowner.

## 12. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| * Completed development properties | **27,941,709** | 25,933,132 | **–** | – |
| Logs | **282,372** | 20,159 | **282,372** | 20,159 |
| | **28,224,081** | 25,953,291 | **282,372** | 20,159 |

* Included herein are completed development properties amounting to **RM2,322,334** (2014: RM2,090,599) which are charged to a licensed bank as security for banking facility granted to a subsidiary.

## 13. TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Trade receivables | **20,789,634** | 32,374,543 | **834,116** | 444,260 |
| Less: Allowance for impairment | **(7,635,124)** | (7,500,000) | **(135,124)** | – |
| | **13,154,510** | 24,874,543 | **698,992** | 444,260 |

The movement of allowance for impairment is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Balance at beginning | **7,500,000** | 7,542,405 | **–** | 42,405 |
| Current year | **135,124** | – | **135,124** | – |
| Written off | **–** | (42,405) | **–** | (42,405) |
| Balance at end | **7,635,124** | 7,500,000 | **135,124** | – |

The trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

The trade receivables are non-interest bearing and the credit terms granted to the trade receivables are as follows:

(i) Property development : Credit term for sale of completed properties is generally for a period of three months, extending up to four months while the credit term for progress billings range from **14 to 21 days** (2014: 14 to 21 days) from the date of the progress billings.

(ii) Timber and others : Credit term ranges from **7 to 90 days** (2014: 7 to 90 days).

## 14. OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| * **Other receivables** | | | | |
| Total amount | **50,086,525** | 41,406,517 | **772,949** | 769,849 |
| Less: Allowance for impairment | **(769,849)** | (769,849) | **(769,849)** | (769,849) |
| | **49,316,676** | 40,636,668 | **3,100** | – |
| Stakeholders' sum | **10,637,581** | 32,088,025 | **–** | – |
| | **59,954,257** | 72,724,693 | **3,100** | – |
| # **Deposits** | | | | |
| Total amount | **1,439,631** | 3,677,460 | **32,507** | 28,479 |
| Less: Allowance for impairment | **(446,714)** | (446,714) | **–** | – |
| | **992,917** | 3,230,746 | **32,507** | 28,479 |
| **Prepayments** | | | | |
| Total amount | **15,414,204** | 15,424,960 | **15,165,332** | 15,251,000 |
| Less: Allowance for impairment | **(14,917,340)** | (14,917,340) | **(14,917,340)** | (14,917,340) |
| | **496,864** | 507,620 | **247,992** | 333,660 |
| | **61,444,038** | 76,463,059 | **283,599** | 362,139 |

**GROUP**

* On 19 February 2013, Seal Properties (KL) Sdn. Bhd. had entered into a Turnkey Agreement with Dwitasik Sdn. Bhd. to develop a land measuring 12.46 acres into a mixed development project ("the Development") subject to the terms and conditions contained therein.

Included in other receivables is **RM49,113,314** (2014: RM40,517,270) which is the consideration and payment of land premiums, other charges to authorities and expenditures related to the Development pursuant to the terms and condition of the Turnkey Agreement and is repayable from the Development.

\# Included in deposits is **RM Nil** (2014: RM1,861,944) paid for the acquisition of freehold land in the previous financial year, which has been reclassified to property development costs during the current financial year.

## 15. AMOUNT DUE FROM/TO SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| **Amount due from subsidiaries** | | |
| Trade related | **1,846,661** | 1,073,104 |
| Non-trade related | | |
| * Total amount | **97,161,407** | 80,485,221 |
| Less: Allowance for impairment | **(36,079)** | (36,079) |
| | **97,125,328** | 80,449,142 |
| | **98,971,989** | 81,522,246 |
| **Amount due to subsidiaries** | | |
| # Non-trade related | **5,143,591** | 5,466,301 |

* Included herein is an amount of **RM56,323,376** (2014: RM Nil) which is interest bearing at **3%** (2014: Nil) per annum.

\# Included herein is an amount of **RM5,143,591** (2014: RM Nil) which is interest bearing at **3%** (2014: Nil) per annum.

## 15. AMOUNT DUE FROM/TO SUBSIDIARIES (CONT'D)

The movement of allowance for impairment is as follows:

| | COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Balance at beginning | **36,079** | 60,080 |
| Written off | **–** | (24,001) |
| Balance at end | **36,079** | 36,079 |

The non-trade related amount is unsecured and is repayable on demand. Interest is computed based on the daily outstanding balance.

## 16. DEPOSITS WITH LICENSED BANKS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Fixed deposits | **41,000,256** | 72,566,250 | **1,842,461** | 6,999,857 |
| Short term deposits | **1,051,362** | 2,338,337 | **959,043** | 1,649,800 |
| | **42,051,618** | 74,904,587 | **2,801,504** | 8,649,657 |

Included in deposits with licensed banks of the Group and of the Company are amounts of **RM1,940,223** (2014: RM1,883,799) and **RM1,788,687** (2014: RM1,736,890) respectively which are pledged to licensed banks as securities for banking facilities granted to the Company and certain subsidiaries.

The effective interest rates per annum and maturities of the deposits with licensed banks at the end of the reporting period are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Interest rate (%)** | | | | |
| Fixed deposits | **2.70 to 3.65** | 2.80 to 3.50 | **2.70 to 3.15** | 3.00 to 3.20 |
| Short term deposits | **1.20 to 2.18** | 2.35 to 3.00 | **1.28 to 2.18** | 2.35 to 3.00 |
| **Maturities (Days)** | | | | |
| Fixed deposits | **30 to 365** | 30 to 365 | **30 to 365** | 30 to 365 |
| Short term deposits | **1** | 1 to 24 | **1** | 3 to 24 |

## 17. SHARE CAPITAL

| | Number of ordinary shares of RM0.40 each | | Amount | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | | | **RM** | RM |
| Authorised | **500,000,000** | 500,000,000 | **200,000,000** | 200,000,000 |
| Issued and fully paid | **221,402,684** | 221,402,684 | **88,561,074** | 88,561,074 |

## 18. TREASURY SHARES

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 16 November 2007, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of the existing total issued and paid up share capital. This mandate was renewed at the Annual General Meeting of the Company, held on 24 November 2014.

The details of the shares repurchased during the financial year are as follows:

| Month | Price per share Lowest | Price per share Highest | Price per share Average | Number of shares | Total consideration RM |
|---|---|---|---|---|---|
| August 2014 | 1.30 | 1.30 | 1.30 | 1,000 | 1,343 |
| February 2015 | 0.70 | 0.70 | 0.70 | 50,000 | 35,210 |
| | | | | 51,000 | 36,553 |

For the previous financial year, the Company repurchased 250,000 of its issued ordinary shares from the open market at an average price of RM0.57 per share for a total consideration of RM142,933.

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 221,402,684 issued and fully paid ordinary shares of RM0.40 each as at 30 June 2015, **5,822,500** (2014: 5,771,500) are held as treasury shares by the Company. As at 30 June 2015, the number of outstanding ordinary shares in issue and fully paid after the set off is therefore **215,580,184** (2014: 215,631,184) ordinary shares of RM0.40 each.

Treasury shares have no rights to voting, dividends and participation in other distribution.

