



2016

ANNUAL REPORT



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

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

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

CONTENTS

02	Notice of Annual General Meeting
05	Statement Accompanying Notice of Annual General Meeting
06	Corporate Information
07	Directors' Profile
10	Letter to Shareholders
11	Management Discussion and Analysis
12	Statement on Corporate Governance
24	Additional Information
27	Report of the Audit Committee
32	Statement on Risk Management and Internal Control
34	Analysis of Shareholdings
36	Analysis of Warrant Holdings
38	Financial Statements
114	Corporate Structure
Enc.	Proxy Form

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of FSBM Holdings Berhad ("FSBM" or "the Company") will be held at Auditorium, Level 5, Axis Eureka, 3539 Jalan Teknokrat 7, 63000 Cyberjaya, Selangor Darul Ehsan on Monday, 28th November 2016 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To table the Audited Financial Statements of the Company for the financial year ended 30 June 2016 and the Reports of the Directors and Auditors thereon. **Note 1**
2. To approve payment of Directors' fees for the financial year ended 30 June 2016. **Resolution 1**
3. To re-elect the following Directors who retire by rotation in accordance with Article 100(1) of the Company's Articles of Association:

Dato' Tan Hock San @ Tan Hock Ming **Resolution 2**
Mr Tan Ee Ern **Resolution 3**
4. To re-appoint Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain, the Director who is over the age of seventy (70) years, and is retiring pursuant to Section 129(6) of the Companies Act, 1965, and being eligible, offered himself for re-appointment. **Resolution 4**
5. To re-appoint Messrs Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS:

6. **RENEWAL OF AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES** **Resolution 6**

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

"THAT, subject always to the Articles of Association of the Company and the approvals of the relevant Regulatory Authorities, pursuant to Section 132D of the Companies Act 1965, the Directors of the Company be and are hereby empowered to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting of the Company and upon such terms and conditions and for such purposes and to such person or persons as the Directors of the Company, may in their absolute discretion deem fit, PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution does not exceed ten (10) per centum of the issued share capital of the Company for the time being;

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

7. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

WONG YOUN KIM
(MAICSA 7018778)
Secretary

Petaling Jaya
28 October 2016

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

NOTES:

1. Agenda 1 is to table the Audited Financial Statements pursuant to the provision of Section 169(1) of the Companies Act, 1965 and is meant for discussion only. It does not require a formal approval and/or adoption by the shareholders of the Company and hence, Agenda 1 is not put forward for voting.
2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorized in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorized.
4. The instrument appointing a proxy must be deposited at the company's Registered Office at 603, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Any alteration to the instrument appointing a proxy must be initialized.
5. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, he/she shall specify the proportion of his shareholdings to be represented by each proxy.
6. Where a member of the company is an exempt authorized nominee as defined under the Securities Industry (central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the company a Record of Depositors as at 21 November 2016. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend and vote on his behalf.
8. Ordinary Resolution 4 – Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965

The re-appointment of Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain, being over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company shall take effect if the Resolution 4 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at this Annual General Meeting of which not less than twenty-one (21) days' notice has been duly given.

9. Ordinary Resolution 6 – Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to Issue Shares

The Proposed Ordinary Resolution 6, if passed, is to give the Directors of the company flexibility to issue and allot shares from unissued capital of the Company up to an amount not exceeding ten (10) per centum of the Company's total issued share capital for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the conclusion of the next Annual General Meeting of the Company or at the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the last Annual General Meeting held on 22 December 2015 which will lapse at the conclusion of this Annual General Meeting. The renewal of the 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 purposes of funding current and/or future investment projects, working capital and/or acquisitions.

The Board of Directors emphasizes that the Company will not issue new shares unless it is an exercise that will ultimately increase shareholders' value.

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

9. Ordinary Resolution 6 – Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to Issue Shares (cont'd)

On 9 September 2016, the Company had announced its proposal to undertake a private placement comprising the issuance of up to 12,656,700 new ordinary shares of RM0.05 each ("Proposed Placement Shares") representing not more than ten (10) per centum of the issued share capital of the Company to investors to be identified ("Proposed Private Placement"), and made an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities. On 5 October 2016, Bursa Securities granted approval for the listing of and quotation of the Placement Shares on the Main Market of Bursa Securities.

As at the latest practical date of this Notice, private placement of total 6,356,700 new ordinary shares of RM0.05 each have been issued pursuant to the previous mandate granted to the Directors at the last Annual General Meeting held on 22 December 2015. Total proceeds raised from the first tranche of the private placement was amounted to RM1,271,340. Upon the completion of the private placement, the estimated gross proceeds of RM2.28 million will be utilised in the following manner:

Details of utilisation	RM'000
Working capital	2,203
Estimated expenses for the private placement	75
Total	2,278

Save and except for the above, there were no other corporate proposals undertaken by the Company in accordance with the general mandate granted at the last Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors standing for re-election

Pursuant to Article 100(1) of the Company's Articles of Association:

- (a) Dato' Tan Hock San @ Tan Hock Ming
- (b) Mr Tan Ee Ern

Details of the above Directors are set out in the Directors' Profile in the Annual Report.

2. Director standing for re-appointment

Pursuant to Section 129(6) of the Companies Act, 1965:

- (a) Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain

Details of the above Director is set out in the Directors' Profile in the Annual Report.

3. Securities holdings of Director standing for re-election/re-appointment

The securities holdings of Directors standing for re-election are as follows:

Director	No. of Shares Held			
	Direct	%	Deemed interest	%
Dato' Tan Hock San @ Tan Hock Ming	6,924,400	5.47	38,456,200	30.37
Tan Ee Ern	304,000	0.24	37,860,000	29.91
Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain	8,200	0.01	0	0.00

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain
(Chairman, Senior Independent Non-Executive Director)

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

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

Chang Wei Ming
(Independent Non-Executive Director)

Tan Ee Ern
(Executive Director)

Tan Wan Yen
(Executive Director)

COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia.
Telephone : 603-27839299
Facsimile : 603-27839222

AUDIT COMMITTEE

Chang Wei Ming
(Independent Non-Executive Director/Chairman)

Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain
(Independent Non-Executive Director)

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

AUDITOR

Ernst & Young (AF 0039)
Level 16-1, Jaya 99, Tower B
99 Jalan Tun Sri Lanang
75100 Melaka, Malaysia.
Telephone: 606-288 2399

PRINCIPAL BANKER

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market Bursa Malaysia Securities Berhad
Stock Code : 9377

WEBSITE

www.fsbm.com.my

DIRECTORS' PROFILE

TAN SRI DATO' SERI DR HAJI ZAINUL ARIFF BIN HAJI HUSSAIN

Chairman

Senior Independent Non-Executive

Aged 70, Malaysian, Male

Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain was appointed to the Board of Directors on 13 April, 2009. He is a member of the Company Audit Committee, and Chairman of the Nomination Committee and Remuneration Committee. He was appointed as Chairman of the Company on 3 March 2014.

He holds a PhD in Public Policy from University of Southern California, USA, a Master in Business Administration from Ohio University, USA, a Bachelor of Arts (Hons) degree from University of Malaya, Diploma in Public Administration from University of Malaya, a certificate in Management Services (Excellent Grade) from the Royal Institute of Public Administration, United Kingdom, and a certificate of Anatomy of Ship Finance, Cambridge Academy of Transport, Cambridge, UK.

He has served in the Malaysian civil service for 35 years in various positions including as Secretary of Higher Education of Ministry of Education, Director-General of the Social Economic Research Unit in the Prime Minister's Department, Deputy Secretary-General of the Prime Minister's Department and Secretary General of the Ministry of National Unity and Social Development. He retired from the civil service as Director-General of the Implementation Coordination Unit in the Prime Minister's Department.

He was also a member of the Board of Malaysian Industry-Government Group for High Technology (MIGHT) and served as Chairman of Bank Pembangunan Malaysia Berhad.

Presently, he is the Chairman of the Board of University Malaysia, Perlis and is a Distinguished Fellow of the Institute of Strategic and International Studies Malaysia (ISIS).

Tan Sri Dato' Dr Haji Zainul does not hold any directorship in any other public or public listed companies.

He holds 8,200 ordinary shares of RM0.05 each in the Company. He does not hold any shares in the subsidiary companies of the Company. He has no family relationship with any director and/or major shareholder of the company, no conflict of interest with the Company, and has not been convicted of any offences in the past 10 years.

DATO' TAN HOCK SAN @TAN HOCK MING

Managing Director

Non-Independent Executive Director

Aged 67, Malaysian, Male

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

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

Dato' Tan is not a director of any other public or public listed companies. He holds directly 6,924,400 ordinary shares and has deemed interest of 38,456,200 ordinary shares of RM0.05 each in the Company via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and children. He does not hold any shares in the subsidiary companies of the Company.

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

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

DIRECTORS' PROFILE

CONT'D

DATO' IR DR ABUDL RAHIM DAUD

*Independent Non-Executive Director
Aged 68, Malaysian, Male*

Dato' Ir Dr Abdul Rahim Daud was appointed to the Board on 5 August 2010. He is a member of the Nomination Committee, and a member of the Audit Committee and Remuneration Committee. He is also the Chairman of the Risk Monitoring Committee.

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

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

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

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

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

He holds 24,500 ordinary shares of RM0.05 each in the Company. He does not hold any shares in the subsidiary companies of the Company. He has no family relationship with any director and/or major shareholder of the company, no conflict of interest with the company, and has not been convicted of any offences in the past 10 years.

CHANG WEI MING

*Independent Non-Executive Director
Aged 64, Malaysian, Male*

Chang Wei Ming was appointed to the Board on 24 November 2011. He is the Chairman of the Audit Committee, and a member of the Nomination Committee.

Mr Chang graduated from the University of Malaya in 1975 with a Bachelor of Economics (Hons) and is a member of the Institute of Chartered Accountants in England and Wales. He qualified as a Chartered Accountant with Touche Ross in London in 1979 and worked as an Audit Supervisor with Hanafiah Raslan & Mohamad until 1981.

Mr Chang held several Executive and Directorship positions within the MBf Group from 1981 to 1988, where his last appointment was General Manager of MBf Holdings Berhad responsible for Group Corporate and Treasury, and as the Group Company Secretary.

He joined the National University Hospital (Singapore) Pte Ltd in 1989 and served as its Chief Administration Officer and Company Secretary for 5 years and as a Director of NUH Referral Laboratories Pte Ltd for 2 years. In 1994 he was appointed as Finance Director of Liang Huat Aluminium Limited until 1998, when he left to provide consulting services to both listed and private companies.

He is a member of the Board of Directors of JCY Holdings Berhad.

Save as disclosed above, he does not hold any directorship in any other public or public listed companies.

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

DIRECTORS' PROFILE

CONT'D

TAN EE ERN

Executive Director
Aged 36, Malaysian, Male

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

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

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

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

Mr Tan is the son of Dato' Tan Hock San, who is the Managing Director of the Company. Mr Tan is brother of Ms Tan Wan Yen, the Executive Director of the Company. Mr Tan holds 304,000 ordinary shares of RM0.05 each in the Company, and has a total deemed interest of 37,860,000 ordinary shares via Sanyee Corporation Sdn Bhd and Sanyee Holdings Sdn Bhd.

Save as disclosed above, Mr Tan has no conflict of interest in any business arrangement involving the Company, and has not been convicted of any offences in the past 10 years.

TAN WAN YEN

Executive Director
Aged 33, Malaysian, Female

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

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

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

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

Ms Tan is the daughter of Dato' Tan Hock San, who is the Managing Director of the Company. Ms Tan is the sister of Mr Tan Ee Ern, the Executive Director of the Company. Ms Tan holds 440,400 ordinary shares of RM0.05 each in the Company, and has a total deemed interest of 37,860,000 ordinary shares via Sanyee Corporation Sdn Bhd and Sanyee Holdings Sdn Bhd.

Save as disclosed above, Ms Tan has no conflict of interest in any business arrangement involving the Company, and has not been convicted of any offences in the past 10 years.

Notes to Directors' Profile:

The details of the Directors' attendance at Board and Audit Committee Meetings are set out on pages 15 and 27 of this Annual Report respectively.

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

Key Senior Management

The key senior management comprises of Dato' Tan Hock San, Mr Tan Ee Ern and Miss Tan Wan Yen who served as Managing Director and Executive Directors as well as members of the Executive Council (Exco) Committee.

LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present, on behalf of the Board of Directors of the Company, the Annual Report and the Audited Financial Statements of FSBM Holdings Berhad for the financial year ended 30 June 2016.

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

Further information on FSBM's performance in the financial year is detailed in the Management Discussion and Analysis on Page 11.

TAN SRI DATO' SERI DR HAJI ZAINUL ARIFF BIN HAJI HUSSAIN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL

FSBM Group reports a revenue of RM4.6 million and loss before tax of RM4.8 million for the financial year ended 30 June 2016. This compares to a revenue of RM6.0 million and a loss before tax of RM9.7 million for the financial year ended 30 June 2015.

The historical financial performance of our Group has been less favourable mainly because of, amongst others, the problem of recoverability of debts due to an altercation with a debtor who was formerly a related party, of which we have taken legal actions to recover this debt, the stability of the revenue stream which is very much dependent on the volatility of the ICT sector. Furthermore, there was a change of financial year from 31 December to 30 June, resulting in FYE 30 June 2015 being a period of 18 months. Our Board is working to turn around our Group with continued efforts to strengthen our core business activities in Systems and Solution, Communication and Multimedia, and Education.

SYSTEMS AND SOLUTIONS

The segment's revenue has dropped from RM5.8 million in FYE 2015 to RM4.2 million in FYE 2016. This was primarily due to the change in financial year end. The segment's profit after tax stood at RM302,000 for FYE 2016. This was a marked improvement compared to the loss after tax of RM5.5 million in FYE 2015 mainly due to impairment provisions.

Healthcare Informatics. The Group continues to pursue Hospital Information Systems projects within the Ministry of Health (MoH), healthcare informatics project management and consulting business by leveraging on the experience gained from such projects in the past, and are looking to productively engage our available resources.

Student Accommodation Management System. We have established distribution rights for a Student Accommodation Management System from Ireland and are actively pursuing to provide its offerings on both an outright sale and Application Service Provider (ASP) business model to the education sector in Malaysia and nearby countries. In addition to maintaining ongoing business with existing clientele, the Group is working hard to secure another private sector university in Malaysia.

COMMUNICATIONS AND MULTIMEDIA

The segment's revenue for FYE2016 has improved to RM327,000 from RM159,000 in FYE2015. Profit after tax has also improved to RM229,000 from RM30,000 respectively. This is primarily due to more variation orders originating from existing clients.

Telco engineering services. Malaysian network operators are continuing investment in network infrastructure for the purpose of technology upgrade, improvement in network quality and performance, and increased network coverage as required by the network regulator. Moreover, with the recent announcement on spectrum license sale to the country's major telco players, and ever increasing demand for data and broadband by consumers and businesses, we expect opportunities in the sector to pick up momentum. We expect an increase in demand for telecommunication installation services to install, support and maintain these network infrastructures. Our team is currently working hard to secure engagements with both private sector and government linked entities.

EDUCATION

There has been no movement in the Education segment's revenue, which remains at zero for the FYE 2016. Loss after tax improved from RM277,000 in FYE 2015 to RM43,000 in FYE 2016. This was due to impairment and staff costs incurred in FYE 2015.

Teacher training. The Education sector remains a very important focus for the Malaysian Government. This focus is further reinforced with the implementation of the Malaysian Education Blueprint 2013-2025, which aims to advance Malaysia into a knowledge-based economy by 2025.

