FSBM

FSBM Holdings Berhad

(115609-U)

2017

ANNUAL REPORT

FSBM

FSBM Holdings Berhad

(115609-U)

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

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

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

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third (33rd) Annual General Meeting of FSBM Holdings Berhad ("FSBM" or "the Company") will be held at Auditorium, 7th Floor, Annexe B, Bangunan Pan Global, 1A Jalan Tandang,46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 23rd November 2017 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 2017 and the Reports of the Directors and Auditors thereon. **Note 7(i)**

2. To approve payment of Directors' fees amounting to RM 50,000 per annum for the Non-Executive Directors for the financial year ended 30 June 2017. **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' Ir Dr Abdul Rahim Bin Daud **Resolution 2**
   Miss Tan Wan Yen **Resolution 3**

4. To re-elect the following Director who retires by rotation in accordance with Article 107 of the Company's Articles of Association:

   Encik Abdul Jalil Bin Abdul Jamil **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 FOR DIRECTORS TO ISSUE SHARES** **Resolution 6**

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

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

   AND THAT the Directors of the Company are also empowered to obtain the approval from 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

31 October 2017

NOTES:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly 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.

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. Any alteration to the instrument appointing a proxy must be initialized.

4. 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.

5. 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.

6. **GENERAL MEETING RECORD OF DEPOSITORS**

   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 17 November 2017. 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.

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

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

   (ii) Ordinary Resolutions 2 and 3 – Re-election of Directors pursuant to 100(1) of the Articles and Association.

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

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

   (iii) Ordinary Resolution 4 – Re-election of Director pursuant to 107 of the Articles and Association.

   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 shall then be eligible for re-election. As such, Encik Abdul Jalil Bin Abdul Jamil who was appointed to the Board on 24 May 2017 shall retire at this AGM. He offered himself for re-election as Directors of the Company at the AGM.

   The profile of Encik Abdul Jalil Bin Abdul Jamil and his interest in the securities of the Company are set out on page 7 of the Annual Report.

(iv) Ordinary Resolution 6 – Renewal of Authority for 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 up to an amount not exceeding ten (10) per centum of the Company's total number of issued shares for the time being upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a separate general meeting so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund-raising exercises including but not limited to further placement of shares for purposes of funding current and/or future investment projects, working capital and/or acquisitions. This authority will expire at the conclusion of the next AGM of the Company or at the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the last AGM held on 28 November 2016 which will lapse at the conclusion of this AGM.

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

Pursuant to the the Private Placement proposal approval by Bursa Malaysia Securities Berhad ("Bursa Securities") on 5 October 2016 for the listing of and quotation of up to 12,656,700 new ordinary shares ("Placement Shares") on the Main Market of Bursa Securities, representing not more than ten (10) per centum of the total number of issued shares of the Company, the Company had completed the private placement in February 2017. A total of 12,656,700 Placement Shares had been issued and allotted during the period from 12 October 2016 to 20 February 2017 in four (4) tranches. Whereby a total of 6,356,700 and 6,300,000 new ordinary shares were issued pursuant to the previous mandates granted to the Directors at the AGMs held on 22 December 2015 and 28 November 2016 respectively. The total proceeds raised from the private placement exercise was fully utilised in the following manner:-

Purpose	**Proposed Utilisation RM'000**	**Actual Utilisation RM'000**	**Intended Timeframe for Utilisation (from listing date)**
Working capital	2,456	2,484	Within 12 months
Expenses for the private placement	75	47	Within 1 month
Total gross proceeds	**2,531**	**2,531**	

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 AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of individual who is standing for election as Director

No individual is seeking for election as Director at the Thirty-Third (33rd) Annual General Meeting of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Abdul Jalil Bin Abdul Jamil
(Independent Non-Executive Director)
(appointed on 24 May 2017)

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)

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

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

REGISTERED OFFICE

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

AUDITOR

Ernst & Young (AF 0039)
Level 10 D-J, Level 10
Menara Zenith, Jalan Putra
Square 6, 25000 Kuantan
Pahang, Malaysia.