## 19. RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| **Asset revaluation reserve** | **352,940** | 352,940 | **352,940** | 352,940 |
| **Fair value reserve** | | | | |
| Balance at beginning | **(10,895)** | 44,743 | **–** | 2,422 |
| Current year | **13,842** | (55,638) | **–** | (2,422) |
| Balance at end | **2,947** | (10,895) | **–** | – |
| **Capital reserve** | **(1,308,103)** | – | **–** | – |
| | **(952,216)** | 342,045 | **352,940** | 352,940 |

**Asset revaluation reserve**

Asset revaluation reserve is in respect of the surplus on revaluation of properties, net of deferred tax.

**Fair value reserve**

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

**Capital reserve**

Capital reserve represents the premium paid for the acquisition from its non-controlling interest (Note 7) and the Group's share of net assets before and after the change in its ownership interest.

## 20. RETAINED PROFITS

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

## 21. BORROWINGS

| | GROUP | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| **Non-current liabilities** | | |
| Finance lease liabilities | | |
| Minimum payments: | | |
| Within 1 year | **211,284** | 194,415 |
| Later than 1 year but not later than 2 years | **199,080** | 181,584 |
| Later than 2 years but not later than 5 years | **259,595** | 342,320 |
| | **669,959** | 718,319 |
| Future finance charges | **(52,429)** | (63,428) |
| | **617,530** | 654,891 |
| Amount due within 1 year included under current liabilities | **(186,614)** | (167,507) |
| | **430,916** | 487,384 |
| Term loans | | |
| Total amount repayable | **47,632,572** | 995,000 |
| Amount due within 1 year included under current liabilities | **(12,808,936)** | (420,000) |
| | **34,823,636** | 575,000 |
| | **35,254,552** | 1,062,384 |
| **Current liabilities** | | |
| Finance lease liabilities | **186,614** | 167,507 |
| Term loans | **12,808,936** | 420,000 |
| | **12,995,550** | 587,507 |
| **Total borrowings** | **48,250,102** | 1,649,891 |

The finance lease liabilities are secured over the leased assets (Note 4).

The term loans are secured by way of:

(i) Facility Agreements;
(ii) First party legal charge over certain completed development properties (Note 12);
(iii) Legal charge over the Group's freehold shoplots (Note 5);
(iv) Legal charge over the Group's land (Notes 6 and 11);
(v) Pledge of the Group's fixed deposits and assignment of ITA (Notes 8 and 16); and
(vi) Corporate guarantee by the Company.

## 21. BORROWINGS (CONT'D)

A summary of the effective interest rates and the maturities of the borrowings are as follows:

| | Average effective interest rate per annum | Total | Within one year | More than one year and less than two years | More than two years and less than five years | More than five years |
|---|---|---|---|---|---|---|
| | (%) | RM | RM | RM | RM | RM |
| **GROUP** | | | | | | |
| **2015** | | | | | | |
| Finance lease liabilities | **2.31 to 2.75** | **617,530** | **186,614** | **183,299** | **247,617** | **–** |
| Term loans | **5.25 to 7.35** | **47,632,572** | **12,808,936** | **13,375,799** | **4,868,070** | **16,579,767** |
| 2014 | | | | | | |
| Finance lease liabilities | 2.31 to 3.25 | 654,891 | 167,507 | 162,623 | 324,761 | – |
| Term loan | 6.85 | 995,000 | 420,000 | 420,000 | 155,000 | – |

## 22. TRADE PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Trade payables | **2,763,928** | 5,921,652 | **368,418** | 370,864 |
| Retention sum payable | **5,981,158** | 5,903,180 | **–** | – |
| | **8,745,086** | 11,824,832 | **368,418** | 370,864 |

The trade payables are non-interest bearing and the normal credit term granted to the Company range from **30 to 90 days** (2014: 30 to 90 days). The retention sum is repayable upon the expiry of the defect liability period of **12 to 24 months** (2014: 12 to 24 months).

## 23. OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Other payables | **1,064,021** | 590,732 | **136,818** | 46,262 |
| GST payable | **133,799** | – | **31,118** | – |
| Accruals: | | | | |
| - Accrued development costs | **16,503,659** | 34,733,615 | **–** | – |
| - Others | **758,008** | 1,644,962 | **327,575** | 447,796 |
| | **17,261,667** | 36,378,577 | **327,575** | 447,796 |
| Deposits received from: | | | | |
| - Property buyers | **245,211** | – | **–** | – |
| - Tenants | **5,141,904** | 4,831,580 | **4,902,707** | 4,706,283 |
| | **5,387,115** | 4,831,580 | **4,902,707** | 4,706,283 |
| | **23,846,602** | 41,800,889 | **5,398,218** | 5,200,341 |

## 24. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Rental income | **20,232,304** | 19,905,921 | **20,128,273** | 19,905,921 |
| Project management fee | **–** | – | **1,033,583** | 9,569,687 |
| Gross dividend from a subsidiary | **–** | – | **9,000,000** | – |
| Property development revenue | **5,968,168** | 264,201,700 | **–** | – |
| Sale of timber | **–** | 2,981,330 | **–** | 2,981,330 |
| Provision of marketing services | **1,535,632** | – | **–** | – |
| Construction contract revenue | **1,453,848** | – | **–** | – |
| | **29,189,952** | 287,088,951 | **30,161,856** | 32,456,938 |

## 25. DIRECT OPERATING COSTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| * Property development costs | **(1,556,830)** | 117,236,150 | **–** | – |
| Construction contract costs | **1,321,680** | – | **–** | – |
| Cost related to timber operations | **–** | 3,206,463 | **–** | 3,206,463 |
| Cost related to rental | **13,771,433** | 13,811,708 | **13,589,093** | 13,811,708 |
| | **13,536,283** | 134,254,321 | **13,589,093** | 17,018,171 |

* Included herein is an over provision of property development costs in prior year of **RM4,519,302** (2014: RM Nil).

## 26. OTHER INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Administrative income | **192,560** | – | **–** | – |
| Dividend income | **994,418** | 342,783 | **237,252** | 16,997 |
| Fair value adjustment on investment properties | **–** | 18,743,253 | **–** | – |
| Gain on disposal of a subsidiary | **–** | 1,956,240 | **–** | – |
| Gain on disposal of leasehold land | **–** | 3,955,137 | **–** | – |
| Gain on disposal of property, plant and equipment | **–** | 49,541 | **–** | 3 |
| Gain on disposal of investment in quoted shares | **–** | 50,737 | **–** | – |
| Gain on redemption of short term investments | **69,389** | 4,056 | **–** | 4,056 |
| Interest income | **2,687,120** | 2,870,669 | **3,071,323** | 1,244,461 |
| Liquidated damages on late completion | **(1,400,000)** | 2,900,000 | **–** | – |
| Miscellaneous income | **380,476** | 608,682 | **234,464** | 118,764 |
| Rental income | **327,724** | 6,600 | **–** | – |
| Reversal of impairment loss on investment in a subsidiary | **–** | – | **–** | 871,241 |
| | **3,251,687** | 31,487,698 | **3,543,039** | 2,255,522 |