The Blueprint sets up five aspirations for education, to be accomplished through 11 shifts. Most notably shift 7 is to "Leverage ICT to Scale Up Quality Learning Across Malaysia". Between 1999 to 2010 the MoE has spent over RM6 billion on various ICT initiatives like Smart School, School Lab, School Net, PPSMI etc. In 2011, 1BistariNet was launched together with a Virtual Learning Environment (VLE) to further the learning experience in our public schools.

Consequently, there will be many good opportunities to introduce more end-user devices, both to the teachers and students, and the enhancement of wireless telecommunication infrastructure within public schools for greater teaching and learning experiences.

The Group is putting great effort to tap such opportunities in this sector.

OUTLOOK FOR 2016

FY2016 remained a very challenging year for the FSBM Group. While our efforts to pursue several large scale Government projects continued, we were still heavily involved in the liquidation and legal action against a former business partner and another party for the recovery of debts.

However, we are positive on further expanding our foothold in the accommodation sector in universities and colleges, especially through our cloud ASP offering. Separately, we are excited on the opportunities in the telco engineering services, as FSBM has been previously involved in similar business.

We are still pursuing discussions with the Education Ministry to continue the training program for more teachers.

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

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is required, under paragraph 15.25 of the Bursa Malaysia Securities Berhad Listing Requirements, to provide a narrative statement of its practices with reference to the Malaysian Code on Corporate Governance 2012 (the Code).

The Board of Directors are committed to follow high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance the interests of all stakeholders. To this end, the Board fully supports the recommendations of the Code, which are divided into the following four Sections:

- Section A : Directors
- Section B : Directors' Remuneration
- Section C : Shareholders
- Section D : Accountability and Audit

Set out below are descriptions of how the Board of Directors applied the Principles of the Code and the extent of compliance with the Best Practices of the code during the financial year ended 30 June 2016.

SECTION A: DIRECTORS

COMPOSITION OF THE BOARD

The Board strongly concurred that the diversity and good mix in board composition is important to achieve effective stewardship and leadership in the Group.

The Board currently consists of six (6) members, comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors and two (2) Independent Non-Executive Directors. The optimal size with mixture of high calibre individuals with extensive experiences from various professions which include technical, finance, management, education, industry-specific knowledge from both private and public sectors, age group, gender and ethnicity would enable effective oversight and productive discussion among the Board members to facilitate optimal decision-making.

The profile of the Board is set out on pages 7 and 9 of this Annual Report.

The Chairman, Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain is a Senior Independent Non-Executive Director, and the Managing Director is Dato' Tan Hock San. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Executive Directors have overall responsibilities on the day-to-day activities of the Group's business units, organizational effectiveness and implementation of Board policies and decisions.

The presence of Independent Non-Executive Directors provide a good complementing role to ensure a balance of power and authority. The role of Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined as they provide unbiased and independent views, advice and judgment to take account of interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business.

In accordance with the requirements of the Code, Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain was appointed as the Senior Independent Non-Executive Director to assist with concerns regarding the Company where it could be inappropriate for these to be dealt with by the Managing Director.

No individual or group dominated the Board's decision-making powers and processes.

The current Board diversity in terms of ethnicity, age and gender is as follows:

	Number of Directors									
	Ethnicity				Age Group				Gender	
	Malay	Chinese	Indian	Others	30-40	40-50	50-60	60-70	Male	Female
Executive Directors	0	3	0	0	2	0	0	1	2	1
Independent Non-Executive Directors	2	1	0	0	0	0	0	3	3	0
Total based on diversity	2	4	0	0	2	0	0	4	5	1
Grand Total	6				6				6	

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

BOARD RESPONSIBILITIES

(a) Clear Roles and Responsibilities

The Board assumes fully responsibility for the oversight the overall performance and effective control of the Company and the Group. The principal duties and responsibilities of the Board are:

- i) Establishing strategic direction, formulation strategies, business plans and significant policies;
- ii) Reviewing, adopting and approving the Group's annual budget, key operational initiatives, major investments and funding decisions;
- iii) Overseeing the business conduct and code of ethics of the Group;
- iv) Reviewing the risk management process within the Group;
- v) Reviewing the adequacy and integrity of internal control system to ensure compliance with the relevant laws;
- vi) Responsible for corporate sustainability;
- vii) Responsible for succession planning within the Group; and
- viii) Approving quarterly and annual financial results.

Key matters reserved for Board's deliberation and approval including but not limited to strategic plans proposed by Management, annual and quarterly financial results, major acquisitions and disposals, investments and new businesses, as well as material agreements, major capital expenditures, budgets, corporate plans, corporate exercises, succession planning for top management and changes to management and control structure, including key policies, procedures, and authority limits, all are the prerogatives of the Board.

The Board is led by the Chairman, Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain, who is a Senior Independent Non-Executive Director.

In discharging the Board's stewardship responsibilities, specific powers of the Board are entrusted and delegated to the relevant Board Committees to oversee the conduct of the Group's affair and to assist in the execution of its duties and responsibilities.

The Board Committees shall operate under clearly defined terms of reference and scope of work. The Board Committees are authorised by the Board to deal with and deliberate on matters delegated to them within the terms of reference. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings.

The Managing Director assumes the primary responsibility for managing the Group operations and resources, while the Executive (Exco) Committee is responsible for implementation of the operational and corporate decisions as well as day-to-day management of the business operation of the Group.

The Independent Non-Executive Directors play an important role in corporate accountability by providing unbiased and independent views and advice and judgement focusing on performance monitoring and enhancement of corporate governance in safeguarding the interest of the shareholders.

(b) Overseeing the conduct of the Group's business

The Board keeps itself abreast to the development of the Company through the reports of the Board Committees and Exco Committee at the Board meetings. The Board meets at least once in every quarter and on other occasions, as and when necessary Ad Hoc Board meetings will be convened to present urgent proposals or issues which require the Board's deliberation or approval.

Relevant notice, agenda, information and board papers are targeted to be circulated to the Board Members at least 7 days prior to the Board meeting so as to provide the Board Members with relevant and timely information to enable them to have a proper deliberation and to facilitate the decision-making process. Urgent proposal can be presented or circulated to the Board Members less than 7 days or at the Board meeting subject to the approval of the Chairman.

At each Board meeting, the Board receives and discusses reports from the Managing Director and Executive Directors and Board Committees. Decisions are made and directions given based on recommendations made by the Exco and/or the Board Committees. The Managing Director, relevant Members of the Exco Committee and Company Secretary are in attendance at the Board meetings to present inter-alia the financial results and performance, updates on the progress of the business plan, initiatives, proposal and achievement, risk management and governance issues and to respond and clarify enquiries or issues raised by the Board to facilitate the Board's deliberation and decision-making.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

During the financial year ended 30 June 2016, the Board held five (5) Meetings, and two (2) meetings were held during the period from 1 July 2016 to the date of approval of this statement on 21 October 2016. Details of Directors' attendance at Board meetings are laid out on page 15 of this Annual Report.

At each quarterly meeting, the Board reviewed, deliberated and approved, where appropriate, the quarterly financial results, the progress of the business plans, potential projects and ongoing projects, corporate exercises undertaken or proposed to be undertaken by the Group, received reports from the Audit Committee's Chairman on its review of the financial results, internal control effectiveness, and related parties transactions and conveyed to the Board matters of significant concern. The Company Secretary ensured the meetings flowed effectively, constantly updating and advising the Board on the latest developments and changes of the Listing Requirements and the Code to ensure that these were duly observed by the Board and complied with in discharging its duties and responsibilities.

Special and particular matters were also dealt with by the Board at the Board meetings. In August 2016, the Board reviewed and deliberated the annual assessment of performance of the Board and Board Committees and individual Directors which were conducted by the Nomination Committee, and remuneration package of the Executive Directors as recommended by the Remuneration Committee. Subsequent to that, the Statutory Financial Statements for the financial year ended 30 June 2016 and the 2016 Annual Report were reviewed and approved at the Board meeting held in October 2016.

(c) Ethical standards through Code of Ethics

The Board is committed to follow the highest standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to ensure the success of the Company and the Group, and to safeguard and enhance the interests of all stakeholders. To this end, the Group is guided by the Code of Ethics for Directors and employees. The Code of Ethics will be reviewed from time to time and updated in accordance with the needs of the Group, and any changes in regulations to ensure its relevance to the Group.

(i) Code of Conduct for Employees

All employees are guided in the Group HR Policies and Procedures on the Code of Conduct that is to be observed and abided. The Code of Conduct seeks to ensure that staff conduct themselves ethically, without conflict of interest, diligently and appropriate in discharging their duties.

(ii) Board Charter

The Board is guided by the Board Charter in discharging its duties and fiduciary obligations to the Company and the Group. The salient points of the Board Charter can be viewed on the Company's corporate website.

(iii) Whistleblowing Policy

The Group in its effort to enhance corporate governance has put in place a Whistleblowing Policy ("Policy"). The Policy can be viewed on the Company's corporate website.

The Policy enables genuine and legitimate concerns on the Company to be raised by employees, stakeholders and members of the public. It provides a platform for these concerns to be raised, investigated and appropriately acted upon or addressed transparently, fairly and truthfully.

All whistle-blowing reports can be addressed to the Senior Independent Non-Executive Chairman of the Company namely, Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain via e-mail address: tansrizainul@fsbm.com.my

(d) Reviewing risk management process

The Board oversees the risk management frameworks through the Audit Committee and Risk Monitoring Committee. The details are described in Statement on Risk Management and Internal Control on pages 32 to 33 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

(e) Time Commitment

The Board is satisfied with the level of Directors' commitment in terms of devotion of time and continuous improvement of knowledge and skills in fulfilling their duties and responsibilities as Directors of the Company. During the financial year ended 30 June 2016 and from 1 July 2016 to the date of approval of this statement on 21 October 2016, the members of the Board and Board Committees had almost full attendance and had been actively participating in discussion on matters requiring their review and consideration.

To ensure that Directors have sufficient time to focus and fulfill their duties effectively in the Company, none of the Directors holds directorships in more than five (5) public or public listed companies.

The details of attendance of Director at Board meetings are as follows:-

Director	No. of Meetings Attended/ No. of Meetings Held
Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain	7/7
Dato' Tan Hock San @ Tan Hock Ming	7/7
Dato' Ir Dr Abdul Rahim Daud	7/7
Mr Chang Wei Ming	7/7
Mr Tan Ee Ern	6/7
Miss Tan Wan Yen	7/7

(f) Corporate Sustainability

The Board has been committed to the Group's sustainability in evolving global environment, social and governance (ESG) aspect of business which underpin sustainability. In line with good governance practices, initiative is being taken by the Board to formalise its sustainability practices in a Corporate Sustainability Statement.

(g) Succession Planning

The Board is responsible for ensuring effective and orderly succession planning is in place within the Group. As part of the succession planning, two (2) young Executive Directors were appointed as members of the Board in 2007 and 2008 respectively to complement balanced age mixture of the Board.

Succession planning is an ongoing exercise. The Nomination Committee is entrusted with the responsibility for formulating selection policies for the Group key management personnel and members of the Board and Board Committees.

The identification, selection, assessment and appointment process is performed based on the current and future needs of the Group, the aspirations of the future of the Group, the evolving business environment, the regulatory requirements, the Boardroom diversity and the existing Board's strengths and weaknesses. The Nomination Committee selects, considers and assesses candidates based on their profiles, professional achievement, competencies, personal integrity and reputation to ensure all candidates appointed to these positions are of sufficient calibre. The Nomination Committee applies the Directors evaluation criteria and assessment forms as recommended in the Corporate Governance Guide for evaluating and selecting potential candidates for new directorships and key positions.

Apart from nomination that may be received from the Board members, potential candidates are also sourced from the organisations of various industries. Invitations or offer in writing would be sent to the potential candidates to seek their interest to participate in the Group's candidate pool. The profile of the potential candidates will be reviewed periodically to ensure that the pool of candidates remain relevant to the Group's needs. During the financial year, there were no candidates recommended for appointments as key senior management, members of the Board or Board Committees.

SUPPLY OF INFORMATION

All Directors have the same right of access to all information and resources within the Group and to make further enquiries, information or updates on any aspect of the Company and Group's operations and business concern from the Management whenever deemed necessary in furtherance of their duties.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

The schedule for Board and Board Committees meetings are prepared in advance to ensure that adequate information can be circulated in a satisfactory form and timely manner. All Directors receive the agenda and a full set of Board Papers prior to the Board and Board Committees meetings.

The Board papers provide information on Group performance on major operational, financial and corporate issues and other information deemed suitable to facilitate the Board in discharging its duties.

Where necessary, Directors may seek for further explanation or briefing from the Management on the subject matter before the meeting.

Directors may seek independent professional advice at the Group's expense if deemed reasonable and necessary. Any such request is presented to the Board for approval.

Directors also have independent access to the advice and dedicated support services of the Company Secretary to ensure effective functioning of the Board.

COMPANY SECRETARY

The Company Secretary of the Group is qualified to act as company secretary under Section 139A of the Companies Act, 1965. She is an associate of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretary and her team continuously keep themselves abreast of the changing capital environment and regulatory as well as development in corporate governance through attendance at relevant professional development programme and conferences. During the year, the Company Secretary has fulfilled the requirement of MAICSA and attended the Mandatory Continuing Professional Development Programme and obtained renewal of company secretary practising certificate.

The Directors have full access to the services of the Company Secretary, who plays an advisory role to ensure that the Board procedures, applicable codes, rules, regulation and laws are complied with and assist the Board on the implementation of the Code. She also provides effective support to the Board and Board Committees to facilitate their discussion and proceedings of Board and Board Committees meetings and ensure that deliberations are well documented.

The Board has reviewed the fitness and propriety of the Company Secretary and it is satisfied with the performance and services rendered by the Company Secretary.

APPOINTMENTS OF THE BOARD AND RE-ELECTION

The Nomination Committee responsible for Board nomination and appointment process for new appointment of Directors, and the annual assessment of the Directors proposed for re-election, re-appointment and retention of Independent Directors at an Annual General Meeting ("AGM").

i) Appointment of Director

Pursuant to Article 107 of the Articles and Association of the Company, the Board shall have the power at any time, and from time to time, to appoint any person to be a Director of the Company, either to refill a casual vacancy or as an additional to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Article.

A nomination and selection process for new appointees to the Board as recommended by Nomination Committee has been adopted by the Board.

The Nomination Committee assesses the strength, effectiveness and the level of diversity of the Board in determining the need for proposing new appointment of Director. As and when necessary, recommendation will be made to the Board for consideration.

In evaluating the suitability of the candidates, the Nomination Committee considers the following factors:

- Qualification, skills, knowledge, expertise and experience;
- Competencies and capabilities;
- Character, personal integrity and reputation;
- Willingness to devote time to effectively discharge his/her duties as Director;
- In the case of candidates for the position of Independent Non-Executive Director, the independence of the candidates and the candidate's ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

Appropriate measures shall also be taken in its selection and recruitment exercise to achieve boardroom diversity, in particular to identify woman candidates with sufficient calibre to be part of the Board.

The Nomination Committee also applies the Directors evaluation criteria and assessment forms as recommended in the Corporate Governance Guide for evaluating and selecting candidates for new directorships.

Upon appointment, an induction programme will be given to the newly appointed Director to ensure that he/she understands the nature of the Company's business, the strategies adopted, the current issues faced by the company, his/her roles and responsibilities and the Board's expectation in terms of his/her knowledge contribution. The Chairman of the Nomination Committee ensures that the induction programme achieves its objective, whilst the Executive Directors and Company Secretary are responsible to facilitate the Induction programme. The Nomination Committee also evaluate the training needs of the new Director and for Directors who have not been a Director of a public listed company, is required to attend a Mandatory Accreditation Programme (MAP) pursuant to the Listing Requirements.