PRINCIPAL BANKER

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market Bursa Malaysia Securities Berhad
Stock Code : 9377

WEBSITE

www.fsbm.com.my

DIRECTORS' PROFILE

DATO' IR DR ABDUL RAHIM DAUD
Chairman
Senior Independent Non-Executive
Aged 69, Malaysian, Male

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

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

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

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

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

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

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

DATO' TAN HOCK SAN @TAN HOCK MING
Managing Director
Non-Independent Executive Director
Aged 68, Malaysia, Male

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

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

Dato' Tan is not a director of any other public or public listed companies. He holds directly 20,404,800 ordinary shares and has deemed interest of 26,696,200 ordinary shares in the Company via Sanyee Holdings Sdn. Bhd., Sanyee Corporation Sdn. Bhd., spouse and children. He does not hold any shares in the subsidiary companies of the Company.

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

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

ABDUL JALIL BIN ABDUL JAMIL
Independent Non-Executive Director
Aged 67, Malaysian, Male

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

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

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

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

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

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

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

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

CHANG WEI MING
Independent Non-Executive Director
Aged 65, 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 International 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 37, Malaysian, Male

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

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

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

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

Mr Tan is the son of Dato' Tan Hock San, who is the Managing Director of the Company. Mr Tan is brother of Ms Tan Wan Yen, the Executive Director of the Company. Mr Tan does not hold any shares directly in the Company. However, he has a total deemed interest of 26,100,000 ordinary shares via Sanyee Corporation Sdn. Bhd. and Sanyee Holdings Sdn. Bhd.

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

TAN WAN YEN
Executive Director
Aged 34, Malaysian, Female

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

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

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

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

Miss Tan is the daughter of Dato' Tan Hock San, who is the Managing Director of the Company. Miss Tan is the sister of Mr Tan Ee Ern, the Executive Director of the Company. Miss Tan holds 24,000 ordinary shares in the Company, and has a total deemed interest of 26,100,000 ordinary shares via Sanyee Corporation Sdn. Bhd. and Sanyee Holdings Sdn. Bhd.

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

Notes to Directors' Profile:

The details of the Directors' attendance at Board and Audit Committee Meetings are set out on pages 14 and 28 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 2017.

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 10.

DATO' IR DR ABDUL RAHIM BIN DAUD
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL

FSBM Group reports a revenue of RM2.4 million and loss before tax of RM3.2 million for the financial year ended 30 June 2017. This compares to a revenue of RM4.6 million and a loss before tax of RM4.8 million for the financial year ended 30 June 2016.

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

SYSTEMS AND SOLUTIONS

The segment's revenue has dropped from RM4.2 million in FYE 2016 to RM2.2 million in FYE 2017. The segment's loss after tax stood at RM53,000 for FYE 2017 compared to a profit of RM302,000 in FYE 2016. This was due to stiffer competition in the business segment.

Student Accommodation Management System. There have been many encouraging prospects for our Student Accommodation Management System from Ireland. We are actively pursuing to provide its offerings via a cloud-based Application Service Provider (ASP) business model to the education sector in Malaysia. 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 FYE2017 has decreased to RM177,000 from RM327,000 in FYE2016. Profit after tax has also decreased to RM107,000 from RM229,000 respectively. This is primarily due to the winding down / end-of-support for existing clients.

EDUCATION

There has been no movement in the Education segment's revenue, which remains at zero for the FYE 2017. Loss after tax improved from RM43,000 in FYE 2016 to RM20,000 in FYE 2017. This was due to the segment running at a lower operational costs in the year.

Teacher training. In 2017 the Government has launched the National Transformation (TN50), an initiative to become a top 20 nation in economic development, social advancement and innovation by 2050. To achieve this target, Malaysia needs to increase and uplift its human capital with skill and knowledge, starting with school education.

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

In the Malaysian Education Blueprint, ICT has been identified as one of the key platforms to advance and to support the conduct of education in schools, both for the students and teachers. ICT infrastructure systems in schools therefore need to be implemented and upgraded. ICT-integrated teaching and learning need to be made more readily available. Teachers need to be re-trained to know how to integrate ICT in their classroom practices.

Last but not least, students must have quick and ready access to end-user devices to enable them to actively participate in this ICT-enhanced learning environment. Every student should, and needs to be provided with an affordable end-user device for learning use anytime, anywhere.

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

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

OUTLOOK FOR 2018

Albeit better compared to the previous years, FY2017 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. We believe we will have the outcome in the near future.