## 27. PROFIT BEFORE TAX

This is arrived at after charging:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Allowance for impairment on deposits | **–** | 446,714 | **–** | – |
| Audit fee - current year | **86,500** | 93,800 | **35,000** | 35,000 |
| - prior years | **(4,500)** | – | **–** | – |
| Bad debts | **27,675** | 2,572,682 | **27,675** | 3,216,084 |
| Depreciation | **397,220** | 393,479 | **75,918** | 100,611 |
| Directors' fee for non-executive directors | **120,000** | 96,000 | **120,000** | 96,000 |
| Impairment loss on a trade receivable | **135,124** | – | **135,124** | – |
| Interest expense on: | | | | |
| - Finance lease | **27,500** | 28,159 | **–** | – |
| - Term loans | **261,879** | – | **–** | – |
| - Bank overdrafts | **1,285** | – | **1,285** | – |
| - Advances from a subsidiary | **–** | – | **151,321** | – |
| Lease rental | **10,063,344** | 9,965,000 | **10,063,344** | 9,965,000 |
| Loss on disposal of property, plant and equipment | **31,383** | – | **2,300** | – |
| Preliminary expenses | **–** | 5,800 | **–** | – |
| Property, plant and equipment written off | **303,721** | 212,120 | **112,554** | 754 |
| Rental expenses | **149,996** | 255,429 | **141,248** | 161,649 |
| * Staff costs | **7,974,974** | 10,240,054 | **2,078,758** | 3,783,444 |
| * **Staff costs** | | | | |
| - Salaries, wages, overtime, allowance, incentive and bonus | **7,676,199** | 9,711,389 | **1,874,099** | 3,394,180 |
| - EPF | **279,997** | 492,538 | **191,839** | 363,431 |
| - SOCSO | **18,778** | 36,127 | **12,820** | 25,833 |
| | **7,974,974** | 10,240,054 | **2,078,758** | 3,783,444 |

**Directors' remuneration for executive directors**

Included in staff costs of the Group and of the Company is the aggregate amount of remuneration received and receivable by directors of the Company as shown below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Salaries, incentive and bonus | **1,567,442** | 2,315,250 | **489,742** | 780,000 |
| EPF | **59,016** | 93,600 | **59,016** | 93,600 |
| | **1,626,458** | 2,408,850 | **548,758** | 873,600 |
| Represented by: | | | | |
| Present directors | **1,463,220** | 2,408,850 | **385,520** | 873,600 |
| Past directors | **163,238** | – | **163,238** | – |
| | **1,626,458** | 2,408,850 | **548,758** | 873,600 |

## 28. TAX EXPENSE

| | GROUP 2015 RM | GROUP 2014 RM | COMPANY 2015 RM | COMPANY 2014 RM |
|---|---|---|---|---|
| Malaysian income tax: | | | | |
| Based on results for the year | | | | |
| - Current tax | **(2,255,000)** | (40,068,087) | **(1,663,000)** | (3,024,000) |
| - Deferred tax | | | | |
| - Relating to the origination and reversal of temporary differences | **(7,724,000)** | (3,988,000) | **(7,744,000)** | (4,000,000) |
| - Changes in tax rate | **–** | 1,000 | **–** | – |
| | **(7,724,000)** | (3,987,000) | **(7,744,000)** | (4,000,000) |
| | **(9,979,000)** | (44,055,087) | **(9,407,000)** | (7,024,000) |
| (Under)/Over provision in prior year | | | | |
| - Current tax | **(835,742)** | (17,392) | **214,379** | (6,343) |
| - Deferred tax | **–** | (8,000) | **–** | – |
| | **(835,742)** | (25,392) | **214,379** | (6,343) |
| | **(10,814,742)** | (44,080,479) | **(9,192,621)** | (7,030,343) |

The reconciliation of tax expense of the Group and of the Company is as follows:

| | GROUP 2015 RM | GROUP 2014 RM | COMPANY 2015 RM | COMPANY 2014 RM |
|---|---|---|---|---|
| Profit before tax | **4,098,895** | 159,511,149 | **15,253,876** | 8,530,879 |
| Income tax at Malaysian statutory tax rate of 25% | **(1,024,724)** | (39,877,787) | **(3,813,469)** | (2,132,720) |
| Income not subject to tax | **2,723,605** | 1,745,560 | **2,309,313** | 5,263 |
| Expenses not deductible for tax purposes | **(3,136,415)** | (1,712,110) | **(123,175)** | (876,768) |
| Utilisation of unabsorbed tax losses and capital allowances | **50,210** | – | **–** | – |
| Deferred tax movement not recognised | **(8,559,172)** | (4,211,750) | **(7,778,242)** | (4,019,775) |
| Changes in tax rate | **(32,504)** | 1,000 | **(1,427)** | – |
| | **(9,979,000)** | (44,055,087) | **(9,407,000)** | (7,024,000) |
| Under provision in prior year | **(835,742)** | (25,392) | **214,379** | (6,343) |
| | **(10,814,742)** | (44,080,479) | **(9,192,621)** | (7,030,343) |

The amount and future availability of unabsorbed tax losses and unabsorbed capital allowances at the end of the reporting period are as follows:

| | GROUP 2015 RM | GROUP 2014 RM | COMPANY 2015 RM | COMPANY 2014 RM |
|---|---|---|---|---|
| Unabsorbed tax losses | **29,527,000** | 26,319,000 | **–** | – |
| Unabsorbed capital allowances | **49,456,000** | 49,367,000 | **47,195,000** | 47,134,000 |

These unabsorbed tax losses and capital allowances are available to be carried forward for set off against future assessable income of the Company and its subsidiaries.

## 28. TAX EXPENSE (CONT'D)

The following deductible temporary differences have not been recognised in the financial statements:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Property, plant and equipment | **428,000** | 317,000 | **167,000** | 249,000 |
| Unabsorbed tax losses | **(29,527,000)** | (26,319,000) | **–** | – |
| Unabsorbed capital allowances | **(49,456,000)** | (49,367,000) | **(47,195,000)** | (47,134,000) |
| | **(78,555,000)** | (75,369,000) | **(47,028,000)** | (46,885,000) |

Deferred tax assets have not been recognised on the above temporary differences as it is not probable that taxable profit will be available in the foreseeable future to the extent that the above deductible temporary differences can be utilised.

The corporate tax rate will be reduced to 24% for the year of assessment 2016 as announced in the Malaysian Budget 2014. Consequently, deferred tax is measured using this tax rate.

## 29. (LOSS)/EARNINGS PER SHARE

Basic loss/earnings per share is calculated by dividing the loss/profit for the financial year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

| | GROUP | |
|---|---|---|
| | **2015** | 2014 |
| (Loss)/Profit attributable to owners of the parent (RM) | **(5,523,314)** | 59,392,783 |
| Weighted average number of ordinary shares of RM0.40 each | **215,612,124** | 215,829,359 |
| (Loss)/Earnings per share (sen) | **(2.56)** | 27.52 |

There is no diluted loss/earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

## 30. CONTINGENT LIABILITIES (UNSECURED)

| | COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Corporate guarantees extended to banks for banking facilities granted to certain subsidiaries | | |
| - Limit | **57,440,000** | 2,740,000 |
| - Amount utilised | **47,632,572** | 1,068,200 |

## 31. COMMITMENTS

### (a) Capital commitment

| | GROUP | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Approved but not contracted for: | | |
| Purchase of development land | **–** | 16,757,494 |

### (b) Operating lease commitments

Operating lease commitments represent rentals payable for use of a shopping mall for a term of ten years. Future minimum rentals payable under non-cancellable operating leases as at the end of the reporting period are as follows:

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Within one year | **10,116,073** | 10,036,875 |
| More than one year and less than two years | **4,018,121** | 10,113,875 |
| More than two years and less than five years | **–** | 3,990,698 |
| | **14,134,194** | 24,141,448 |

### (c) Joint venture commitment

**GROUP**

The balance consideration payable to Koperasi Tunas Sungai Ara Berhad ("the Landowner") pursuant to the Joint Venture Agreement dated 28 November 2012 (see Note 11(iii)) is as follows:

(i) Balance of cash consideration of **RM41,749,280** (2014: RM63,311,480); and
(ii) Construction cost of one block of commercial building for the Landowner, actual cost of which is yet to be ascertained.