The Board currently consists of one (1) female Director out of total six (6) Board members. The Nomination Committee recognises the need of establishing a policy formalising its approach to Boardroom Diversity which should also cover gender diversity and the targeted number of woman directors to be appointed to the Board and steps to meet this target. The Boardroom Diversity Policy is currently being defined by the Nomination Committee for recommendation to the Board for approval.

During the financial year, no additional Director has been recommended for appointment as the Board deems the current Board composition adequate for the effective functioning of the Board.

ii) Re-election of Director

Pursuant to Article 107 of the Articles and Association of the Company, the newly appointed Director shall hold office until the conclusion of the next AGM and then shall be eligible for re-election. As mentioned above, there was no new Director appointed during the financial year.

Article 100(1) of the Articles and Association provides that one-third (1/3) of the remaining existing Directors shall retire from office at each AGM and being eligible may offer themselves for re-election, provided all Directors must retire from office at least one on every three (3) years.

Both Dato' Tan Hock San @ Tan Hock Ming and Mr Tan Ee Ern who retire by rotation at the conclusion of the Thirty Second (32nd) AGM in accordance with Article 100(1) of the Company's Articles of Association have offered themselves for re-election as Directors of the Company at the AGM.

The Nomination Committee is responsible for recommending those Directors who are eligible to stand for re-election. The Nomination Committee has reviewed the performance of Dato' Tan Hock San and Mr Tan Ee Ern taking into account their contribution to the Board, competencies, capability, integrity and the level of commitment during the financial year.

At the Board meeting held on 25 August 2016, the Board approved the recommendation of the Nomination Committee that both Dato' Tan Hock San and Mr Tan Ee Ern be eligible to stand for re-election at the Thirty Second (32nd) AGM.

The Board proposed that both of them be re-elected as Directors of the Company for effective functioning of the Board.

iii) Re-appointment of Director

Pursuant to Section 129(2) of the Companies Act, a Director who is over the age of seventy (70) years shall retire at the conclusion of the next AGM and may be re-appointed as Director by a resolution passed by a majority of not less than three-fourth (3/4) of such members being entitled to vote in person or by proxies pursuant to Section 129(6) of the Companies Act, 1965.

Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain who has attained the age of seventy (70) years during the financial year will retire at the conclusion of the Thirty Second (32nd) AGM and has offered himself to be re-appointed as Director of the Company.

The Nomination Committee is responsible for recommending those Directors who are eligible to stand for re-appointment. The Nomination Committee has reviewed the performance of Tan Sri Dato' Seri Dr Haji Zainul Ariff taking into account his contribution to the Board, competencies, capability, integrity and the level of commitment to effectively discharge his role during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

At the Board meeting held on 25 August 2016, the Board approved the recommendation of the Nomination Committee that he will be eligible to stand for re-appointment at the Thirty Second (32nd) AGM.

The Board proposed that Tan Sri Dato' Seri Dr Haji Zainul Ariff be re-appointed as Director as the Board opined that it is not appropriate to prescribe age limits for retirement of a Director, rather a healthy mix of age and experience are important for effective functioning of the Board.

iv) Retention of Independent Director

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

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

The Board recognises the Recommendations 3.2 and 3.3 of the Code that limit the Independent Directors' tenure to a maximum of nine (9) years. During the financial year, all the independent Directors of the Company have served the Board for less than nine (9) years. Hence, no shareholders' approval will be sought for this purpose at the Thirty Second (32nd) AGM.

REINFORCE INDEPENDENCE

In order to uphold independence of Independent Directors the Board has adopted the following procedures:

i) Annual assessment of independence

The Independent Directors must satisfy the test of an Independent Director as defined under Paragraph 1.01 of the Practice Note 13 of the Main Market Listing Requirements that he is independent of Management and free from any business or other relationship which could interfere the exercise of independent judgment or the ability to act in the best interest of the Group.

During the financial year, and from 1 July 2016 to date of approval of this statement on 21 October 2016, the Nomination Committee conducted the annual assessment of independence of the Independent Directors based on the test for Independent Directors as defined under Paragraph 1.01 of the Practice Note 13 of the Main Market Listing Requirements and applied the performance evaluation criteria and assessment forms or checklists as recommended in the Corporate Governance Guide and submitted the outcome of the assessment to the Board for evaluation. The Nomination Committee commented that the Independent Directors have exercised due care during their tenure as Independent Directors of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgment into the decision making of the Board in the best interest of the Company and its shareholders.

The Board was satisfied with the average rating indicating the level of independence demonstrated by each of the Independent Directors.

ii) Tenure of Independent Director

The Board has adopted the nine (9) years policy for Independent Directors in line with the Recommendations 3.2 and 3.3 of Code whereby, subject to the Board's justification and shareholders' approval, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years.

iii) Separation of position of the Chairman and Managing Director

The roles and responsibilities of the Chairman and Managing Director must be separated and the Chairman of the Board is an Independent Director.

During the financial year, the position of Chairman and Managing Director remained separated to ensure a balance of power and authority.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

iv) Composition of the Board

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

During the financial year, half of the members of the Board are Independent Directors.

The Board will ensure continuous compliance with the Main Market Listing Requirements.

BOARD COMMITTEES

Specific responsibilities have been delegated to the Board Committees namely Executive Council Committee, Audit Committee, Nomination Committee, Remuneration Committee and Risk Monitoring Committee, all of which have their terms of reference. Except for the Executive Council Committee, these committees do not have executive powers but have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the Board.

1. Executive Council Committee

The Executive Council ("Exco") Committee was established in 2012 to formalise the decision-making process for managing the Company's regular business activities.

During the financial year, the members comprised of the Managing Director and Executive Directors in the Group. Their scope of work has been reviewed and approved by the Board, and will continually be reviewed on a periodic basis. The Exco reports directly to the Board.

2. Audit Committee

Further details of the Audit Committee are set out on pages 27 to 31 of this Annual Report under the section of Report of the Audit Committee.

3. Nomination Committee

The Nomination Committee comprises exclusively of Independent Non-Executive Directors, one of whom presides as Chairman. The members of the Nomination Committee are:

- Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain - Chairman
- Dato' Ir Dr Abdul Rahim Bin Daud
- Chang Wei Ming

The salient Terms of Reference of the Nomination Committee can be viewed on the Company's corporate website.

The Committee is responsible to:

- (i) Recommend candidates for Directorships to be approved by the Board after assessing their suitability by considering their competencies, commitment and contribution;
- (ii) Recommend Directors to fill positions on Board's Committees;
- (iii) Assess the effectiveness of the Board as a whole;
- (iv) Assess the effectiveness of the Committees of the Board;
- (v) Assess the contribution of individual Directors; and
- (vi) Review the composition of the Board and Board Committees, and recommend the required mix of skills, experience, background, gender and other qualities the Board requires in order to function completely and efficiently.

During the financial year, and from 1 July 2016 to the date of approval of this statement on 21 October 2016, the Nomination Committee conducted two (2) meetings on 27 August 2015 and 25 August 2016. These meetings were attended by a majority of the members. At the meetings, the following reviews and assessments were performed by the Nomination Committee:

- i) reviewed the composition of the Board and Board Committees and mix of diversity (including gender, ethnicity and age);
- ii) assessed the performance of individual Directors and the Board as a whole as part of the Annual Assessment, which covered performance of the Board, Board Committee and individual Directors;
- iii) assess the fitness and propriety of the Directors, and Managing Director;
- iv) assess the independence of the Independent Directors;
- v) determined and assessed the performance of those Directors who would retire at the forthcoming AGM and make recommendation to the Board for their re-election;

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

- vi) assessed the fitness and propriety of Director who is over the age of seventy (70) years and make recommendation to the Board for re-appointment at the forthcoming AGM; and
- vii) reviewed the training needs of the Directors.

The Nomination Committee applied the performance evaluation criteria and assessment forms or checklists as recommended in the Corporate Governance Guide in conducting the annual assessments of Board and Board Committees and individual Directors, and assesses the independence of the Independent Directors.

The Nomination Committee reviewed the outcome of the annual assessments and the comments given by the members of the Board and Board Committees relating to Board improvement before submitting the outcome to the Board for adoption.

The Board is satisfied that each member of the Board and Board Committees is competent in discharging his/her duties and the Board has functioned efficiently and effectively during the financial year.

The outcome of these annual assessments was used as the basis of the Nomination Committee on its recommendation to the Board for re-election and re-appointment of Directors at the Thirty Second (32nd) AGM.

In evaluating the training needs of the Directors and Board Committees, the Nomination Committee identified the training, education and development needs of each Director based on the results of the annual assessments. Each Director may also identify and propose their training needs.

4. Remuneration Committee

The Remuneration Committee comprises mostly of Non-Executive Directors. The committee is chaired by a Non-Executive Director. Members of the Remuneration Committee are:

- Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain (Senior Independent Non-Executive Director) – Chairman
- Dato' Ir Dr Abdul Rahim Bin Daud (Independent Non-Executive Director)
- Dato' Tan Hock San @ Tan Hock Ming (Non-Independent Executive Director)

The salient Terms of Reference of the Remuneration Committee can be viewed on the Company's corporate website.

During the financial year ended 30 June 2016 and from 1 July 2016 to the date of approval of this statement on 21 October 2016, the Remuneration Committee conducted two (2) meetings on 27 August 2015 and 25 August 2016. These meetings were attended by all members. At the meeting, the Remuneration Committee reviewed the remuneration package of the Executive Directors and submitted their recommendation to the Board for approval. The criteria of assessment and details of the remuneration are described on pages 21 to 22 of this Annual Report.

5. Risk Monitoring Committee

The Risk Monitoring Committee comprises of management team for each business activity, Managing Director and Executive Directors, and is chaired by an Independent Non-Executive Director, Dato' Ir Dr Abdul Rahim Bin Daud.

Further details of the Risk Monitoring Committee are set out on pages 32 to 33 of this Annual Report.

DIRECTORS' TRAINING

All Directors have attended the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad. The Directors will continue to attend other relevant training programmes, seminars and conferences to enhance their knowledge and expertise, and keep abreast with developments on a continuous basis, in compliance with paragraph 15.08 of the Listing requirements of Bursa Malaysia Securities Berhad.

Details of the training programs attended by the Directors for the financial year are summarised below:

Training Title	Date	Duration
Financial Reports Electronic Submission Hub	8 Oct 2015	1 day
CG Breakfast Series : The Strategy, Leadership, Stakeholders and the Board	6 May 2016	1 day
New Auditor's Report – Sharing the UK Experience	13 Jan 2016	1 day

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

SECTION B: DIRECTORS' REMUNERATION

The Remuneration Committee assists the Board in setting the framework and benchmark values on compensations and benefits in line with market norms by taking into account comparable roles in similar organisations that may be similar in size, market sector or business complexity in order to attract and retain Directors with the calibre, relevant experience and expertise needed to run the Group successfully.

Executive Directors are remunerated based on the Group's performance and their contribution whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed.

Executive Directors play no part in the decisions made on their own remuneration. The determination of remuneration packages of Non-Executive Directors is a matter for the Board as a whole. An individual Director concerned does not participate in the discussion on his own remuneration.

Fees payable to Non-Executive Directors are recommended by the Board for approval of shareholders at the Annual General Meeting

The remuneration of the Directors comprises the following elements:

1. Fees

Fees payable to each Director is determined by the Board and subject to the approval of the shareholders of the Company.

2. Basic salary

The Managing Director and the Executive Directors draw monthly salaries based on the employment and service contract signed between each of them and the Company. The remuneration package set out in the service contracts have been determined based on the relevant experience and expertise of each Director, industry market rate and also their previous earnings in order to attract and retain them in the Company.

The service contract of the Managing Director and the other Executive Directors were approved by the Board.

3. Bonus scheme

The Group operates a non-contractual bonus scheme for all employees, including the Executive Directors. The criterion for the scheme is dependent on various performance measures set by the Group, together with an assessment of each individual's performance during the period.

4. Benefits-in-kind

Other customary benefits (such as private medical care, car, leave passage, etc.) are made available to Directors as appropriate.

5. Pension arrangements

The Group contributes to the Employee Provident Fund, the national mandatory defined contribution plan, in respect of all its employees including Executive Directors.

6. Service Contract

The Managing Director and Executive Directors have employment and service contracts with the Company.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

Details of the Directors' remuneration in the Company and the Group during the financial year are set out below:

i. Aggregate Remuneration - Company

Category of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Directors' fees	-	47,500	47,500
Directors' salaries	-	-	-
EPF on basic salary	-	-	-
Audit Committee fees	-	25,000	25,000
Benefits-in-kind	-	-	-
Other emoluments	-	-	-
TOTAL	-	72,500	72,500

ii. Analysis of Remuneration

Range of Remuneration	No. of Directors	
	Executive Directors	Non-Executive Directors
RM1 – RM50,000	-	3

There is no remuneration paid to the Executive Directors of the Company and its subsidiaries during the financial year ended 30 June 2016.

SECTION C: SHAREHOLDERS

INVESTOR RELATION AND SHAREHOLDER COMMUNICATION

Dialogue between the Company and Investors

The Board values the relationship between the Company and its shareholders, and endeavours to engage in dialogue with investors and stakeholders. The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group.

In addition to various announcements made during the year, the timely releases of financial results on a quarterly basis in line with Bursa Malaysia Securities Listing Requirements provide shareholders with an overview of the Group's performance and operations.

The Executive Directors and senior management may hold regular dialogues with institutional investors, fund managers, analysts and research houses. Price sensitive information about the Group is, however, not disclosed in these dialogues until after the announcement to Bursa Malaysia Securities Berhad has been made. Press conferences may be held for analysts, investors and newspapers to brief them of announcements relating to major corporate exercises and pertinent issues within the disclosure requirements of Bursa Malaysia Securities Berhad.

The Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and annual reports are sent out to shareholders at least twenty-one (21) days before the date of the meeting.

Besides the usual agenda for the Annual General Meeting, the Board presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All Directors present are available to provide responses to questions from the shareholders during these meetings.

For re-election of Directors, the Board ensures that full information is disclosed through the notice of meetings regarding Directors who were retiring and willing to serve if re-elected.

Items of special business included in the notice of the meeting are to be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

Leverage on Information Technology for Effective Dissemination of Information

Shareholders, potential investors and members of the public can obtain up-to-date information on the Group's various activities by accessing its website at www.fsbm.com.my. The website is equipped with an inquiry facility for shareholders or investors who may direct their queries through this facility and their queries will be attended to accordingly. There is a dedicated section for Corporate Governance on the Company's website where information such as the Code of Conduct, Board Charter, Whistleblowing Policy, Annual Reports and financial results are made available to the public. Under the Investor Relations section, analyst reports are also available on the website for the benefit of the investing public.

Shareholders may also convey any concerns regarding the Company to the following Senior Independent Non-Executive Director:

- Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain
Email : tansrizainul@fsbm.com.my

SECTION D: ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors have a responsibility to present a true and fair assessment of the Group's financial position and prospects in the quarterly reports to Bursa Malaysia Securities Berhad and the Annual Report to shareholders. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness.

Pursuant to Section 169 of the Companies Act, 1965, the Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of their results and cash flows for the period then ended.

The Board of Directors considers that in preparing the financial statements for the financial year ended 30 June 2016, the Group and the Company have:

- complied with the applicable financial reporting standards in Malaysia and the provisions of the Companies Act, 1965;
- selected and consistently applied the suitable and appropriate accounting policies; and
- made estimates and judgments which are reasonable and prudent.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company to enable them to ensure that the financial statements comply with the provisions of the Act. The Board of Directors is also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges and is committed to its responsibility for the Group's risk management framework and internal control systems. These are components of the strong foundation for sound corporate governance. The system of internal control, designed to manage risk and increase the likelihood of achieving the Group's goals, encompasses controls including those of a financial, operations, environmental and compliance nature. The risk management framework identifies, assesses and responds to risks within the Group.