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

We are actively pursuing the many opportunities in the Ministry of Education, for the end-user devices, the ICT infrastructure development, the training programs for teachers and the content delivery.

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 2017.

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 6 to 8 of this Annual Report.

During the financial year, Dato' Ir Dr Abdul Rahim Bin Daud was re-designated as a Senior Independent Non-Executive Director and Chairman of the Board. The Chairman is responsible for ensuring Board effectiveness and proper conduct. Dato' Tan Hock San who is the Managing Director is primary responsibility for managing the Group operations and resources, 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 provides 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, Dato' Ir Dr Abdul Rahim Bin Daud who is a Senior Independent Non-Executive Director assumes the duty to deal 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	

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, Dato' Ir Dr Abdul Rahim bin Daud, 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 Committee (Exco) 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.

During the financial year ended 30 June 2017, the Board held five (5) Meetings, and two (2) meetings were held during the period from 1 July 2017 to the date of approval of this statement on 26 October 2017. Details of Directors' attendance at Board meetings are laid out on page 14 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 2017, 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 2017 and the 2017 Annual Report were reviewed and deliberated at the Board meeting held in October 2017.

(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, Dato' Ir Dr Abdul Rahim Bin Daud via e-mail address: datorahim@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 34 to 35 of this Annual Report.

(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 2017 and from 1 July 2017 to the date of approval of this statement on 26 October 2017, 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
Dato' Ir Dr Abdul Rahim Bin Daud	7/7
Dato' Tan Hock San @ Tan Hock Ming	7/7
Mr Chang Wei Ming	7/7
Mr Tan Ee Ern	7/7
Abdul Jalil Bin Abdul Jamil (*appointed to the Board on 24 May 2017)	3/3*
Miss Tan Wan Yen	6/7

(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.

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.

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 235 of the Companies Act, 2016. 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 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.

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.

To ensure effective functioning of the Board and Board Committees and compliance with the regulatory requirements, during the financial year ended 30 June 2017, the Nomination Committee recommended the appointment of Encik Abdul Jalil Bin Abdul Jamil as an Independent Non-Executive Director to fill up the casual vacancy arising from the retirement of Tan Sri Dato' Seri Dr Haji Zainul Ariff Bin Haji Hussain as Director of the Company at the last AGM. As part of the induction programme, Encik Abdul Jalil Bin Abdul Jamil attended the Mandatory Accreditaion Programme (MAP) within the timeframe as stipulated in the Listing Requirements.

Save for the above, no other additional Director has been recommended for appointment as the Board deems the current Board composition is 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 such, Encik Abdul Jalil Bin Abdul Jamil who was appointed to the Board on 24 May 2017 shall retire at the forthcoming Thirty-Third AGM. He offered himself for re-election as Directors of the Company at the AGM.

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 that all Directors must retire from office at least one on every three (3) years.

Both Dato' Ir Dr Abdul Rahim Bin Daud and Miss Tan Wan Yen who retire by rotation at the conclusion of the Thirty-Third (33rd) 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 Encik Abdul Jalil Bin Abdul Jamil, Dato' Ir Dr Abdul Rahim Bin Daud and Miss Tan Wan Yen 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 29 August 2017, the Board approved the recommendation of the Nomination Committee that Encik Abdul Jalil Bin Abdul Jamil, Dato' Ir Dr Abdul Rahim Bin Daud and Miss Tan Wan Yen be eligible to stand for re-election at the Thirty-Third (33rd) AGM.

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

iii) 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-Third (33rd) 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 ended 30 June 2017, and from 1 July 2017 to date of approval of this statement on 26 October 2017, 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.

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 28 to 33 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:

- Dato' Ir Dr Abdul Rahim Bin Daud - Chairman
- Chang Wei Ming
- Abdul Jalil Bin Abdul Jamil

During the financial year end, Dato' Ir Dr Abdul Rahim Bin Daud was re-designated as Chairman of the Nomination Committee. Whilst, Encik Abdul Jalil Bin Abdul Jamil was appointed as a member of the Nomination Committee.

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 ended 30 June 2017, and from 1 July 2017 to the date of approval of this statement on 26 October 2017, the Nomination Committee conducted two (2) meetings on 25 August 2016 and 29 August 2017. These meetings were attended by all 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; and
vi) reviewed the training needs of the Directors.