## 32. SEGMENT INFORMATION

Segmental information is presented in respect of the Group's business segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Business Segments**

The Group is organised into business units based on their products and services, which comprise the following:

(1) Investment properties
(2) Timber related
(3) Property development
(4) Others which consist of trading of goods, investment holding, construction and provision of marketing services

## 32. SEGMENT INFORMATION (CONT'D)

| | Investment properties RM | Timber related RM | Property development RM | Others RM | Elimination RM | Note | Total RM |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Revenue | | | | | | | |
| External sales | 20,232,304 | – | 5,968,168 | 2,989,480 | – | | 29,189,952 |
| Inter-segment sales | 65,100 | – | – | 16,743,681 | (16,808,781) | A | – |
| Total revenue | 20,297,404 | – | 5,968,168 | 19,733,161 | (16,808,781) | | 29,189,952 |
| Result | | | | | | | |
| Segment results | 13,942,584 | 186,407 | 602,286 | 317,335 | (13,346,173) | | 1,702,439 |
| Interest income | | | | | | | 2,687,120 |
| Profit from operations | | | | | | | 4,389,559 |
| Finance costs | | | | | | | (290,664) |
| Profit before tax | | | | | | | 4,098,895 |
| Tax expense | | | | | | | (10,814,742) |
| Loss for the year | | | | | | | (6,715,847) |
| Assets | | | | | | | |
| Segment assets | 197,829,252 | 20,850,036 | 206,335,610 | 83,553,517 | (124,671,143) | | 383,897,272 |
| Current tax assets | | | | | | | 1,453,265 |
| Total assets | | | | | | | 385,350,537 |
| Liabilities | | | | | | | |
| Segment liabilities | 31,138,606 | 9,666,249 | 48,452,266 | 72,778,471 | (80,661,926) | | 81,373,666 |
| Deferred tax liabilities | | | | | | | 6,000 |
| Current tax liabilities | | | | | | | 314,900 |
| Total liabilities | | | | | | | 81,694,566 |
| Other information | | | | | | | |
| Additions to non-current assets | 39,874 | – | 9,738 | 912,154 | (136,113) | B | 825,653 |
| Depreciation | 62,086 | 9,216 | 284,061 | 44,547 | (2,690) | | 397,220 |
| Non-cash expenses/(income) other than depreciation | 277,653 | 186,411 | 191,167 | (69,389) | – | C | 585,842 |

## 32. SEGMENT INFORMATION (CONT'D)

| | Investment properties RM | Timber related RM | Property development RM | Others RM | Elimination RM | Note | Total RM |
|---|---|---|---|---|---|---|---|
| 2014 | | | | | | | |
| Revenue | | | | | | | |
| External sales | 19,905,921 | 2,981,330 | 264,201,700 | – | – | | 287,088,951 |
| Inter-segment sales | – | – | 36,351,142 | 16,111,565 | (52,462,707) | A | – |
| Total revenue | 19,905,921 | 2,981,330 | 300,552,842 | 16,111,565 | (52,462,707) | | 287,088,951 |
| Result | | | | | | | |
| Segment results | 379,439 | 4,209,966 | 146,765,999 | 6,708,548 | (1,395,313) | | 156,668,639 |
| Interest income | | | | | | | 2,870,669 |
| Profit from operations | | | | | | | 159,539,308 |
| Finance costs | | | | | | | (28,159) |
| Profit before tax | | | | | | | 159,511,149 |
| Tax expense | | | | | | | (44,080,479) |
| Profit for the year | | | | | | | 115,430,670 |
| Assets | | | | | | | |
| Segment assets | 183,370,058 | 19,934,534 | 280,382,448 | 45,660,527 | (134,114,030) | | 395,233,537 |
| Deferred tax assets | | | | | | | 7,718,000 |
| Current tax assets | | | | | | | 48,565 |
| Total assets | | | | | | | 403,000,102 |
| Liabilities | | | | | | | |
| Segment liabilities | 62,075,866 | 9,500,579 | 70,435,577 | 44,167,878 | (127,553,851) | | 58,626,049 |
| Current tax liabilities | | | | | | | 14,139,500 |
| Total liabilities | | | | | | | 72,765,549 |
| Other information | | | | | | | |
| Additions to non-current assets | 50,586,737 | 148,345 | 740,845 | 10,855 | (1,235) | B | 51,485,547 |
| Depreciation | 91,314 | 20,383 | 275,067 | 9,405 | (2,690) | | 393,479 |
| Non-cash expenses/(income) other than depreciation | 3,216,835 | (3,233,687) | 170,069 | (54,793) | (19,386,655) | C | (19,288,231) |

## 32. SEGMENT INFORMATION (CONT'D)

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consists of total costs incurred during the financial year to acquire property, plant and equipment, investment properties, land held for development and timber concession.

C Other non-cash expenses/(income) consist of the following items:

| | **2015** | 2014 |
|---|---|---|
| | **RM** | RM |
| Allowance for impairment on deposits | **–** | 446,714 |
| Bad debts | **27,675** | 2,572,682 |
| Fair value adjustment on investment properties | **–** | (18,743,253) |
| Gain on disposal of a subsidiary | **–** | (1,956,240) |
| Gain on disposal of leasehold land | **–** | (3,955,137) |
| Gain on disposal of other investments | **–** | (54,793) |
| Loss/(Gain) on disposal of property, plant and equipment | **31,383** | (49,541) |
| Impairment loss on a trade receivable | **135,124** | – |
| Property, plant and equipment written off | **303,721** | 212,120 |
| Gain on redemption of investment in unit trusts | **(69,389)** | – |
| Timber concession cost recognised | **157,328** | 2,239,217 |
| | **585,842** | (19,288,231) |

**By geographical segments**

No information on geographical segment is presented as the Group's business is operated solely in Malaysia.

**Information about major customers**

During the year, there is no one single customer that contributed to more than 10% of the Group's revenue.

## 33. RELATED PARTY DISCLOSURES

### (i) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and to the Company, if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group, the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. Key management personnel includes all the Directors of the Group and of the Company and certain members of senior management of the Group and of the Company.

The Company has related party relationship with its subsidiaries.

## 33. RELATED PARTY DISCLOSURES (CONT'D)

### (ii) Related party transactions

| | COMPANY | |
|---|---|---|
| | **2015** | 2014 |
| | **RM** | RM |
| Transactions with subsidiaries | | |
| - Administrative fee charged by | **770,000** | 2,137,738 |
| - Administrative fee charged to | **195,813** | 110,783 |
| - Interest charged by | **151,321** | – |
| - Interest charged to | **1,765,323** | – |
| - Project management fee charged to | **1,033,583** | 9,569,687 |
| - Sale of property, plant and equipment to | **70,450** | – |
| - Purchase of property, plant and equipment from | **–** | 1,235 |
| - Rental paid to | **24,000** | 20,000 |

### (iii) Compensation of key management personnel

The Group and the Company have no other members of key management personnel apart from the Board of Directors of the Company and of a subsidiary, which their compensation has been shown in Note 27.