The Risk Monitoring Committee is to assist the Board in identifying and assessing the risk and control measures within the Group.

The Audit Committee, in addition to the duties and responsibilities set under its terms of reference, acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control. The members, composition and terms of reference of the Audit Committee are laid down at the Report of the Audit Committee.

It should be noted, however, that such systems are designed to minimise and manage the risk of failure to achieve business objectives.

Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control.

Relationship with Auditors

The Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the appropriate accounting standards. The role of the Audit Committee in relation to the External Auditors is stated in the Report of the Audit Committee.

This statement is made in accordance with a resolution of the Board of Directors dated 21 October 2016.

ADDITIONAL INFORMATION

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

1. Utilisation of Proceeds

During the financial year ended 30 June 2016, and from 1 July 2016 to the approval of this statement on 21 October 2016, the Company has undertaken a private placement comprising the issuance of up to 12,656,700 new ordinary shares of RM0.05 each ("Placement Shares"), representing not more than ten (10) per centum of the issued share capital of the Company.

On 12 October 2016, the Company had issued 6,356,700 Placement Shares pursuant to the Private Placement proposal approved by Bursa Securities on 5 October 2016 for listing of and quotation of the Placement Shares and the mandates granted to the Directors at the last Annual General Meeting of the Company held on 22 December 2015. The gross proceeds raised during the period was RM1,271,340 and its status of utilisation as at the latest practical date are as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation (from listing date)
Working capital	1,196	288	Within 12 months
Expenses for the private placement	75	45	Within 1 month
Total gross proceeds	1,271	333	

2. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 30 June 2016 by the External Auditors for review of Internal Control Statement amounted to RM5,000.

3. Revaluation Policy on Investment Properties

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

4. List of Properties

There is no property held by the Company during the financial year ended 30 June 2016.

5. Recurrent Related Party Transactions of a Revenue or Trading Nature

During the financial year ended 30 June 2016, the Company did not enter into recurrent related party transactions of a revenue or trading nature.

6. Material Litigation

FSBM Holdings Berhad ("FSBM") vs Technitium Sdn Bhd ("TSB")

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

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

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

FSBM CTech Sdn Bhd ("FSBM CTech") vs TSB

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

ADDITIONAL INFORMATION

CONT'D

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

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

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

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

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

FSBM and FSBM CTech against individuals and TSB

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

The Court has fixed 17 November 2016 for decision.

FSBM CTech against University of Malaya (University Malaya Medical Centre) ("UMMC")

In addition, there is a legal claim brought by the Group against UMMC, a debtor of TSB for the outstanding due and owing to TSB.

FSBM CTech had on 5 November 2015 served a Writ of Summon to UMMC as first defendant and TSB as second defendant for the recovery of RM 10,370,791.94.

The case managements were held on 23 November 2015, and 24 February, 16 May and 29 June 2016. The Hearing was held on 18 July 2016.

UMMC had filed the application to strike out the claim, however on 17 August 2016 the Court had dismissed their application with costs of RM3,000.00. The Court has heard FSBM CTech's Application to shift and join TSB as Co-Plaintiff in this suit on 20 September 2016. UMMC has applied to Court to stay the amendment by FSBM CTech on the basis that UMMC is appealing against the Court's decision to strike out the suit. The Court has approved UMMC's application for stay, and Case Management has been set on 7 November 2016 .

The Group will pursue diligently the recovery of the debt to its end against the defendants. The Group will continue to make relevant announcements on Bursa Malaysia to inform shareholders and stakeholders on the developments.

7. Material contracts

- (i) On 30 December 2010, the company entered into a Sale and Purchase Agreement ("SPA") with OSK Trustees Berhad ("OSK Trustee") being the trustee for Axis Real Estate Investment Trust ("Axis REIT"), wherein FSBM shall sell and Axis REIT shall purchase a piece of freehold land held under Geran 207772, Lot 23570, Mukim of Dengkil, District of Sepang, Selangor Darul Ehsan with a four (4)-storey office building together with a lower ground floor, a basement car park and a lower roof floor erected on the aforementioned freehold land formerly known as FSBM Plaza for a total cash consideration of RM51.25 million.
- (ii) Alongside the aforementioned SPA, the Company entered into two (2) Lease Agreements dated 21 June 2011 and 8 July 2011, in respect of the area occupied by FSBM and vacant premises accordingly, for a lease term of six (6) years commencing 19 April 2011 and ending on 18 April 2017.

No other material contracts were entered into by the Company and its subsidiaries involving Directors and major shareholders' interest.

CORPORATE SOCIAL RESPONSIBILITY

We acknowledge that our success is not measured solely by our financial performance, but in entirety by our accomplishments as a Group throughout the facets of the communities in which we operate.

Therefore, FSBM is committed to social responsibility. We seek to pursue economic progress, support social development and address environmental concerns to improve and sustain the quality of life for future generations.

CARING FOR THE ENVIRONMENT AND COMMUNITY

We demonstrate our commitment to social responsibility specifically through our Core Activities, in hope that the impact of our projects extends beyond our scope to enrich the lives of the community directly and indirectly. On a smaller scale, we seek to look after the welfare of our employees, shareholders and the local communities. We develop strong ties with the communities in which we live and work, and focus to help propel the nation forward.

WORKPLACE

We strive to create a rewarding working environment here in FSBM, advocating equal opportunities, mutual respect and provision of fair and equitable employment terms regardless of age gender, ethnicity or creed.

At FSBM, we always maintain strong core values such as progress and integrity. Our actions—the actions of all employees—are governed by our Vision, Mission and Values. These core values govern our conduct throughout the entire company—one that is reinforced consistently at all levels.

MARKETPLACE

FSBM upholds high standards of corporate governance which are critical to the business integrity and to maintaining investors' trust in the Company. It has always ensured that the Group is managed with integrity, accountability and transparency.

REPORT OF AUDIT COMMITTEE

The Board of Directors is pleased to present the Report of the Audit Committee for the financial year ended 30 June 2016.

The Board is required by law to ensure that the financial statements of the Company present a true and fair view of the state of affairs of the Company and that they are prepared in accordance with applicable approved accounting standards. The Board may delegate, but not abdicate, its responsibility to the Audit Committee.

COMPOSITION OF MEMBERS

During the financial year under review, the Audit Committee comprises exclusively of Independent Non-Executive Directors, one of whom presides as Chairman. This meets the requirements of paragraph 15.09(1)(a) and of the Main Market Listing Requirements. The members of the Audit committee are:

- Mr Chang Wei Ming (Chairman)
- Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain
- Dato' Ir Dr Abdul Rahim Bin Daud

The Chairman of the Audit Committee, Mr Chang Wei Ming, is a member of the associations of accountants as specified in Part II of the First Schedule of the Accountants Act 1967. Accordingly, this complies with paragraph 15.09(1)(c) of the Main Market Listing Requirements.

AUTHORITY

The Audit Committee is authorised by the Board to independently investigate any activity within its Terms of Reference and shall have unrestricted access to information pertaining to the Group, from the internal and external auditors, Management and all employees. The Terms of Reference of the Audit Committee can be viewed on the Company's corporate website.

KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

Audit Committee should assume four (4) fundamental responsibilities:

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

The Board has reviewed and assessed the performance of the Audit Committee and is satisfied that the Audit Committee has discharged its function, duties and responsibilities effectively in accordance with its Terms of Reference.

MEETING

During the financial year ended 30 June 2016, the Audit Committee held five (5) meetings, and two (2) meetings were held during the period from 1 July 2016 to the date of approval of this Report on 21 October 2016.

Member	No. Of Meetings Held / No. Of Meetings Attended
Mr Chang Wei Ming	7/7
Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain	7/7
Dato' Ir Dr Abdul Rahim Bin Daud	7/7

The Audit Committee meetings were held without the presence of other Directors, Management and employees, except when the Audit Committee requested their attendance. The Company Secretary was in attendance at all the meetings. Relevant notice, agenda, information and supporting documents were targeted to be circulated to the Audit Committee members at least 7 days prior to the meeting so as to provide the Audit Committee members with relevant and timely information to enable the Audit Committee members to review and analyse the subject matters for effective and meaningful discussions during the meeting.

REPORT OF AUDIT COMMITTEE

CONT'D

The Managing Director was invited to some of the meetings to provide clarification on audit issues and the Group's operations to facilitate direct communication and discussion. The responsible Executive Director was invited to present the quarterly financial statements and report any related party transaction and conflict of interest of situation that may rise within the Company or its Group. Apart from that, the lead audit engagement partner of the External Auditors was invited to the quarterly meetings to conduct a limited review of the quarterly financial statements to ensure the reliability of the quarterly financial statements and compliance with the applicable Financial Reporting Standards, and to present Audited Financial Statements at the specific meeting. The Internal Auditors were invited to present Internal Audit Reports. On appropriate occasions, the lawyers representing the Group were invited to brief and advise the Audit Committee on legal matters and the status of legal suits.

The minutes recording the matters reviewed and deliberation of the Audit Committee were tabled for confirmation at the next following Audit Committee meeting before disseminating to the Board.

The Audit Committee Chairman presented to the Board the Audit Committee's Report consisting recommendations and significant concerns.

SUMMARY OF ACTIVITIES

The Audit Committee's activities during the financial year ended 30 June 2016, and from 1 July 2016 to the approval of this Report on 21 October 2016 comprised the following:

1. Financial Reporting

a. Review of quarterly financial statements

The Audit Committee reviewed the quarterly financial statements for four (4) quarters ended 30 June 2016; the first (1st), second (2nd), third (3rd) and fourth (4th) quarters of the financial year ended 30 June 2016 at the Audit Committee meetings held on 26 November 2015, 22 February 2016, 25 May 2016 and 25 August 2016.

The Audit Committee reviewed the quarterly financial statements prior to approval by the Board, focusing particularly on:

- Changes in or implementation of major accounting policy;
- Significant and unusual events; and
- Compliance with accounting standards and other legal requirements.

The lead audit engagement partner of the External Auditors is invited to conduct a limited review of the quarterly financial statements to ensure the reliability of the quarterly financial statements and compliance with the applicable Financial Reporting Standards. The External Auditors are satisfied that the quarterly financial statements were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting and paragraph 9.22, including appendix 9B of the Main Market Listing Requirements.

Good corporate governance recommends private discussion to be held at least twice a year to encourage exchange of free and honest views and opinion between the Audit Committee members and the External Auditors.

The Audit Committee held a private session with the External Auditors during its Audit Committee meeting held on 25 May 2016 to discuss some significant areas of concern relating to impairment of inventories, recoverability of long outstanding debts and legal suits. The External Auditors were satisfied with the co-operation rendered by the Management thus far. Following the private session, the Audit Committee Chairman conveyed to the Management of those pertinent issues raised at the private session for their further action.

b. Audited Financial Statements

On 27 October 2015, a specific meeting was held to review the Audited Financial Statements for the financial year ended 30 June 2015. A private discussion with the External Auditors was held without the presence of Executive members. The discussion emphasized on the impact of the long outstanding debts and legal suit to the Auditors' Report.

On 21 October 2016, a specific meeting was held to review the Audited Financial Statements for the financial year ended 30 June 2016. A private discussion with the External Auditors was held without the presence of Executive members at the specific meeting.

REPORT OF AUDIT COMMITTEE

CONT'D

c. Recommendation presented to the Board

The Audit Committee's recommendation were presented for approval at the Board meeting.

2. External Auditors

a. 2016 Audit Plan

On 25 May 2016, the Audit Committee reviewed the Audit Plan of the External Auditors for the financial year ending 30 June 2016, outlining the audit scope, audit process and areas of emphasis, and the proposed audit fees for the statutory audit together with assurance-related fees for limited review of quarterly financial statements and review of the Statement of Risk Management and Internal Control. The External Auditors confirmed that in relation to their audit of the financial statements of the Company ended 30 June 2016, they were and had been independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

The Audit Committee adopted the 2016 Audit Plan.

b. Audit and Non-Audit Fees

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

At the Audit Committee meeting held on 21 October 2016, the Audit Committee recommended to the Board for approval of the audit fee of RM60,000 and total non-audit fee of RM5,000 in respect of the financial year ended 30 June 2016.

The Board at its meeting held on 21 October 2016, approved the audit fees and non-audit fees based on the recommendation of the Audit Committee.

c. Re-appointment of External Auditors

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

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

The Audit Committee was satisfied with the suitability and independence of Messrs. Ernst & Young as External Auditors of the Company and the Group.

In accordance with the By-laws of the Malaysian Institute of Accountants, Messrs. Ernst & Young rotates its engagement partner once every five (5) years to ensure objectivity, independence and integrity of the audit opinions. The current lead audit engagement partner of the Group is due for rotation and he will be replaced with another engagement partner for the ensuing financial year.

At the Audit Committee meeting held on 21 October 2016, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs. Ernst & Young as External Auditors of the Group for the financial year ending 30 June 2017.

The Board at its meeting held on 21 October 2016, approved the Audit Committee's recommendation to appoint Messrs. Ernst & Young, subject to the shareholders' approval to be sought at the forthcoming Thirty Second (32nd) Annual General Meeting.

REPORT OF AUDIT COMMITTEE

CONT'D

3. Internal Audit

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

At the Audit Committee meeting held on 27 October 2015, the Internal Report on the Finance Department – Internal Audit and Functions and Processes was presented to the Audit Committee for review.

The purpose of the internal audit was to assess the internal control over the procedures on the preparation of the Financial Statements for the fifth (5th) and sixth (6th) quarter of the financial year ended 31 March and 30 June 2015 respectively.

At the Audit Committee meeting held on 21 October 2016, the Internal Report on the Finance Department – Internal Audit and Functions and Processes was presented to the Audit Committee for review.

The purpose of the internal audit which was commenced on 26 July 2016 was to assess the internal control over the period of July 2015 - June 2016 on the Petty Cash management of the Group, specifically on the Deposits, Disbursements and Concentration. There were no major issues highlighted by the Internal Auditors. The Management acknowledged the recommendation to further enhance the Group's Finance team for better management and internal control.

Statement on Internal Control and Risk Management

At the Audit Committee meeting held on 21 October 2016, the Audit Committee reviewed the Statement on Internal Control and Risk Management for publication in the 2016 Annual Report.

4. Review of related party transaction and conflict of interest

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

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

As such, the Audit Committee must ensure:

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

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

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

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

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

During the financial year ended 30 June 2016, and from 1 July 2016 to the date of approval of this Report on 21 October 2016, the Audit Committee reviewed the outstanding related party receivables. Other than that, there were no related party transaction and conflict of interest situation reported.

REPORT OF AUDIT COMMITTEE

CONT'D

INTERNAL AUDIT FUNCTION

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

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

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

The cost incurred for internal audit function for the financial year ended 30 June 2016 was below RM5,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

REPONSIBILITY

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

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

RISK MANAGEMENT

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

The significant business risks faced by the business units and key issues pertaining to operational and external environment are discussed regularly at the Exco meetings.