Apart from that, on 24 May 2017 the Nomination Committee made its recommendation via circular resolution on the appointment of Encik Abdul Jalil Bin Abdul Jamil as Independent Non-Executive Directors and member of Board Committees.

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 of Directors at the Thirty-Third (33rd) 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:

- Dato' Ir Dr Abdul Rahim Bin Daud (Senior Independent Non-Executive Director)
- Dato' Tan Hock San @ Tan Hock Ming (Non-Independent Executive Director)
- Abdul Jalil Bin Abdul Jamil (Independent Non-Executive Director)

During the financial year end 30 June 2017, Dato' Ir Dr Abdul Rahim Bin Daud was re-designated as Chairman of the Remuneration Committee. Whilst, Encik Abdul Jalil Bin Abdul Jamil was appointed as a member of the Remuneration Committee.

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 2017 and from 1 July 2017 to the date of approval of this statement on 26 October 2017, the Remuneration Committee conducted two (2) meetings on 25 August 2016 and 29 August 2017. 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 20 to 21 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 34 to 35 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
Mandatory Accreditation Programme	10 August 2017	2 days
Presentation on the Companies Act 2016 and Sections 38(a) to 38(e) of the Companies Commission of Malaysia (Amendment) Act 2015.	17 August 2017	1 day

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.

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	-	32,500	32,500
Directors' salaries	-	-	-
EPF on basic salary	-	-	-
Audit Committee fees	-	17,500	17,500
Benefits-in-kind	-	-	-
Other emoluments	-	-	-
TOTAL	-	50,000	50,000

ii. Analysis of Remuneration

	No. of Directors	
Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
RM1 – RM50,000	-	2

There is no remuneration paid to the Executive Directors of the Company and its subsidiaries during the financial year ended 30 June 2017.

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.

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:

- Dato' Ir Dr Abdul Rahim Bin Daud
  Email : datorahim@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.

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

The Board of Directors considers that in preparing the financial statements for the financial year ended 30 June 2017, the Group and the Company have:

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

The Board of Directors is responsible for 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 and composition of the Audit Committee are laid down at the Report of the Audit Committee. The Terms of Reference of the Audit Committee can be viewed on the Company's corporate website.

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 External Auditors

The Group has always maintained a close and transparent relationship with its External 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 26 October 2017.

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

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 ("Proposed Placement Shares") representing not more than ten (10) per centum of the total number of issued shares 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.

The Company had completed the private placement in February 2017. A total of 12,656,700 Placement Shares had been issued and allotted during the period from 12 October 2016 to 20 February 2017 in four (4) tranches. Whereby a total of 6,356,700 and 6,300,000 new ordinary shares were issued pursuant to the previous mandates granted to the Directors at the AGMs held on 22 December 2015 and 28 November 2016 respectively. The total proceeds raised from the private placement exercise was fully utilised in the following manner:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation (from listing date)
Working capital	2,456	2,484	Within 12 months
Expenses for the private placement	75	47	Within 1 month
Total gross proceeds	2,531	2,531	

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 AGM of the Company.

2. Revaluation Policy on Investment Properties

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

3. List of Properties

There is no property held by the Company during the financial year ended 30 June 2017.

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

During the financial year ended 30 June 2017, the Company did not enter into recurrent related party transactions of a revenue or trading nature.

5. Material Litigation

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

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

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

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

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

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

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

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

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

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

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

FSBM and FSBM CTech against individuals and TSB

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

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

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

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

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

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

Azman and Haliza have subsequent brought action against FSBM and FSBM CTech to inter alia impeach and set aside the judgements given on 20 January 2012 and 6 January 2017. Hearing is fixed on 24 November for our application to strike out the claim.

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

Reference is made to the Company's earlier announcements in relation to the above.

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.

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. UMMC had then appealed at the Court of Appeal against the dismissal, and the Court had granted UMMC's appeal on 29 May 2017. The Leave Application has been fixed for hearing on 14 November 2017.

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 commencing 19 April 2011 and ending on 28 February 2017.

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.

The Board of Directors is pleased to present the Report of the Audit Committee for the financial year ended 30 June 2017.

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.