## 34. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as:
(i) Loans and receivables ("L&R");
(ii) Held-to-maturity investments ("HTM");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Other liabilities measured at amortised cost ("FL").

| | Carrying amount | L&R | HTM | AFS | FL |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **GROUP** | | | | | |
| **2015** | | | | | |
| **Financial assets** | | | | | |
| Other investments | **56,779,803** | **–** | **19,298,625** | **37,481,178** | **–** |
| Trade receivables | **13,154,510** | **13,154,510** | **–** | **–** | **–** |
| Other receivables and refundable deposits | **60,947,174** | **60,947,174** | **–** | **–** | **–** |
| Deposits with licensed banks | **42,051,618** | **42,051,618** | **–** | **–** | **–** |
| Cash and bank balances | **3,845,388** | **3,845,388** | **–** | **–** | **–** |
| | **176,778,493** | **119,998,690** | **19,298,625** | **37,481,178** | **–** |
| **Financial liabilities** | | | | | |
| Borrowings | **48,250,102** | **–** | **–** | **–** | **48,250,102** |
| Trade payables | **8,745,086** | **–** | **–** | **–** | **8,745,086** |
| Other payables | **23,846,602** | **–** | **–** | **–** | **23,846,602** |
| | **80,841,790** | **–** | **–** | **–** | **80,841,790** |

**34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)**

| | Carrying amount RM | L&R RM | HTM RM | AFS RM | FL RM |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| 2014 | | | | | |
| Financial assets | | | | | |
| Other investments | 44,142,990 | – | 28,162,500 | 15,980,490 | – |
| Trade receivables | 24,874,543 | 24,874,543 | – | – | – |
| Other receivables and refundable deposits | 75,955,439 | 75,955,439 | – | – | – |
| Deposits with licensed banks | 74,904,587 | 74,904,587 | – | – | – |
| Cash and bank balances | 14,686,671 | 14,686,671 | – | – | – |
| | 234,564,230 | 190,421,240 | 28,162,500 | 15,980,490 | – |
| Financial liabilities | | | | | |
| Borrowings | 1,649,891 | – | – | – | 1,649,891 |
| Trade payables | 11,824,832 | – | – | – | 11,824,832 |
| Other payables | 41,800,889 | – | – | – | 41,800,889 |
| | 55,275,612 | – | – | – | 55,275,612 |
| **COMPANY** | | | | | |
| **2015** | | | | | |
| **Financial assets** | | | | | |
| Other investments | **29,597,075** | **–** | **19,298,625** | **10,298,450** | **–** |
| Trade receivables | **698,992** | **698,992** | **–** | **–** | **–** |
| Other receivables and refundable deposits | **35,607** | **35,607** | **–** | **–** | **–** |
| Amount due from subsidiaries | **98,971,989** | **98,971,989** | **–** | **–** | **–** |
| Deposits with licensed banks | **2,801,504** | **2,801,504** | **–** | **–** | **–** |
| Cash and bank balances | **1,031,680** | **1,031,680** | **–** | **–** | **–** |
| | **133,136,847** | **103,539,772** | **19,298,625** | **10,298,450** | **–** |
| **Financial liabilities** | | | | | |
| Trade payables | **368,418** | **–** | **–** | **–** | **368,418** |
| Other payables | **5,398,218** | **–** | **–** | **–** | **5,398,218** |
| Amount due to subsidiaries | **5,143,591** | **–** | **–** | **–** | **5,143,591** |
| | **10,910,227** | **–** | **–** | **–** | **10,910,227** |

## 34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

| | Carrying amount RM | L&R RM | HTM RM | AFS RM | FL RM |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| 2014 | | | | | |
| Financial assets | | | | | |
| Other investments | 28,162,500 | – | 28,162,500 | – | – |
| Trade receivables | 444,260 | 444,260 | – | – | – |
| Other receivables and refundable deposits | 28,479 | 28,479 | – | – | – |
| Amount due from subsidiaries | 81,522,246 | 81,522,246 | – | – | – |
| Deposits with licensed banks | 8,649,657 | 8,649,657 | – | – | – |
| Cash and bank balances | 4,872,927 | 4,872,927 | – | – | – |
| | 123,680,069 | 95,517,569 | 28,162,500 | – | – |
| Financial liabilities | | | | | |
| Trade payables | 370,864 | – | – | – | 370,864 |
| Other payables | 5,200,341 | – | – | – | 5,200,341 |
| Amount due to subsidiaries | 5,466,301 | – | – | – | 5,466,301 |
| | 11,037,506 | – | – | – | 11,037,506 |

## 35. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

### 35.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from its trade receivables, advances and financial guarantees given to its subsidiaries.

#### 35.1.1 Trade receivables

In respect of trade receivables arising from the sale of development properties, the Group mitigates its credit risk by maintaining its name as the registered owner of the development properties until full settlement by the purchaser.

As for its timber and other business activities, the Group and the Company will take into consideration factors such as the relationship with the customers, their payment history and credit worthiness in deciding whether credit shall be extended. The Group and the Company subject new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's and the Company's exposure to bad debts is not significant.

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### 35.1 Credit risk (Cont'd)

#### 35.1.1 Trade receivables (Cont'd)

The ageing of trade receivables and allowance for impairment of the Group and of the Company are as follows:

**GROUP**

| | 2015 Gross RM | 2015 Impairment RM | 2015 Net RM | 2014 Gross RM | 2014 Impairment RM | 2014 Net RM |
|---|---|---|---|---|---|---|
| Not past due | **2,561,667** | **–** | **2,561,667** | 22,965,477 | – | 22,965,477 |
| 1 to 30 days past due | **466,429** | **–** | **466,429** | 70,486 | – | 70,486 |
| 31 to 60 days past due | **63,896** | **–** | **63,896** | 8,286 | – | 8,286 |
| Past due more than 60 days | **17,697,642** | **(7,635,124)** | **10,062,518** | 9,330,294 | (7,500,000) | 1,830,294 |
| | **18,227,967** | **(7,635,124)** | **10,592,843** | 9,409,066 | (7,500,000) | 1,909,066 |
| | **20,789,634** | **(7,635,124)** | **13,154,510** | 32,374,543 | (7,500,000) | 24,874,543 |

**COMPANY**

| | 2015 Gross RM | 2015 Impairment RM | 2015 Net RM | 2014 Gross RM | 2014 Impairment RM | 2014 Net RM |
|---|---|---|---|---|---|---|
| Not past due | **364,723** | **–** | **364,723** | 179,078 | – | 179,078 |
| 1 to 30 days past due | **127,747** | **–** | **127,747** | 35,949 | – | 35,949 |
| 31 to 60 days past due | **63,896** | **–** | **63,896** | 8,286 | – | 8,286 |
| Past due more than 60 days | **277,750** | **(135,124)** | **142,626** | 220,947 | – | 220,947 |
| | **469,393** | **(135,124)** | **334,269** | 265,182 | – | 265,182 |
| | **834,116** | **(135,124)** | **698,992** | 444,260 | – | 444,260 |

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group and the Company. None of the Group's and the Company's trade receivables that are neither pass due nor impaired have been renegotiated during the financial year.