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

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

INTERNAL CONTROL

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

(a) Limits of authority and responsibility

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

(b) Written policies and procedures

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

(c) Planning, monitoring and reporting

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

(d) Human Resource

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

INTERNAL AUDIT FUNCTION

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

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

REVIEW OF THE STATEMENT BY EXTERNAL DIRECTORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 30 June 2016 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of internal control of the Group.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2016

Authorised Share capital	: 1,999,980,000 ordinary shares of RM0.05 each
Issued and Fully Paid-up Share Capital	: 126,567,060 ordinary shares of RM0.05 each (excluding a total of 1,090,700 ordinary shares bought back by the Company and retained as Treasury Shares)
Classes of Shares	: Ordinary Shares of RM0.05 each
Voting Rights	: One vote per ordinary share (on poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of shares	%
1 to 99	2	0.18	100	0.00
100 to 1,000	234	21.27	189,738	0.15
1,001 to 10,000	592	53.82	2,573,262	2.03
10,001 to 100,000	216	19.64	6,745,500	5.33
100,001 to below 5%	51	4.64	39,221,460	30.99
5% and above	5	0.45	77,837,000	61.50
TOTAL :	1,119	100.00	126,567,060	100.00

SUBSTANTIAL SHAREHOLDERS (Direct & Indirect) (as per Register of Substantial Shareholders)

No.	Name of Substantial Shareholders	Direct interest	%	Indirect interest	%
1.	Chew Weng Yew	31,574,200	24.95	-	-
2.	Sanyee Holdings Sdn Bhd	25,290,000	19.98	-	-
3.	General Technology Sdn Bhd	13,692,800	10.82	-	-
4.	Sanyee Corporation Sdn Bhd	12,570,000	9.93	-	-
5.	Dato' Tan Hock San @ Tan Hock Ming	6,924,400	5.47	38,456,200 ¹	30.37
6.	Tan Wan Phing	491,200	0.39	37,860,000 ²	29.91
7.	Tan Wan Yen	440,400	0.35	37,860,000 ²	29.91
8.	Tan Ee Ern	304,000	0.24	37,860,000 ²	29.91
9.	Phang Hong Yee	105,000	0.08	37,860,000 ²	29.91

¹ Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of Section 6A of the Companies Act, 1965.

² Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS (Direct & Indirect) (as per Register of Directors' Shareholdings)

No. of ordinary shares of RM0.05 each beneficially held by the Directors

Name of Directors	Direct interest	%	Indirect interest	%
Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain	8,200	0.01	-	-
Dato' Tan Hock San @ Tan Hock Ming	6,924,400	5.47	38,456,200 ¹	30.37
Dato' Ir. Dr. Abdul Rahim Bin Daud	24,500	0.02	-	-
Chang Wei Ming	-	-	-	-
Tan Ee Ern	304,000	0.24	37,860,000 ²	29.91
Tan Wan Yen	440,400	0.35	37,860,000 ²	29.91

¹ Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter.

² Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2016

CONT'D

TOP THIRTY SHAREHOLDERS

No.	Name of Shareholders	No. of shares	%
1.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sanyee Holdings Sdn Bhd)	20,000,000	15.80
2.	Chew Weng Yew	18,574,200	14.68
3.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for General Technology Sdn Bhd)	13,692,800	10.82
4.	Chew Weng Yew	13,000,000	10.27
5.	Sanyee Corporation Sdn Bhd	12,570,000	9.93
6.	Sanyee Holdings Sdn Bhd	5,290,000	4.18
7.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Hock San @Tan Hock Ming)	5,210,000	4.12
8.	Eng Soh Chng (Eric)	3,785,300	2.99
9.	Leong Chooi May	3,195,700	2.52
10.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB Bank for Kok Pow Peng @ Kok Poh Ping)	2,428,760	1.92
11.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Exempt AN for UOB Kay Hian Pte Ltd)	1,860,000	1.47
12.	Tan Hock San @ Tan Hock Ming	1,714,400	1.35
13.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH))	1,487,200	1.17
14.	KAF Trustee Berhad (KIFB for Yayasan Selangor)	1,200,000	0.95
15.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Lee Kau)	959,000	0.76
16.	Leisure Link Sdn Bhd	674,200	0.53
17.	Tee Yeow	660,000	0.52
18.	Sharon Ng Mew Ying	612,600	0.48
19.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ng Tian Sang @ Ng Kek Chuan)	590,500	0.47
20.	Yong Kwee Len	583,000	0.46
21.	Ong Wei Yeang	554,800	0.44
22.	Thian Huey Ching	528,000	0.42
23.	Citigroup Nominees (Asing) Sdn Bhd (Exempt AN for UBS AG Hong Kong)	527,800	0.42
24.	Tan Wan Phing	491,200	0.39
25.	Tan Wan Yen	440,400	0.35
26.	Sharon Ng Mew Ying	420,000	0.33
27.	Lawrence Chin	403,000	0.32
28.	Kimara Nominees (Tempatan) Sdn Bhd As beneficial owner	402,100	0.32
29.	Goh Ling Ping	382,600	0.30
30.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chew Pok Oi)	338,800	0.27
TOTAL		112,576,360	88.95

ANALYSIS OF WARRANT HOLDINGS

AS AT 20 SEPTEMBER 2016

Number of outstanding warrants	: 50,782,530	Pursuant to the Rights Issue with Warrants on the basis of one (1) free Warrant for every one (1) Rights Share subscribed
Exercise price per warrant	: RM0.30 per warrant	
Exercise period of warrants	: Period of ten (10) years expiring on 16 May 2022	
Voting Rights	: None unless warrant holders exercise their warrants for new ordinary shares	

DISTRIBUTION OF WARRANT HOLDINGS

	Holders	(%)	Warrants	(%)
Less Than 100	2	0.60	100	0.00
100 to 1,000	87	25.97	48,800	0.10
1,001 to 10,000	122	36.42	630,500	1.24
10,001 to 100,000	90	26.86	3,469,400	6.83
100,001 to below 5%	29	8.66	9,484,300	18.68
5% and above	5	1.49	37,149,430	73.15
TOTAL	335	100.00	50,782,530	100.00

DIRECTORS WARRANT HOLDINGS (Direct & Indirect) (as per Register of Directors' Warrant Holdings)

Name of Directors	Direct interest	%	Indirect Interest	%
Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain	8,200	0.02	-	-
Dato' Tan Hock San @ Tan Hock Ming	4,200	0.01	12,028,600 ¹	23.68
Dato' Ir. Dr. Abdul Rahim Bin Daud	24,500	0.05	-	-
Chang Wei Ming	-	-	-	-
Tan Ee Ern	7,000	0.01	11,778,000 ²	23.19
Tan Wan Yen	5,700	0.01	11,778,000 ²	23.19

¹ Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of Section 6A of the Companies Act, 1965.

² Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

ANALYSIS OF WARRANT HOLDINGS

AS AT 20 SEPTEMBER 2016

CONT'D

TOP THIRTY WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	%
1.	Chew Weng Yew	15,082,570	29.70
2.	Sanyee Holdings Sdn Bhd	8,648,000	17.03
3.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for General Technology Sdn Bhd)	5,840,300	11.50
4.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for Kok Pow Peng @ Kok Poh Ping)	4,448,560	8.76
5.	Sanyee Corporation Sdn Bhd	3,130,000	6.16
6.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yong Loong Chen)	1,298,600	2.56
7.	Tan Lee Kau	749,800	1.48
8.	Tan Yu Wei	650,000	1.28
9.	Yo Kok Kong @ Yue Kok Kong	600,000	1.18
10.	Leisure Link Sdn Bhd	464,200	0.91
11.	Chang Sow Fong	418,000	0.82
12.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Eng Min)	361,200	0.71
13.	Boon Kim Yu	348,400	0.69
14.	Yong Loong Chen	340,000	0.67
15.	Tee Yeow	330,000	0.65
16.	Sharon Ng Mew Ying	301,800	0.59
17.	Eng Soh Chng (Eric)	284,900	0.56
18.	Yong Kwee Len	271,700	0.54
19.	Leow Kuan Shu	254,000	0.50
20.	Chan Yoke Chin	250,000	0.49
21.	Ng Chiew Peng	250,000	0.49
22.	Tan Wan Phing	245,600	0.48
23.	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Aw Khoon Lee)	241,000	0.47
24.	Gan Keng Eak	227,100	0.45
25.	Sharon Ng Mew Ying	210,000	0.41
26.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Cheah Yin Leng)	200,000	0.39
27.	Goh Ling Ping	191,300	0.38
28.	Tan Wah Kiong	185,900	0.37
29.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chew Pok Oi)	169,400	0.33
30.	Jurutama Holdings Sdn Bhd (Pledged Securities Account For chew Pok Oi)	159,200	0.31
TOTAL		46,151,530	90.86

FINANCIAL CONTENTS

39	Directors' Report
45	Statement by Directors
45	Statutory Declaration
46	Independent Auditors' Report
50	Statements of Comprehensive Income
51	Statements of Financial Position
53	Statements of Changes in Equity
56	Statements of Cash Flows
58	Notes to the Financial Statements
113	Supplementary Information

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

Principal activities

The principal activities of the Company consist of distribution of computers, computers related products, education related products, provision of related services and investment holding. The principal activities of the subsidiaries are described in Note 17 to the financial statements.

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

Results

	Group RM'000	Company RM'000
Loss net of tax	<u>(4,805)</u>	<u>(6,731)</u>
Loss attributable to:		
Owners of the parent	(4,781)	(6,731)
Non-controlling interest	<u>(24)</u>	<u>-</u>
	<u>(4,805)</u>	<u>(6,731)</u>

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

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

Dividends

No dividend has been declared or paid by the Company since the end of the previous financial period. The directors do not recommend the payment of any dividend for the current financial year.

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Seri Dr Haji Zainul Ariff bin Haji Hussain
Dato' Tan Hock San @ Tan Hock Ming
Dato' Ir Dr Abdul Rahim bin Daud
Chang Wei Ming
Tan Ee Ern
Tan Wan Yen

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

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 were as follows:

	Number of ordinary shares of RM0.05 each			30.06.2016
	1.7.2015	Bought	Sold	
Direct interest:				
Tan Sri Dato' Seri Dr Haji Zainul Ariff bin Haji Hussain	8,200	-	-	8,200
Dato' Tan Hock San @ Tan Hock Ming	6,908,400	15,000	-	6,923,400
Dato' Ir Dr Abdul Rahim bin Daud	24,500	-	-	24,500
Tan Ee Ern	304,000	-	-	304,000
Tan Wan Yen	416,400	24,000	-	440,400

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Directors' interests (continued)

	Number of ordinary shares of RM0.05 each			
	1.7.2015	Bought	Sold	30.06.2016
Indirect interest*:				
Dato' Tan Hock San @ Tan Hock Ming	38,456,200	-	-	38,456,200
Tan Ee Ern	37,860,000	-	-	37,860,000
Tan Wan Yen	37,860,000	-	-	37,860,000
	Number of warrants			
	1.7.2015	Bought	Sold	30.06.2016
Direct interest:				
Tan Sri Dato' Seri Dr Haji Zainul Ariff bin Haji Hussain	8,200	-	-	8,200
Dato' Tan Hock San @ Tan Hock Ming	4,200	-	-	4,200
Dato' Ir Dr Abdul Rahim bin Daud	24,500	-	-	24,500
Tan Ee Ern	7,000	-	-	7,000
Tan Wan Yen	5,700	-	-	5,700
Indirect interest*:				
Dato' Tan Hock San @ Tan Hock Ming	12,028,600	-	-	12,028,600
Tan Ee Ern	11,778,000	-	-	11,778,000
Tan Wan Yen	11,778,000	-	-	11,778,000

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

Dato' Tan Hock San @ Tan Hock Ming, Tan Ee Ern and Tan Wan Yen by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

The other director in office at the end of the financial year did not have any interests in ordinary shares or warrants in the Company during the financial year.

Par value reduction

During the financial year, the Company reduced its issued and paid-up share capital by cancelling RM0.25 of the par value of every existing share pursuant to Section 64 of the Act. Accordingly, the par value of the issued and paid up ordinary share capital reduced from RM0.30 each to RM0.05 each.

115609-U

FSBM Holdings Berhad (Incorporated in Malaysia)

Warrants

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

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

The movement in the Company's unissued number of shares under warrants during the financial year is as follows:

	Number of warrants of RM0.05 each			30.06.2016
	1.7.2015	Issued	Exercised	
Number of unissued shares under warrants	50,782,530	-	-	50,782,530

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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.

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

Other statutory information (continued)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial period in which this report is made.

Subsequent event

On 9 September 2016, the Company proposed private placement of up to 12,656,700 new ordinary shares of RM0.05 each representing approximately 10% of the existing issued and paid-up share capital of the Company to investors. Details of the significant event subsequent to the end of the financial year are disclosed in Note 34 to financial statements.

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with the approval of the Board of Directors on 26 October 2016.

Dato' Tan Hock San @ Tan Hock Ming

Tan Ee Ern

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

**Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965**

We, Dato' Tan Hock San @ Tan Hock Ming and Tan Ee Ern, being two of the directors of FSBM Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 12 to 74 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 37 to the financial statements on page 75 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with the approval of the Board of Directors on 26 October 2016.

Dato' Tan Hock San @ Tan Hock Ming

Tan Ee Ern

**Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965**

I, Chang Sow Chuan, being the officer primarily responsible for the financial management of FSBM Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 75 are in my opinion 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 Chang Sow Chuan
at Petaling Jaya in the State of Selangor
on 26 October 2016.

Chang Sow Chuan

Before me,
Raymond Cha Kar Siang
Commissioner for Oaths

115609-U

**Independent auditors' report to the members of
FSBM Holdings Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of FSBM Holdings Berhad, which comprise statements of financial position as at 30 June 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 74.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International 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.

115609-U

**Independent auditors' report to the members of
FSBM Holdings Berhad (continued)
(Incorporated in Malaysia)**

Report on the financial statements (continued)

Auditors' responsibility (continued)

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.

Basis of qualified opinion

As disclosed in Note 20 to the financial statements, included in trade and other receivables of the Group and the Company are amounts due from Technitium Sdn. Bhd. of RM7,611,000 (2015: RM7,611,000) and RM1,047,000 (2015: RM1,047,000) respectively. The directors have commenced certain debt recovery legal proceedings and are of the view that the carrying amounts are recoverable. However, the outcome of the various debt recovery legal proceedings cannot be ascertained as at the date of this report, particularly as to the timing and amount of any eventual settlement. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the above carrying amounts in accordance with MFRS 139: Financial Instruments: Recognition and Measurement and whether any adjustments to these amounts were necessary.

115609-U

**Independent auditors' report to the members of
FSBM Holdings Berhad (continued)
(Incorporated in Malaysia)**

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International 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 ("the Act") in Malaysia, we also report the following:

- (a) In our opinion, except for the matter as described in the Basis of Qualified Opinion paragraph, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act, except as disclosed in Note 17 to the financial statements.

115609-U

**Independent auditors' report to the members of
FSBM Holdings Berhad (continued)
(Incorporated in Malaysia)**

Other reporting responsibilities

The supplementary information set out in Note 37 on page 75 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.

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
2187/09/17(J)
Chartered Accountant

Melaka, Malaysia
Date: 26 October 2016

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 30 June 2016

	Note	Group		Company	
		1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Revenue	8	4,633	6,061	81	135
Cost of sales	9	(4,174)	(5,682)	-	-
Gross profit		459	379	81	135
Other income	10	975	520	1,251	147
Other items of expense					
Administrative expenses		(147)	(3,704)	(118)	(2,067)
Selling and marketing expenses		(9)	(73)	(9)	(22)
Other expenses		(6,083)	(6,798)	(7,936)	(3,879)
Loss before tax	11	(4,805)	(9,676)	(6,731)	(5,686)
Income tax (expense)/benefit	14	-	(4)	-	2
Loss net of tax		(4,805)	(9,680)	(6,731)	(5,684)
Other comprehensive income to be reclassified to profit or loss in subsequent periods net of tax:					
Foreign currency translation		(379)	(677)	-	-
Total comprehensive loss for the year/period		(5,184)	(10,357)	(6,731)	(5,684)
Loss attributable to:					
Owners of the parent		(4,781)	(9,751)	(6,731)	(5,684)
Non-controlling interest		(24)	71	-	-
		(4,805)	(9,680)	(6,731)	(5,684)
Total comprehensive loss attributable to:					
Owners of the parent		(5,162)	(10,271)		
Non-controlling interest		(22)	(86)		
		(5,184)	(10,357)		
Loss per share attributable to owners of the parent (sen per share):					
Basic and diluted	15	(3.75)	(7.64)		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2016

		Group		Company	
	Note	30.6.2016	30.6.2015	30.6.2016	30.6.2015
		RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	16	67	115	24	62
Investments in subsidiaries	17	-	-	4,157	6,565
Other investments	18	251	335	251	335
		<u>318</u>	<u>450</u>	<u>4,432</u>	<u>6,962</u>
Current assets					
Inventories	19	-	3,200	-	3,200
Trade and other receivables	20	12,931	13,159	4,409	3,984
Other current assets	21	24	1	23	1
Marketable securities	22	286	626	-	-
Tax recoverable		41	33	3	3
Cash and bank balances	23	325	2,061	288	2,023
		<u>13,607</u>	<u>19,080</u>	<u>4,723</u>	<u>9,211</u>
Total assets		<u>13,925</u>	<u>19,530</u>	<u>9,155</u>	<u>16,173</u>
Equity and liabilities					
Current liabilities					
Trade and other payables	24	<u>8,407</u>	<u>8,828</u>	<u>13,896</u>	<u>14,183</u>
Net current assets/(liabilities)		<u>5,200</u>	<u>10,252</u>	<u>(9,173)</u>	<u>(4,972)</u>
Non-current liabilities					
Deferred tax liabilities	25	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>8,407</u>	<u>8,828</u>	<u>13,896</u>	<u>14,183</u>
Net assets/(liabilities)		<u>5,518</u>	<u>10,702</u>	<u>(4,741)</u>	<u>1,990</u>

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2016 (continued)

		Group		Company	
	Note	30.6.2016	30.6.2015	30.6.2016	30.6.2015
		RM'000	RM'000	RM'000	RM'000
Equity attributable to owners of the parent					
Share capital	26	6,383	38,297	6,383	38,297
Share premium	26	759	759	759	759
Treasury shares	26	(712)	(712)	(712)	(712)
Accumulated losses		(4,158)	(31,291)	(15,796)	(40,979)
Other reserves	27	3,726	4,107	4,625	4,625
Shareholders' equity		5,998	11,160	(4,741)	1,990
Non-controlling interest		(480)	(458)	-	-
Total equity		5,518	10,702	(4,741)	1,990
Total equity and liabilities		13,925	19,530	9,155	16,173

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 30 June 2016

	----- Non-distributable -----					Equity attributable to owners of the parent, total RM'000	Non- controlling interest RM'000	Equity, total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated losses RM'000			
30.6.2016								
Group								
Opening balance at 1 July 2015	38,297	759	(712)	4,107	(31,291)	11,160	(458)	10,702
Transaction with owners Capital reduction	(31,914)	-	-	-	31,914	-	-	-
Total comprehensive loss	-	-	-	(381)	(4,781)	(5,162)	(22)	(5,184)
Closing balance at 30 June 2016	6,383	759	(712)	3,726	(4,158)	5,998	(480)	5,518

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 30 June 2016 (continued)

	----- Non-distributable -----					Equity attributable to owners of the parent, total RM'000	Non- controlling interest RM'000	Equity, total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated losses RM'000			
30.6.2015								
Group								
Opening balance at 1 January 2014	35,797	-	(712)	5,386	(21,540)	18,931	(372)	18,559
Transaction with owners								
Issuance of ordinary shares	2,500	759	-	(759)	-	2,500	-	2,500
- Conversion of warrants	-	-	-	(520)	(9,751)	(10,271)	(86)	(10,357)
Total comprehensive loss								
Closing balance at 30 June 2015	38,297	759	(712)	4,107	(31,291)	11,160	(458)	10,702

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 30 June 2016 (continued)

	----- Non-distributable -----				Accumulated losses RM'000	Equity, total RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000		
30.6.2016						
Company						
Opening balance at 1 July 2015	38,297	759	(712)	4,625	(40,979)	1,990
Transaction with owners						
Capital reduction	(31,914)	-	-	-	31,914	-
Total comprehensive loss	-	-	-	-	(6,731)	(6,731)
Closing balance at 30 June 2016	<u>6,383</u>	<u>759</u>	<u>(712)</u>	<u>4,625</u>	<u>(15,796)</u>	<u>(4,741)</u>
30.6.2015						
Opening balance at 1 January 2014	35,797	-	(712)	5,384	(35,295)	5,174
Transaction with owners						
Issuance of ordinary shares - Conversion of warrants	2,500	759	-	(759)	-	2,500
Total comprehensive loss	-	-	-	-	(5,684)	(5,684)
Closing balance at 30 June 2015	<u>38,297</u>	<u>759</u>	<u>(712)</u>	<u>4,625</u>	<u>(40,979)</u>	<u>1,990</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

**Statements of cash flows
For the financial year ended 30 June 2016**

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Operating activities				
Loss before tax	(4,805)	(9,676)	(6,731)	(5,686)
<u>Adjustments for:</u>				
Intangible assets written off	-	2,620	-	-
Depreciation of property, plant and equipment	48	122	38	72
Gain on disposal of property, plant and equipment	(15)	(46)	-	-
Waiver of debts from third parties	(190)	-	(190)	-
Property, plant and equipment written off	-	12	-	-
Impairment loss on financial assets:				
- third parties	7	1,871	-	246
- subsidiaries	-	-	88	622
Allowance for impairment of investment				
- subsidiaries	-	-	2,408	100
- club membership	84	-	84	-
Inventories written down	3,200	-	3,200	-
Net fair value loss/(gain) for available-for-sale financial asset	340	(328)	-	-
Reversal of allowance for impairment of:				
- trade receivables	(47)	-	-	-
- subsidiaries	-	-	(1,009)	(136)
Unrealised foreign exchange loss	-	-	-	29
Bad debts written off:				
- third parties	-	91	-	91
Total adjustments	3,427	4,342	4,619	1,024
Operating cash flows before changes in working capital	(1,378)	(5,334)	(2,112)	(4,662)

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

**Statements of cash flows
For the financial year ended 30 June 2016 (continued)**

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
<u>Changes in working capital</u>				
Decrease in receivables	268	1,676	6	554
(Increase)/decrease in other current assets	(23)	7	(22)	1
(Decrease)/increase in payables	(610)	2,441	(97)	3,562
Total changes in working capital	(365)	4,124	(113)	4,117
Cash flows used in operations	(1,743)	(1,210)	(2,225)	(545)
Income taxes paid	(8)	(1)	-	-
Income taxes refunded	-	-	-	8
	(8)	(1)	-	8
Net cash flows used in operating activities	(1,751)	(1,211)	(2,225)	(537)
Investing activities				
Proceeds from disposal of property, plant and equipment	15	56	-	-
Proceeds from disposal of other investments	-	150	-	150
Net cash flows generated from investing activities	15	206	-	150
Financing activities				
Advances from/(to) subsidiaries	-	-	490	(370)
Proceeds from issuance of ordinary shares - Conversion of warrants	-	2,500	-	2,500
Net cash flows generated from financing activities	-	2,500	490	2,130
Net (decrease)/increase in cash and bank balances	(1,736)	1,495	(1,735)	1,743
Cash and bank balances at beginning of year/period	2,061	566	2,023	280
Cash and bank balances at end of year/period (Note 23)	325	2,061	288	2,023

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

**Notes to the financial statements
For the financial year ended 30 June 2016**

1. Corporate information

FSBM Holdings Berhad ("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 principal place of business of the Company is located at 603, Block A, Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company consist of distribution of computers, computers related products, education related products, provision of related services and investment holding. The principal activities of the subsidiaries are described in Note 17. There have been no significant changes in the nature of the principal activities during the financial year.

2. Fundamental accounting concept and basis of preparation

The financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realize its assets and discharge their liabilities in the normal course of business.

During the financial year, the Group and the Company incurred net losses amounting to RM5,184,000 and RM6,731,000 respectively. As at 30 June 2016, the Group and the Company recorded accumulated losses of RM4,158,000 and RM15,796,000 and recorded negative operating cash flows of RM1,751,000 and RM2,225,000 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

The ability of the Group and of the Company to continue on as going concerns will be dependent on achieving sustainable and viable operations and generating adequate cash flows for their operating activities. The Management of the Group is optimistic in doing so, and has presented forecast figures for 2017 given the jobs in hand and in the midst of being secured. Furthermore certain directors have indicated that they would not demand repayment of amounts due from them as at 30 June 2016 if such repayment will adversely affect the ability of the Group and of the Company to continue as going concerns. Accordingly, the directors have concluded that the going concern basis is still appropriate.

These financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on a historical basis, except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to nearest thousand (RM'000) except when otherwise indicated.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****3. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies****4.1 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is (continued):

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.3 Fair value measurement

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 by the Group.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

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 economic best 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 has 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.

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 the 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 the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group uses 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.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies (continued)****4.3 Fair value measurement (continued)**

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group and of the Company. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.4 Foreign currencies**(a) Functional and presentation currency**

The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.4 Foreign currencies (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising in the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(c) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia at the exchange rate prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.5 Revenue recognition (continued)

The Group and its subsidiaries assess their revenue arrangements against specific recognition criteria in order to determine if the Group and its subsidiaries are acting as principal or agent. The Group and its subsidiaries have concluded that they are acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Long term contracts

Revenue from long term contracts is accounted for by the stage of completion method as described in Note 4.18.

(b) System sales

Revenue from system sales with short-term contracts is recognised when an installation is completed, handed over and accepted by the customer.

(c) Revenue from services

Generally, revenue from services is recognised upon the performance of services, on the following bases:

- Hardware maintenance revenue - over the period of maintenance contract.
- Use of software - based on an accrual basis over period of the contract.

(d) Revenue from building management

Revenue from rental of office and car park is recognised on an accrual basis.

(e) Licence fee income

Licence fee income for rights to use content programmes is recognised as income over the tenure of the licensing agreement.

(f) Interest income

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

(g) Dividend income

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

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.5 Revenue recognition (continued)

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

4.6 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

4.7 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.7 Taxes (continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.7 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Leases

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

(a) Group or Company as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and benefits incidental to ownership of the leased item to the Group or to the Company is classified as a finance lease.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies (continued)****4.9 Leases (continued)****(a) Group or Company as lessee (continued)**

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments 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 statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that ownership will be obtained by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(b) Group or Company as lessor

Leases in which the Group or the Company do not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.10 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

4. Summary of significant accounting policies (continued)

4.10 Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.11 Investments in subsidiaries

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

4.12 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined on a weighted average basis or specific identification basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

4.13 Cash and short-term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statements of cash flows, cash and bank balances consist of cash and short-term deposits as defined above.

4. Summary of significant accounting policies (continued)**4.14 Impairment of non-financial assets**

The Group assessed at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies (continued)****4.14 Impairment of non-financial assets (continued)**

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

4.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

4.16 Financial assets**(a) Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

4. Summary of significant accounting policies (continued)**4.16 Financial assets (continued)****(b) Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. There were no financial assets designated at fair value through profit or loss during the year. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies (continued)****4.16 Financial assets (continued)****(b) Subsequent measurement (continued)****(iii) Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when there is a positive intention and an ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. There were no held-to-maturity investments during the reporting period.

(iv) Available-for-sale ("AFS") financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade its financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

4. Summary of significant accounting policies (continued)**4.16 Financial assets (continued)****(b) Subsequent measurement (continued)****(iv) Available-for-sale ("AFS") financial investments (continued)**

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred controls of the asset.

When the rights to receive cash flows from an asset have been transferred or when a pass-through arrangement has been entered into, the Group and the Company evaluate if, and the extent of, the risks and rewards of ownership that have been retained. When substantially all of the risks and rewards of the asset have not been transferred nor retained, the transferred asset continues to be recognised to the extent of the Group's and the Company's continuing involvement. In that case, an associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies (continued)****4.16 Financial assets (continued)****(d) Impairment of financial assets**

The Group assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually, for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group or the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

4. Summary of significant accounting policies (continued)

4.16 Financial assets (continued)

(d) Impairment of financial assets (continued)

(ii) Available-for-sale ("AFS") investments

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss) is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' required judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. 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 the statement of profit or loss, the impairment loss is reversed through profit or loss.

4. Summary of significant accounting policies (continued)

4.17 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. No financial liability has been designated at fair value through profit or loss during the reporting period.

(ii) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

4. Summary of significant accounting policies (continued)

4.17 Financial liabilities (continued)

(b) Subsequent measurement (continued)

(ii) Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, 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 recognised less cumulative amortisation.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Offsetting of financial instruments

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

**FSBM Holdings Berhad
(Incorporated in Malaysia)****4. Summary of significant accounting policies (continued)****4.18 Long term contracts**

Where the outcome of a long term contract can be reliably estimated, contract revenue and contract 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 contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a long term contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probably that they will result in revenue and they are capable of being reliably measured.

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

4.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 can be made of the amount of the obligation. When it is expected that some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

4.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments and are recorded at the proceeds received, net of directly attributable incremental transaction costs.

4.21 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

4. Summary of significant accounting policies (continued)

4.22 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and a corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

4.23 Warrants

Warrants are classified as equity.

The issue of ordinary shares upon exercise of the warrants are treated as new subscriptions of ordinary shares for the consideration equivalent to the warrants exercise price.

4.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

4.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

FSBM Holdings Berhad
(Incorporated in Malaysia)

5. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial period.

6. Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture-Bearer Plants	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

**FSBM Holdings Berhad
(Incorporated in Malaysia)****7. Significant accounting judgments, estimates and assumptions (continued)**

The preparation of the Group's and of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

7.1 Critical judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgments, apart from those involving estimations, which significantly affect the amounts recognised in the financial statements.

7.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Assumptions and estimates are based on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers 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 for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 20.

(b) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unutilised capital allowances and unabsorbed pioneer losses to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and pioneer losses 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. As at 30 June 2016, the unutilised tax losses, unabsorbed capital allowances and pioneer losses of the Group and of the Company are RM119,534,000 (2015: RM117,450,000) and RM63,620,000 (2015: RM61,403,000) respectively. Details of deferred tax assets are disclosed in Note 25.