The Group and the Company have trade receivables amounting to **RM10,592,843** (2014: RM1,909,066) and **RM334,269** (2014: RM265,182) respectively that are past due at the end of the reporting period but not impaired. The management is of the view that these receivables are recoverable and no impairment is necessary.

As at the end of the reporting period, the Group and the Company have no significant concentration of credit risks.

#### 35.1.2 Intercompany balances

The Company provides advances to its subsidiaries and monitors the results of the subsidiaries regularly.

Debt monitoring procedures are performed on an on-going basis and as at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable.

**35. FINANCIAL RISK MANAGEMENT (CONT'D)**

**35.1 Credit risk (Cont'd)**

**35.1.3 Financial guarantees**

The Company provides corporate guarantees to several banks in respect of banking facilities granted to certain subsidiaries. The maximum exposure to credit risk is disclosed in Note 30, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

**35.2 Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient level of cash and cash equivalents to meet their working capital requirements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

| | Carrying amount RM | Contractual cash flows RM | Within one year RM | More than one year and less than two years RM | More than two years and less than five years RM | More than five years RM |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2015** | | | | | | |
| Interest bearing borrowings | **48,250,102** | **61,447,473** | **14,731,676** | **14,904,714** | **7,929,774** | **23,881,309** |
| Trade and other payables | **32,591,688** | **32,591,688** | **32,591,688** | **–** | **–** | **–** |
| | **80,841,790** | **94,039,161** | **47,323,364** | **14,904,714** | **7,929,774** | **23,881,309** |
| 2014 | | | | | | |
| Interest bearing borrowings | 1,649,891 | 1,777,937 | 643,185 | 630,354 | 504,398 | – |
| Trade and other payables | 53,625,721 | 53,625,721 | 53,625,721 | – | – | – |
| | 55,275,612 | 55,403,658 | 54,268,906 | 630,354 | 504,398 | – |
| **COMPANY** | | | | | | |
| **2015** | | | | | | |
| Trade and other payables | **5,766,636** | **5,766,636** | **5,766,636** | **–** | **–** | **–** |
| Amount due to subsidiaries | **5,143,591** | **5,143,591** | **5,143,591** | **–** | **–** | **–** |
| | **10,910,227** | **10,910,227** | **10,910,227** | **–** | **–** | **–** |
| 2014 | | | | | | |
| Trade and other payables | 5,571,205 | 5,571,205 | 5,571,205 | – | – | – |
| Amount due to subsidiaries | 5,466,301 | 5,466,301 | 5,466,301 | – | – | – |
| | 11,037,506 | 11,037,506 | 11,037,506 | – | – | – |

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### 35.3 Interest rate risk

The Group's and the Company's fixed rate financial instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments based on the carrying amounts as at the end of the reporting period is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| **Fixed rate instruments** | | | | |
| Financial assets | **61,350,243** | 103,067,087 | **78,423,505** | 36,812,157 |
| Financial liabilities | **617,530** | 654,891 | **5,143,591** | – |
| **Floating rate instruments** | | | | |
| Financial liabilities | **19,857,572** | 995,000 | **–** | – |

**Fair value sensitivity analysis for fixed rate instruments**

The Group and the Company do not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

An increase of 25 basis point at the end of the reporting period would have increased loss before tax by **RM12,237** (2014: RM Nil) and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

### 35.4 Fair value information

The carrying amounts of the Group's and the Company's financial assets (except for investments in equity instruments) and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

It is not practicable to estimate the fair value of the Group's and the Company's investment in Institutional Trust Account which is categorised as held-to-maturity investment due to the lack of comparable quoted price in an active market and the fair value cannot be reliably measured. Therefore, this investment is carried at its original cost less any impairment losses. The carrying amount of the non-current portion of finance lease liabilities is reasonable approximation of fair values due to the insignificant impact of discounting.

**35. FINANCIAL RISK MANAGEMENT (CONT'D)**

**35.4 Fair value information (Cont'd)**

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value grouped into Levels 1 to 3 based on the degree to which the fair value is observable (refer to Note 2.2 to the financial statements for definition of Level 1 to 3 fair value hierarchy).

| | Level 1 RM | Level 2 RM | Level 3 RM | Total fair value RM | Carrying amount RM |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **2015** | | | | | |
| Financial assets | | | | | |
| Quoted unit trusts | **37,481,178** | **–** | **–** | **37,481,178** | **37,481,178** |
| 2014 | | | | | |
| Financial assets | | | | | |
| Quoted unit trusts | 15,980,490 | – | – | 15,980,490 | 15,980,490 |
| **COMPANY** | | | | | |
| **2015** | | | | | |
| **Financial assets** | | | | | |
| Quoted unit trusts | **10,298,450** | **–** | **–** | **10,298,450** | **10,298,450** |
| 2014 | | | | | |
| Financial assets | | | | | |
| Quoted unit trusts | – | – | – | – | – |

**Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

**36. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

The Group manages capital by regularly monitoring its liquidity requirements rather than using debt/equity ratio and there were no external capital requirements and/or covenants imposed on the Group as at the end of the reporting period.

**37. EMPLOYEE SHARE OPTION SCHEME ("ESOS")**

The Company had on 9 June 2010 and 15 July 2010 obtained approvals from Bursa Malaysia Securities Berhad and the shareholders respectively to establish an ESOS with duration of ten years from the effective date.

As at 30 June 2015, no options were granted.

The salient features of the ESOS are as follows:

(i) The aggregate number of options offered under the ESOS shall not exceed ten per centum (10%) of the issued and paid-up share capital during the duration of the ESOS or such additional number that may be permitted by the relevant authorities during the duration of the ESOS,

(ii) Not more than fifty per centum (50%) of the shares available under the ESOS should be allocated, in aggregate, to directors (including non-executive directors) and senior management of the Group. In addition, not more than ten per centum (10%) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company,

(iii) An employee (including directors of any company comprised in the Group) shall be eligible to participate in the ESOS is the employee is at least eighteen (18) years of age on the date of offer; employed full time by and on the payroll of any company in the Group and his employment must have been confirmed on the date of offer,

(iv) The option price shall be based on the 5-day volume weighted average market price of the shares of the Company immediately prior to the date of offer provided that the price shall not be at a discount of more than ten per centum (10%) of the 5-day volume weighted average market prices and shall not be less than the par value of the shares of the Company, and

(v) The new shares to be issued and allotted upon exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued shares except that the shares so issued will not be entitled for any right, dividend, allotment and/or any other distributions declared, made or paid, the entitlement date of which is prior to the date of allotment of the shares. The new shares will be subjected to all the provisions of the Articles of Association of the Company.

## 38. DISPOSAL OF ASSETS

GROUP

2014

On 11 December 2012, a subsidiary of the Company, Great Eastern Mills Berhad entered into a Sale and Purchase of Assets Agreement to dispose of a subsidiary, Kelantan Lumber Products Sdn. Berhad ("KLP") for a consideration of RM3,000,000 and a leasehold land for a consideration of RM5,500,000. The disposal was completed on 21 November 2013.

The disposal had the following effects on the financial position of the Group in the previous financial year:

(i) Disposal of KLP:

| | RM |
|---|---|
| Property, plant and equipment | 1,028,725 |
| Other receivables and prepayments | 14,278 |
| Tax recoverable | 563 |
| Fixed deposit with a licensed bank | 75,497 |
| Cash at bank | 194 |
| Other payables | (75,497) |
| Net assets disposed | 1,043,760 |
| Gain on disposal of a subsidiary | 1,956,240 |
| Consideration received, satisfied in cash | 3,000,000 |
| Cash at bank disposed | (194) |
| Net cash inflow | 2,999,806 |

(ii) Disposal of a leasehold land:

| | RM |
|---|---|
| Leasehold land | 1,455,785 |
| Development costs (Note 11) | 89,078 |
| | 1,544,863 |
| Gain on disposal of leasehold land | 3,955,137 |
| Consideration received, satisfied in cash | 5,500,000 |

## 39. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of retained profits of the Group and of the Company as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **RM** | RM | **RM** | RM |
| Total retained profits of the Company and its subsidiaries: | | | | |
| - Realised | **104,801,575** | 101,047,015 | **30,217,306** | 16,412,051 |
| - Unrealised | **–** | 7,718,000 | **–** | 7,744,000 |
| | **104,801,575** | 108,765,015 | **30,217,306** | 24,156,051 |
| Add: Consolidation adjustments | **1,910,478** | 3,470,352 | **–** | – |
| Total retained profits as per statements of financial position | **106,712,053** | 112,235,367 | **30,217,306** | 24,156,051 |

# LIST OF PROPERTIES
## AS AT 30 JUNE 2015

| Location of property | Date of Acquisition/ (Age of Building) | Area | Tenure | Description/ Existing Use | Net Book Value (RM) |
|---|---|---|---|---|---|
| H.S.(M) 15224 to H.S.(M) 15233<br>Lot No. 20689 to Lot No. 20698<br>H.S.(M) 15234 to H.S.(M) 15238<br>Lot No. 20700 to Lot No. 20704<br>H.S.(M) 15249 to H.S.(M) 15267<br>Lot No. 20712 to Lot No. 20730<br>H.S.(M) 14590, Lot No. 20688<br>H.S.(M) 11782, Lot No. 20699<br>H.S.(M) 22243, Lot No. 20705<br>H.S.(M) 23415, Lot No. 20706<br>H.S.(M) 22004, Lot No. 20707<br>H.S.(M) 22248, Lot No. 20708<br>H.S.(M) 23261, Lot No. 20709<br>H.S.(M) 23264, Lot No. 20710<br>H.S.(M) 23265, Lot No. 20711 and<br>H.S.(M) 16394, Lot No. 20906<br>Mukim Sungai Petani<br>Kuala Muda, Kedah | 23/09/1999 | 6,951.75 sq.metres | Leasehold expiring in 2092 | Vacant land for development | 5,027,271 |
| H.S.(M) 15268 to H.S.(M) 15308<br>Lot No. 20731 to Lot No. 20771<br>Mukim Sungai Petani<br>Kuala Muda, Kedah | 23/09/1999 | 5,886.52 sq.metres | Leasehold expiring in 2092 | Vacant land for development | 4,401,011 |
| G.M. 5823 to G.M. 5827<br>Lot No. 146 to Lot No. 150<br>G.M. 5811 to G.M. 5820<br>Lot No. 134 to Lot No. 143 and<br>G.M. 5810, Lot No. 132<br>Mukim Kuah<br>Langkawi, Kedah | 11/10/1999 | 1,841.00 sq.metres | Freehold | Vacant land for development | 1,883,931 |
| G.M. 5828 to G.M. 5833<br>Lot No. 151 to Lot No. 156<br>Mukim Kuah<br>Langkawi, Kedah | 11/10/1999 | 666.00 sq.metres | Freehold | Vacant land for development | 718,067 |
| G.M. 5834, Lot No. 157 and<br>G.M 5797 to G.M 5803<br>Lot No. 119 to Lot No. 125<br>Mukim Kuah<br>Langkawi, Kedah | 11/10/1999 | 940.00 sq.metres | Freehold | Vacant land for development | 955,215 |
| G.M 5796, Lot No. 117<br>Mukim Kuah<br>Langkawi, Kedah | 11/10/1999 | 4,324.00 sq.metres | Freehold | Vacant land for development | 4,501,705 |

# LIST OF PROPERTIES (CONT'D)
## AS AT 30 JUNE 2015

| Location of property | Date of Acquisition/ (Age of Building) | Area | Tenure | Description/ Existing Use | Net Book Value (RM) |
|---|---|---|---|---|---|
| **Subsidiary companies** | | | | | |
| Bayan City<br>Jalan Mayang Pasir 3<br>11950 Bayan Baru, Penang | 25/07/2013 | 41 units | Freehold | Commercial & residential lot | 36,351,142 |
| H.S.(D) 122106 to H.S.(D) 122141<br>PT 98954 to PT 98989<br>H.S.(D) 122369 to H.S.(D) 122378<br>PT 99382 to PT 99391<br>H.S.(D) 128341 to H.S.(D) 128342<br>PT 60173 to PT 60174 and<br>H.S.(D) 46282 PT 22388<br>Bandar Sungai Petani<br>Kuala Muda, Kedah | 19/01/2010 | 14,198.70 sq.metres | Freehold | Development | 1,866,087 |
| H.S.(D) 125218 to 125264<br>PT 100710 to PT 100756<br>Bandar Sungai Petani<br>Kuala Muda, Kedah | 29/09/2010 | 11,537.00 sq.metres | Freehold | Development | 6,649,271 |
| H.S.(D) 90454 PT 48857<br>Bandar Sungai Petani<br>Kuala Muda, Kedah | 05/03/2013 | 375,655.70 sq.metres | Freehold | Development | 13,109,701 |
| H.S.(D) 127766 PT 65140<br>Bandar Amanjaya<br>Kuala Muda, Kedah | 03/04/2013 | 35.55 hectare | Freehold | Investment | 14,065,277 |
| Lot No. 370 & 377<br>Title No. GM 557 & GM 1145<br>Mukim 12, District of Barat Daya<br>Penang | 27/06/2014 | 11,532.02 sq.metres | Freehold | Development | 19,628,907 |

# STATEMENT OF SHAREHOLDINGS

| | | |
|---|---|---|
| Authorised Capital | : | RM200,000,000.00 |
| Issued and fully paid-up capital | : | RM86,212,073.60 (Excluding 5,872,500 Treasury Shares) |
| Class of Shares | : | Ordinary shares of RM0.40 each fully paid |
| Voting Rights | : | One vote per RM0.40 share |

**BREAKDOWN OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2015**

| Range of Shareholdings | No. of Shareholders | Percentage of Shareholders | No. of RM0.40 Shares | Percentage of Issued Capital |
|---|---|---|---|---|
| Less than 100 | 222 | 2.98 | 8,071 | 0.00 |
| 100 – 1,000 | 2,192 | 29.47 | 1,972,686 | 0.91 |
| 1,001 – 10,000 | 3,827 | 51.45 | 16,827,249 | 7.81 |
| 10,001 – 100,000 | 1,069 | 14.37 | 32,275,995 | 14.98 |
| 100,001 – 10,776,508* | 126 | 1.69 | 106,984,183 | 49.64 |
| 10,776,509 and above** | 3 | 0.04 | 57,462,000 | 26.66 |
| TOTAL | 7,439 | 100.00 | 215,530,184 | 100.00 |