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

8. Revenue

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Contract system and services	4,552	5,901	-	-
Rental income	81	160	81	135
	<u>4,633</u>	<u>6,061</u>	<u>81</u>	<u>135</u>

9. Cost of sales

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Purchase of system and services	4,174	5,432	-	-
Building maintenance expenses	-	6	-	-
Staff costs	-	244	-	-
	<u>4,174</u>	<u>5,682</u>	<u>-</u>	<u>-</u>

10. Other income

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Bad debts recovered	-	7	-	-
Gain on disposal of property, plant and equipment	15	46	-	-
Miscellaneous	304	138	52	11
Net fair value gain on financial assets - available-for-sale financial assets	-	328	-	-
Net foreign exchange gain	419	1	-	-
Reversal of allowance for impairment of:				
- trade receivables	47	-	-	-
- subsidiaries	-	-	1,009	136
Waiver of debts from third parties	190	-	190	-
	<u>975</u>	<u>520</u>	<u>1,251</u>	<u>147</u>

FSBM Holdings Berhad
(Incorporated in Malaysia)
11. Loss before tax

The following items have been included in arriving at loss before tax:

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Auditors' remuneration:				
- current year/period	115	83	65	60
- over provision in previous periods	-	(8)	-	(31)
Depreciation of property, plant and equipment (Note 16)	48	122	38	72
Property, plant and equipment written off	-	12	-	-
Intangible asset written off	-	2,620	-	-
Impairment losses on investments in subsidiaries	-	-	2,408	100
Inventories written down (Note 19)	3,200	-	3,200	-
Net foreign exchange losses	-	-	-	29
Impairment loss on financial assets:				
- third parties	7	1,871	-	246
- subsidiaries	-	-	88	622
- investment in club membership	84	-	84	-
Bad debts written off:				
- third parties	-	91	-	91
Net fair value loss on financial assets - available-for-sale financial assets	340	-	-	-
Operating lease:				
- minimum lease payments for buildings	1,623	2,293	1,623	2,282
Employee benefits expenses (Note 12)	145	3,425	117	2,068
Non-executive directors' remuneration (Note 13)	93	99	93	99

12. Employee benefits expense

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Wages and salaries	90	3,123	65	1,883
Social security contributions	-	9	-	5
Contributions to defined contribution plan	3	244	-	114
Other benefits	52	49	52	66
	145	3,425	117	2,068

FSBM Holdings Berhad
(Incorporated in Malaysia)

13. Directors' remuneration

The details of remuneration receivables by directors of the Group and of the Company during the financial year/period are as follows:

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Executive:				
Salaries and other emoluments	-	1,426	-	1,214
Fees	-	45	-	45
Contributions to defined contribution plan	-	54	-	33
Total executive directors' remuneration (excluding benefits-in-kind)	-	1,525	-	1,292
Benefits-in-kind	-	27	-	24
Total executive directors' remuneration (including benefits-in-kind)	-	1,552	-	1,316
Non executive:				
Fees	73	70	73	70
Other emoluments	20	29	20	29
Total non-executive directors' remuneration (Note 11)	93	99	93	99
Total directors' remuneration	93	1,651	93	1,415

The number of directors of the Company whose total remuneration during the financial year/period fall within the following bands is analysed below:

	Number of directors	
	1.7.2015 to 30.6.2016	1.1.2014 to 30.6.2015
Executive directors:		
RM100,001 – RM150,000	-	1
RM250,001 – RM300,000	-	1
RM950,001 – RM1,000,000	-	1
Non-executive directors:		
Below RM50,000	3	3

FSBM Holdings Berhad
(Incorporated in Malaysia)

14. Income tax expense/(benefit)

Major components of income tax expense

The major components of income tax expense for the year/period ended 30 June 2016 and 30 June 2015 are:

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	-	-	-	-
Under/(over) provision in prior period	-	4	-	(2)
Income tax expense/(benefit) recognised in profit or loss	-	4	-	(2)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year/period ended 30 June 2016 and 30 June 2015 are as follows:

	Group		Company	
	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000	1.7.2015 to 30.6.2016 RM'000	1.1.2014 to 30.6.2015 RM'000
Loss before tax	(4,805)	(9,676)	(6,731)	(5,686)
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	(1,153)	(2,419)	(1,615)	(1,422)
Adjustments:				
Expenses not deductible for tax purposes	653	664	1,083	380
Utilisation of previously unrecognised unabsorbed capital allowances	-	(53)	-	-
Deferred tax assets not recognised in respect of current period's tax losses and unabsorbed capital allowances	500	1,808	532	1,042
Under/(over) provision of income tax in prior period	-	4	-	(2)
Income tax expense/(benefit) recognised in profit or loss	-	4	-	(2)

FSBM Holdings Berhad
(Incorporated in Malaysia)

14. Income tax expense/(benefit) (continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year/period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

15. Loss per share

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the loss and share data used in the computation of basic loss per share for the year/period ended 30 June 2016 and 30 June 2015:

	Group	
	1.7.2015	1.1.2014
	to	to
	30.6.2016	30.6.2015
Loss net of tax attributable to owners of the parent (RM'000)	(4,781)	(9,751)
Weighted average number of ordinary shares for basic loss per share computation ('000) *	127,658	127,658
Loss per share (sen)	<u>(3.75)</u>	<u>(7.64)</u>

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the period.

There is no dilution in the earning per share of the Group as the market values of warrants were lower than the exercise prices. Accordingly, there is no assumed full conversion of the warrants to merit for adjusting for an increase in the number of ordinary shares which could result in a dilution of the Group's earnings per share.

FSBM Holdings Berhad
(Incorporated in Malaysia)
16. Property, plant and equipment

Group	Leasehold improvements and office renovation RM'000	Computer equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
Cost:					
At 1 January 2014	127	1,390	932	924	3,373
Disposals	-	(10)	-	(13)	(23)
Written off	(2)	(787)	(145)	(119)	(1,053)
Exchange difference	-	1	-	1	2
At 30 June 2015/ 1 July 2015	125	594	787	793	2,299
Exchange difference	-	1	-	-	1
At 30 June 2016	125	595	787	793	2,300
Accumulated depreciation:					
At 1 January 2014	102	1,292	931	789	3,114
Depreciation charge for the period (Note 11)	11	49	-	62	122
Disposals	-	(4)	-	(9)	(13)
Written off	(1)	(781)	(145)	(114)	(1,041)
Exchange difference	-	1	-	1	2
At 30 June 2015/ 1 July 2015	112	557	786	729	2,184
Depreciation charge for the year (Note 11)	8	7	-	33	48
Reclassification	-	1	-	-	1
At 30 June 2016	120	565	786	762	2,233
Net carrying amount:					
At 30 June 2015	13	37	1	64	115
At 30 June 2016	5	30	1	31	67

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

16. Property, plant and equipment (continued)

Company	Leasehold improvements and office renovation RM'000	Computer equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
Cost:					
At 1 January 2014/ 30 June 2016	90	184	647	569	1,490
Accumulated depreciation:					
At 1 January 2014	69	165	647	475	1,356
Depreciation charge for the period (Note 11)	10	14	-	48	72
At 30 June 2015/ 1 July 2015	79	179	647	523	1,428
Depreciation charge for the year (Note 11)	7	1	-	30	38
At 30 June 2016	86	180	647	553	1,466
Net carrying amount:					
At 30 June 2015	11	5	-	46	62
At 30 June 2016	4	4	-	16	24

FSBM Holdings Berhad
(Incorporated in Malaysia)

17. Investments in subsidiaries

	Company	
	30.6.2016 RM'000	30.6.2015 RM'000
Shares, at cost:		
In Malaysia	36,099	36,099
Outside Malaysia	45	45
	36,144	36,144
Less: Accumulated impairment losses	(31,987)	(29,579)
	4,157	6,565

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			30.6.2016	30.6.2015
<i>Held by the Company:</i>				
Asian Technology Resources Sdn. Bhd.*	Malaysia	Provision of car park management services	100	100
Asian Technology Resources (BVI) Limited*	British Virgin Islands	Investment holding and contents syndication and distribution	100	100
FSBM CTech Sdn. Bhd.^	Malaysia	Development of software applications and systems integration	100	100
FSBM Datatech Sdn. Bhd.*	Malaysia	Investment holding	100	100
FSBM I-Centre Sdn. Bhd.	Malaysia	Development and delivery of multimedia learning and teaching products and services	100	100
FSBM I-Command Sdn. Bhd.*	Malaysia	Development of intelligent city, municipal and building solutions and the provision of related system engineering services	100	100
FSBM I-Design Sdn. Bhd.	Malaysia	Provider of enterprise-wide ICT and systems integration services	100	100

FSBM Holdings Berhad
(Incorporated in Malaysia)

17. Investments in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			30.6.2016	30.6.2015
<i>Held by the Company:</i>				
FSBM Learning Media Sdn. Bhd.*	Malaysia	Development and delivery of multimedia learning and teaching products and services	100	100
FSBM Mantissa (Malaysia) Sdn. Bhd.*	Malaysia	Development and provision of study plans, programs and courses including instruct, teach and delivery of courses	100	100
FSBM MSC Gateway Sdn. Bhd.*	Malaysia	Provider of communication and networking services	100	100
FSBM M2B Sdn. Bhd.*	Malaysia	Contents syndication and distribution, contents aggregation, channel development, electronic programming, consultancy and design	54	54
FSBM Net Media Sdn. Bhd.*	Malaysia	Provider of communication and networking services	100	100
FSBM Smart Comm Sdn. Bhd.*	Malaysia	Property management	100	100
Jaring Sekitar Sdn. Bhd.*	Malaysia	Investment holding	100	100
Mediacity Investment Limited*	British Virgin Islands	Investment holding	100	100
MyUnos Sdn. Bhd.*	Malaysia	Provider of communication and networking services	100	100

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

17. Investments in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			30.6.2016	30.6.2015
<i>Held by the Company:</i>				
Smart 360 Sdn. Bhd.*	Malaysia	Development and delivery of training products and services for schools and teachers	100	100
Unos Sdn. Bhd.	Malaysia	Provider of communication and networking services	100	100
Unos Development Limited*	British Virgin Islands	Business of telecommunication and networking	55	55
<i>Held through Asian Technology Resources Sdn. Bhd.:</i>				
Televas Holdings Sdn. Bhd.	Malaysia	Project management	51	51

* Audited by firms of auditors other than Ernst & Young

^ The auditors' reports on the financial statements of this subsidiary contained a qualified opinion on the recoverability of trade and other receivables.

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

18. Other investments

	Group and Company	
	30.6.2016 RM'000	30.6.2015 RM'000
Non-current		
Club membership	391	391
Less: Provision for diminution in value	(140)	(56)
	<u>251</u>	<u>335</u>

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

19. Inventories

Group and Company
30.6.2016 30.6.2015
RM'000 RM'000

Net realisable value:

Trading goods	-	3,200
---------------	---	-------

During the financial year, inventories amounted to RM3,200,000 was written down as disclosed in Note 11.

20. Trade and other receivables

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Trade receivables				
Third parties	36,113	35,963	9,838	9,837
Subsidiaries	-	-	2,746	3,434
	36,113	35,963	12,584	13,271
Less: Allowance for impairment				
Third parties	(28,387)	(28,434)	(8,776)	(8,776)
Subsidiaries	-	-	(2,746)	(3,365)
	(28,387)	(28,434)	(11,522)	(12,141)
	7,726	7,529	1,062	1,130
Other receivables				
Third parties	10,110	10,481	4,848	4,844
Subsidiaries	-	-	38,745	38,547
Staff advances	1	37	1	1
Refundable deposits	1,109	1,120	1,090	1,101
	11,220	11,638	44,684	44,493
Less: Allowance for impairment				
Third parties	(6,015)	(6,008)	(4,641)	(4,641)
Subsidiaries	-	-	(36,696)	(36,998)
	(6,015)	(6,008)	(41,337)	(41,639)
	5,205	5,630	3,347	2,854
Total trade and other receivables	12,931	13,159	4,409	3,984
Add: Cash and bank balances (Note 23)	325	2,061	288	2,023
Total loans and receivables	13,256	15,220	4,697	6,007

FSBM Holdings Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

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

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Trade receivables	31,363	31,363	7,912	7,912
Other receivables	2,377	2,377	862	862
	<u>33,740</u>	<u>33,740</u>	<u>8,774</u>	<u>8,774</u>
Less: Allowance for impairment				
Trade receivables	(24,122)	(24,122)	(6,865)	(6,865)
Other receivables	(2,007)	(2,007)	(862)	(862)
	<u>(26,129)</u>	<u>(26,129)</u>	<u>(7,727)</u>	<u>(7,727)</u>
Trade and other receivables, net	<u>7,611</u>	<u>7,611</u>	<u>1,047</u>	<u>1,047</u>

In furtherance to the legal actions brought by the Group against TSB for the recovery of debts, the Group and the Company on 22 April 2014 had filed a suit in the High Court for the recovery of debts amounting to RM32,409,435 and RM8,563,213 respectively, against the two directors of TSB and an individual.

The hearings were conducted on 5, 9, 19 and 20 November 2015, and 28 March 2016, 26 May 2016 and 27 July 2016.

Both parties are to file their Written Submissions in reply on or before 9 September 2016 and to file Written Submission in Reply on or before 26.9.2016 (if any). Court has fixed for decision/clarification on 17 November 2016.

In addition, there is a legal claim brought by the Group against a debtor of TSB ("Defendant") for the recovery of RM10,370,792. The case managements were held on 23 November 2015, 24 February 2016, 16 May 2016 and 29 June 2016. The hearing was held on 18 July 2016. The Defendant had filed the application to strike out the claim. On 17 August 2016, the Court had dismissed their application with costs of RM3,000. On 8 September 2016, the Defendant had appealed against the Court's judgement.

On 5 October 2016, the Court allowed the Defendant's application for stay. On 7 November, the Court fixed a case management for the Group's application for amendment of the Writ Statement of Claim and Writ.

Based on the advice of the solicitors and liquidators and on the documents recovered by the liquidators, the directors are confident that the Group will succeed in the legal actions against the two directors, an individual and TSB's debtor.

FSBM Holdings Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2015: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Neither past due nor impaired	206	275	-	-
1 to 30 days past due not impaired	23	21	23	21
61 to 90 days past due not impaired	-	2	-	2
91 to 120 days past due not impaired	219	-	-	-
	242	23	23	23
Impaired	35,665	35,665	12,561	13,248
	<u>36,113</u>	<u>35,963</u>	<u>12,584</u>	<u>13,271</u>

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM242,000 and RM23,000 (2015: RM23,000 and RM23,000) respectively, that are past due at the reporting date but not impaired. The directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers. These receivables are unsecured in nature.

FSBM Holdings Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

(a) Trade receivable (continued)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Trade receivable				
- nominal amounts	35,665	35,665	12,561	13,248
Less: Allowance for impairment	(28,387)	(28,434)	(11,522)	(12,141)
	<u>7,278</u>	<u>7,231</u>	<u>1,039</u>	<u>1,107</u>

Movement in allowance accounts:

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
At beginning of the year/period	28,434	26,663	12,141	11,939
Charge for the year/period	-	1,771	-	338
Reversal of impairment losses	(47)	-	(619)	(136)
At end of the year/period	<u>28,387</u>	<u>28,434</u>	<u>11,522</u>	<u>12,141</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are non-interest bearing, unsecured and repayable on demand.

FSBM Holdings Berhad
(Incorporated in Malaysia)

20. Trade and other receivables (continued)

(c) Other receivables

Other receivables that are impaired

Movement in allowance accounts:

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
At beginning of the year/period	6,008	5,908	41,639	41,109
Charge for the year/period	7	100	88	530
Reversal of impairment loss	-	-	(390)	-
At end of the year/period	<u>6,015</u>	<u>6,008</u>	<u>41,337</u>	<u>41,639</u>

21. Other current assets

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Prepayments	<u>24</u>	<u>1</u>	<u>23</u>	<u>1</u>

22. Marketable securities

	Group			
	30.6.2016 Carrying amount RM'000	30.6.2016 Market value of quoted investment RM'000	30.6.2015 Carrying amount RM'000	30.6.2015 Market value of quoted investment RM'000
Current				
Available-for-sale financial assets:				
- Quoted shares outside Malaysia	<u>286</u>	<u>286</u>	<u>626</u>	<u>626</u>

23. Cash and bank balances

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Cash on hand and at banks	<u>325</u>	<u>2,061</u>	<u>288</u>	<u>2,023</u>
Cash and bank balances (Note 20)	<u>325</u>	<u>2,061</u>	<u>288</u>	<u>2,023</u>

FSBM Holdings Berhad
(Incorporated in Malaysia)

24. Trade and other payables

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Current				
Trade payables				
Third parties	695	624	190	190
Other payables				
Third parties	3,675	3,538	2,068	1,801
Subsidiaries	-	-	8,000	7,675
Amount due to a director	1,747	2,286	1,497	2,286
Deposits received	54	60	54	55
Accruals	2,236	2,320	2,087	2,176
	7,712	8,204	13,706	13,993
Total trade and other payables	8,407	8,828	13,896	14,183
Total financial liabilities carried at amortised cost	8,407	8,828	13,896	14,183

(a) Trade payables

The amounts are non-interest bearing and the normal credit terms granted to the Group vary from 1 to 30 (2015: 1 to 30) days.