Note : * - Less than 5% of issued shares
** - 5% and above of issued shares

**SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)**
**AS AT 30 SEPTEMBER 2015**

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

| Name of Substantial Shareholders | Direct Interest | | Deemed Interest (excluding bare trustees) | |
|---|---|---|---|---|
| | No. | % | No. | % |
| Kesan Anggun Sdn Bhd | 20,000,000 | 9.28 | – | – |
| Poly Dynamic Motion Sdn Bhd | 20,000,000 | 9.28 | – | – |
| Dato' Sri Koay Teng Choon | 21,894,200 | 10.16 | 4,867,100 | 2.26 |
| Fang Pern Kok | – | – | 26,415,300 | 12.26 |
| Fang Siew Hong | – | – | 20,000,000 | 9.28 |
| Fang Siew Poh | 2,432,800 | 1.13 | 20,000,000 | 9.28 |
| Chuah Chong Ewe | 1,075,000 | 0.50 | 20,000,000 | 9.28 |

**DIRECTORS' INTERESTS AS AT 30 SEPTEMBER 2015**

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, the Directors' interests in the ordinary share capital of RM0.40 each of the Company are as follows:

| Name of Directors | Direct Interest | | Deemed Interest (excluding bare trustees) | |
|---|---|---|---|---|
| | No. | % | No. | % |
| Dato' Sri Koay Teng Choon | 21,894,200 | 10.16 | 4,867,100 | 2.26 |
| Fang Pern Kok | – | – | 26,415,300 | 12.26 |
| Fang Siew Hong | – | – | 20,000,000 | 9.28 |
| Datuk Tan Hiang Joo | 29,000 | 0.01 | – | – |

Other than as disclosed above, none of the other Directors have interest in the shares of the Company and its related companies.

# LIST OF TOP THIRTY SHAREHOLDERS
## AS AT 30 SEPTEMBER 2015

| | Name | Shareholdings | Percentage |
|---|---|---|---|
| 1. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>[HDM Capital Sdn Bhd for Kesan Anggun Sdn Bhd] | 20,000,000 | 9.28 |
| 2. | Poly Dynamic Motion Sdn Bhd | 20,000,000 | 9.28 |
| 3. | Dato' Sri Koay Teng Choon | 17,462,000 | 8.10 |
| 4. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>[Southern Corporation (Nibong Tebal) Sdn Bhd for Tan Lee Sim] | 8,000,000 | 3.71 |
| 5. | Song Kim Lee | 7,200,000 | 3.34 |
| 6. | Citigroup Nominees (Asing) Sdn Bhd<br>[Exempt An For Citibank New York (Norges Bank 1)] | 6,103,400 | 2.83 |
| 7. | Citigroup Nominees (Asing) Sdn Bhd<br>[Exempt An For UBS AG Singapore (Foreign)] | 5,794,917 | 2.69 |
| 8. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>[Pledged Securities Account For Resolute Accomplishment Sdn Bhd (Margin)] | 5,660,300 | 2.63 |
| 9. | Song Phaik Gim | 5,000,000 | 2.32 |
| 10. | Ooi Lai Hock | 4,474,300 | 2.08 |
| 11. | Ooi Gim Chew | 4,462,500 | 2.07 |
| 12. | Dato' Sri Koay Teng Choon | 4,432,200 | 2.06 |
| 13. | Fang Siew Ling | 3,982,500 | 1.85 |
| 14. | Lee Kim Poh | 3,730,000 | 1.73 |
| 15. | Ong Beng Hooi | 3,240,800 | 1.50 |
| 16. | Koay Shean Loong | 3,000,000 | 1.39 |
| 17. | Goh Poh Choo | 2,860,000 | 1.33 |
| 18. | See Lam Tean @ Tan-See Lam Tean | 2,212,200 | 1.03 |
| 19. | Fang Siew Poh | 1,906,900 | 0.88 |
| 20. | Tan Guik Lan | 1,867,100 | 0.87 |
| 21. | Phuah Lee Pieng | 1,683,600 | 0.78 |
| 22. | Tee Ah Swee | 1,461,900 | 0.68 |
| 23. | Chai Mooi Chong | 1,368,800 | 0.64 |
| 24. | Quah Jo Leen | 1,310,000 | 0.61 |
| 25. | Citigroup Nominees (Tempatan) Sdn Bhd<br>[Kumpulan Wang Persaraan (Diperbadankan) (KNGA SML CAP FD)] | 1,230,000 | 0.57 |
| 26. | Tee Ah Swee | 1,197,400 | 0.56 |
| 27. | Chuah Chong Ewe | 1,075,000 | 0.50 |
| 28. | Lim Soo Hoon | 748,800 | 0.35 |
| 29. | Kenanga Nominees (Tempatan) Sdn Bhd<br>[Pledged Securities Account For Chan Lay Tin (ET)] | 741,100 | 0.34 |
| 30. | Chuah Swee Hoon | 669,000 | 0.31 |
| | TOTAL | 142,874,717 | 66.31 |

SEAL INCORPORATED BERHAD (4887-M)
Incorporated in Malaysia

# FORM OF PROXY

I/We ____________________________________________

NRIC No./Company No. ______________________ of______________________

______________________________________ being a member of Seal Incorporated Berhad hereby appoint the following person(s):

| | Name of proxy & NRIC No. | No. of shares | % |
|---|---|---|---|
| 1. | | | |
| 2. | | | |

or failing him/her

| | | | |
|---|---|---|---|
| 1. | | | |
| 2. | | | |

or failing him/her, the Chairman of the Meeting as my/our proxy, to vote for me/us and on my/our behalf at the Fifty-Third Annual General Meeting of the Company to be held on 23 November 2015 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

| **Ordinary Business** | | **For** | **Against** |
|---|---|---|---|
| The payment of increased Directors' fee of RM120,000 | Resolution 1 | | |
| The re-election of Directors:<br>- Tuan Haji Liakat Ali Bin Mohamed Ali | Resolution 2 | | |
| - Allen Chee Wai Hong | Resolution 3 | | |
| The re-appointment of the following Director in accordance with Section 129 of the Companies Act, 1965:<br>Tuan Haji Abdul Hamid Bin Mohd Hassan | Resolution 4 | | |
| The re-appointment of Auditors and their remuneration | Resolution 5 | | |
| **Special Business** | | | |
| Ordinary Resolution 1 - Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965 | Resolution 6 | | |
| Ordinary Resolution 2 - Proposed Renewal of Share Buy Back Authority | Resolution 7 | | |

Please indicate with (✓) how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Date:

| | |
|---|---|
| No. of shares held | |
| CDS A/C No. | |
| Telephone No. | |

______________________________
Signature of Shareholder

NOTES

1. Only members whose names appear on the Record of Depositors as at 16 November 2015 shall be entitled to attend the AGM or appoint proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company in an Omnibus Account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 55A Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting. Faxed or emailed copies are not acceptable.

fold

AFFIX
80 sen
STAMP
(within Malaysia)

The Registered Office
**SEAL INCORPORATED BERHAD**
55A Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh

fold

**SEAL** INCORPORATED BERHAD (4887-M)

55A Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh, Perak

Tel: 05-547 4833 Fax: 05-547 4363
**www.sib.com.my**