(b) Other payables

The amounts are non-interest bearing. Other payables are normally settled on an average term of 3 (2015: 3) months.

(c) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

(d) Amount due to a director

The amount is unsecured and non-interest bearing. Subsequent to reporting date, the director has agreed that he will not demand repayment of the amount owing to him by the Group as at reporting date if such repayment will not adversely affect the ability of the Group to meet its liabilities as and when they fall due.

FSBM Holdings Berhad
(Incorporated in Malaysia)

25. Deferred tax

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(5)	(12)	(5)	(12)
Deferred tax liabilities	5	12	5	12
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The components and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

Deferred tax liabilities/(assets)

	Group and Company		
	Property, plant and equipment RM'000	Tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 January 2014	26	(26)	-
Recognised in profit or loss	(14)	14	-
At 30 June 2015	12	(12)	-
Recognised in profit or loss	(7)	7	-
At 30 June 2016	<u>5</u>	<u>(5)</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Unutilised tax losses	112,614	106,141	61,330	59,126
Unabsorbed capital allowances	5,343	9,732	2,290	2,277
Unabsorbed pioneer losses	1,577	1,577	-	-
	<u>119,534</u>	<u>117,450</u>	<u>63,620</u>	<u>61,403</u>

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

26. Share capital, share premium and treasury shares

	Amount						
	Number of ordinary shares of RM0.05/RM0.30	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Total share and share premium RM'000	Treasury shares RM'000
Group and Company							
At 30 June 2015/1 July 2015	127,658	127,658	(1,091)	38,297	759	39,056	(712)
Capital reduction	-	-	-	(31,914)	-	(31,914)	-
At 30 June 2016	127,658	127,658	(1,091)	6,383	759	7,142	(712)
				Group and Company			
				Number of ordinary shares of RM0.05/RM0.30 each		Amount	
				30.6.2016	30.6.2015	30.6.2016	30.6.2015
				'000	'000	RM'000	RM'000
Authorised share capital				333,330	333,330	16,667	99,999
At 1 July 2015/30 June 2016							

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

26. Share capital, share premium and treasury shares (continued)

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

During the financial year, the Company reduced the par value of the issued and paid up ordinary share capital from RM0.30 each to RM0.05 each. There was no changes to the number of issued and paid up share capital.

(b) Treasury shares

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

27. Other reserves

Group	Warrants reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
At 1 January 2014	5,384	2	5,386
Foreign currency translation	-	(520)	(520)
Conversion of warrants	(759)	-	(759)
At 30 June 2015/1 July 2015	<u>4,625</u>	<u>(518)</u>	<u>4,107</u>
Foreign currency translation	-	(381)	(381)
Issuance of warrants	-	-	-
At 30 June 2016	<u>4,625</u>	<u>(899)</u>	<u>3,726</u>
Company			Warrants reserve RM'000
At 1 January 2014			5,384
Conversion of warrants			<u>(759)</u>
At 1 July 2015/30 June 2016			<u>4,625</u>

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

27. Other reserves (continued)

(a) Foreign currency translation reserve

Foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Warrants reserve

In the previous financial period, warrants reserve arose from the issuance of 59,116,530 warrants on the basis of one free warrant for every one Rights Issue subscribed at the issue price of RM0.30 per Right Issue on 23 May 2012.

28. Commitments

(a) Operating lease commitments - as lessee

The Group and the Company entered into non-cancellable operating lease agreements for the use of land and buildings. The leases are for a period of 2 to 6 years with a renewal option included in the contract. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group and Company	
	30.6.2016	30.6.2015
	RM'000	RM'000
Not later than 1 year	1,328	1,307
Later than 1 year but not later than 5 years	-	1,742
	<u>1,328</u>	<u>3,049</u>

29. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, there were no significant transactions between the Group and its related parties during the financial year.

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

29. Related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of key management personnel comprising solely executive directors are as disclosed in Note 13.

30. Fair value of financial instruments

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	20
Trade and other payables (current)	24

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either 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 reporting date.

(b) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2016				
Financial asset:				
Marketable securities (quoted shares outside Malaysia)	286	-	-	286
At 30 June 2015				
Financial asset:				
Marketable securities (quoted shares outside Malaysia)	626	-	-	626

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

30. Fair value of financial instruments (continued)

(b) Fair value of financial instruments that are carried at fair value (continued)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

There have been no transfers between the fair value hierarchy during the financial year/period ended 30 June 2016 and 30 June 2015.

31. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The Group's senior management oversees the management of these risks and ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by senior management who have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the directors.

31. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Exposure to credit risk

At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 20(a).

Credit risk concentration profile

At the reporting date, approximately 93% and 90% (2015: 93% and 90%) respectively of the Group's and the Company's gross trade receivables were due from 2 and 3 (2015: 2 and 3) customers respectively.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raise committed funding from financial institutions and balances its portfolio with some short terms funding so as to achieve overall cost effectiveness.

FSBM Holdings Berhad
(Incorporated in Malaysia)

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

All financial liabilities are due either on demand or within one year.

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the financial year/period ended 30 June 2016 and 30 June 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, less cash and bank balances.

	Note	Group		Company	
		30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Trade and other payables	24	8,407	8,828	13,896	14,183
Less: - Cash and bank balances	23	(325)	(2,061)	(288)	(2,023)
Net debt		<u>8,082</u>	<u>6,767</u>	<u>13,608</u>	<u>12,160</u>
Equity attributable to the owners of the parent, representing total capital		<u>5,518</u>	<u>10,702</u>	<u>(4,741)</u>	<u>1,990</u>
Capital and net debt		<u>13,600</u>	<u>17,469</u>	<u>8,867</u>	<u>14,150</u>
Gearing ratio		<u>59%</u>	<u>39%</u>	<u>153%</u>	<u>86%</u>

115609-U

**FSBM Holdings Berhad
(Incorporated in Malaysia)**

33. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Solution

Distribution of computer products and provision of related services, and development of software applications and system integrations.

(ii) Communication and multimedia

Provider of communication and networking services, development and production services and content syndication and distribution.

(iii) Education

Institution of higher learning, provider of teacher training, development of online multimedia courseware and delivering education related products and services.

(iv) Investment holding and others

Other business segments include investment holding and other ICT related services, neither of which constitutes a separately reportable segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal ordinary course of business and have been established on negotiated and mutually agreed basis.

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (continued)

Primary reporting format - business segments

30 June 2016

	Solution RM'000	Communication and multimedia RM'000	Education RM'000	Investment holding and others RM'000	Elimination RM'000	Notes	Consolidated RM'000
Revenue:							
External customers	4,152	327	-	154	-		4,633
Total revenue	4,152	327	-	154	-		4,633
Results:							
Depreciation and amortisation	5	5	-	38	-		48
Other non-cash expenses	36	-	-	3,696	-	A	3,732
Segment profit/(loss)	302	229	(43)	(5,293)	-		(4,805)
Segment assets	10,375	312	22	3,216	-		13,925
Segment liabilities	1,907	416	99	5,985	-		8,407

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (continued)

Primary reporting format - business segments (continued)

30 June 2015

	Solution RM'000	Communication and multimedia RM'000	Education RM'000	Investment holding and others RM'000	Elimination RM'000	Notes	Consolidated RM'000
Revenue:							
External customers	5,815	159	-	87	-		6,061
Total revenue	5,815	159	-	87	-		6,061
Results:							
Depreciation and amortisation	15	31	2	74	-		122
Other non-cash expenses	4,392	417	146	2,564	(4,985)	A	2,534
Segment (loss)/profit	(5,508)	30	(277)	(7,220)	3,295		(9,680)
Segment assets	11,265	573	13	24,615	(16,936)		19,530
Segment liabilities	16,066	22,469	9,922	21,121	(60,750)		8,828

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (continued)

A Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	30.6.2016	30.6.2015
	RM'000	RM'000
Inventories written down	3,200	-
Impairment loss on financial assets	532	2,534
	<u>3,732</u>	<u>2,534</u>

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	4,633	6,061	318	450
	<u>4,633</u>	<u>6,061</u>	<u>318</u>	<u>450</u>

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	30.6.2016	30.6.2015
	RM'000	RM'000
Property, plant and equipment	67	115
Other investments	251	335
	<u>318</u>	<u>450</u>

34. Subsequent event

On 9 September 2016, the Company proposed private placement of up to 12,656,700 new ordinary shares of RM0.05 each representing approximately 10% of the existing issued and paid-up share capital of the Company to investors to be identified at an issue price to be determined and announced later.

On 12 October 2016, the Company issued 6,357,000 new ordinary shares of RM0.05 each at an issuance price of RM0.20 per share through the private placement. As a result, the issued and paid-up share capital and share premium increased from RM6,383,000 to RM6,700,850 and RM759,000 to RM1,712,550 respectively.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

35. Comparatives

In the previous year, the financial year end of the Group and all its subsidiaries were changed from 31 December to 30 June. Accordingly, the financial statements of the Group and of the Company for the financial period ended 30 June 2015 cover an 18-month period compared to the 12-month year end of 30 June 2016 and therefore the comparative amounts are not in respect of comparable periods.

36. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2016 were authorised by the Board of Directors on 26 October 2016.

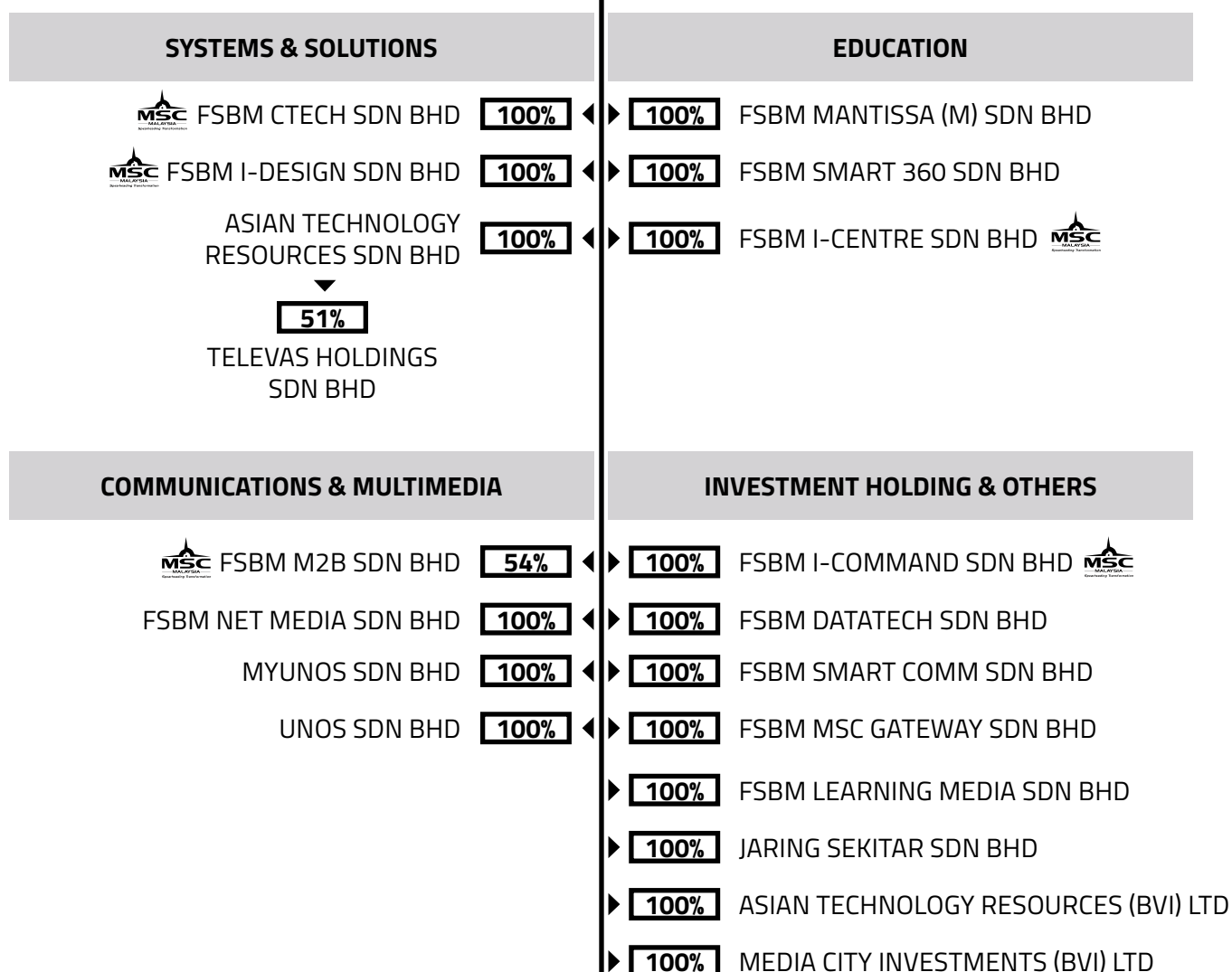
FSBM Holdings Berhad
(Incorporated in Malaysia)

37. Supplementary information – Breakdown of realised and unrealised accumulated losses

The breakdown of the accumulated losses as at 30 June 2016 and 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Total accumulated losses of the Group and its subsidiaries				
- Realised	(84,735)	(112,380)	(15,796)	(40,951)
- Unrealised	41	(366)	-	(28)
	<u>(84,694)</u>	<u>(112,746)</u>	<u>(15,796)</u>	<u>(40,979)</u>
Add: Consolidation adjustments	80,536	81,455	-	-
Accumulated losses as per financial statements	<u>(4,158)</u>	<u>(31,291)</u>	<u>(15,796)</u>	<u>(40,979)</u>

CORPORATE STRUCTURE



I/We _____ (name of shareholder as per NRIC, in capital letters)

IC No./ID No./Company No. _____ (new) _____ (old)

of _____ (full address)

being a member(s) of the abovenamed Company, hereby appoint _____

(name of proxy as per NRIC, in capital letters) IC No. _____ (new) _____ (old)

of _____ (full address)

or failing him/her _____ (name of proxy as per NRIC, in capital letters)

IC No. _____ (new) _____ (old) of _____

_____ (full address)

or failing him/her the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Thirty First Annual General Meeting of the Company, to be held at Auditorium, Level 5, Axis Eureka, 3539, Jalan Teknokrat 7, 63000 Cyberjaya, Selangor on Monday, 28 November 2016 at 10.00 am and at any adjournment thereof.

My/our proxy is to vote as indicated below (unless otherwise instructed, the proxy may vote as he/she thinks fit):
(Please indicate with an "X" in either box if you wish to direct your proxy how to vote)

Resolution		For	Against
Resolution 1	To approve payment of Directors' fees for the year ended 30 June 2016		
Resolution 2	Re-election of Dato' Tan Hock San @ Tan Hock Ming as Director		
Resolution 3	Re-election Mr Tan Ee Ern as Director		
Resolution 4	Re-appointment of Tan Sri Dato' Seri Dr. Haji Zainul Ariff Bin Haji Hussain as Director.		
Resolution 5	Re-appointment of Ernst & Young as the Company's Auditors		
Resolution 6	Renewal of Authority to Directors to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		

Signed this _____ day of _____ 2016.

No. of Shares Held

Signature of Member / Common Seal

Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorized.
3. The instrument appointing a proxy must be deposited at the Company's Registered Office at 603, Block A, Phileo Damansara 1, No.9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, he shall specify the proportion of his shareholdings to be represented by each proxy.
6. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 21 November 2016. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend and vote on his behalf.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

FSBM HOLDINGS BERHAD (115609-U)
Level 603, Block A, Phileo Damansara 1,
No. 9 Jalan 16/11,
46350, Petaling Jaya,
Selangor Darul Ehsan

1st fold here