REPORT OF 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)(b) of the Main Market Listing Requirements. The members of the Audit committee are:

- Mr Chang Wei Ming (Chairman)
- Dato' Ir Dr Abdul Rahim Bin Daud
- Abdul Jalil Bin Abdul Jamil

During the financial year end, Encik Abdul Jalil Bin Abdul Jamil was appointed as a member of the Audit Committee.

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 2017, the Audit Committee held five (5) meetings, and two (2) meetings were held during the period from 1 July 2017 to the date of approval of this Report on 26 October 2017.

Member	**No. Of Meetings Held / No. Of Meetings Attended**
Mr Chang Wei Ming	7/7
Dato' Ir Dr Abdul Rahim Bin Daud	7/7
Abdul Jalil Bin Abdul Jamil (*appointed as member of Audit Committee on 24 May 2017)	3/3*

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

Each Audit Committee Meeting is scheduled in advance and has been conducted with proper meeting proceedings. 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.

With a view to facilitate the efficiency of the Board's subsequent reviewing and deliberating the recommendations of the Audit Committee pertaining to the quarterly financial results and other subject matters, the Audit Committee has invited other Board members to be present at the Audit Committee Meetings, except the private discussion sessions with the External Auditors. The Managing Director was invited to the meetings to provide clarification on audit issues and updates on the Group's operations and legal suits to facilitate direct communication and discussion. The responsible Executive Directors were also invited to present the quarterly financial statements and report any related party transaction and conflict of interest of situation that may rise within the Company or its Group. Apart from that, the lead audit engagement partner of the External Auditors was invited to some of the 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 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 2017, and from 1 July 2017 to the approval of this Report on 26 October 2017 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 2017; the first (1st), second (2nd), third (3rd) and fourth (4th) quarters of the financial year ended 30 June 2017 at the Audit Committee meetings held on 28 November 2016, 22 February 2017, 29 May 2017 and 29 August 2017 respectively.

At the quarterly meetings, the Audit Committee reviewed the quarterly financial statements and reports prepared by Management, and in consultation with Management deliberated the integrity of the quarterly financial results as well as the significant issues of concerns focusing on the following aspects before recommending to the Board for approval:-

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

The quarterly financial statements were reviewed by the External Auditors to ensure the reliability of the quarterly financial statements and compliance with the applicable Financial Reporting Standards. The External Auditors were 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. Meanwhile, the lawyers had reviewed the status of the material litigations as disclosed in the quarterly financial reports.

b. Audited Financial Statements

i. Audit Plan

The Audit Committee conducted a preliminary meeting with the External Auditors to review and discuss the overall Audit Plan of the External Auditors before commencement of audit. The Audit Plan outlining, amongst others, the audit scope, areas of emphasis, risk assessment and audit approach, related party transaction disclosures and procedures, audit timeframe, and prevailing accounting development was presented by the External Auditors.

- On 25 May 2016, the Audit Committee reviewed the Audit Plan in respect of audit for the financial year ended 30 June 2016 as presented by the External Auditors.

- On 29 May 2017, the Audit Committee reviewed the Audit Plan in respect of audit for the financial year ended 30 June 2017 as presented by the External Auditors.

ii. Audit Results

As part of the reviewing process, specific meeting was held to review the Audit Results. The External Auditors presented, amongst others, the status of audit, significant accounting and audit findings, outstanding matters, fraud related matters and audit differences.

The Audit Committee also reviewed with the External Auditors on the level of assistance given by the officers of the Group and the Company to the External Auditors, including any difficulties or disputes with Management encountered during the audit.

- On 21 October 2016, the Audit Committee reviewed the Audit Results in respect of audit for the financial year ended 30 June 2016.

- On 26 October 2017, the Audit Committee reviewed the Audit Results in respect of audit for the financial year ended 30 June 2017.

Audited Financial Statements

Before recommending the draft Audited Financial Statements to the Board for approval, the Audit Committee while reviewing the draft Audited Financial Statements also discussed with Management with regard to the audit findings, disclosures and key areas relating the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.

- On 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. The discussion emphasized on the impact of the recoverability of long outstanding debts and outcome of the legal suits to the Auditors' Report. The External Auditors were satisfied with the co-operation rendered by the Management.

- On 26 October 2017, a specific meeting was held to review the Audited Financial Statements for the financial year ended 30 June 2017. A private discussion with the External Auditors was held without the presence of Executive members. The discussion emphasized on the impact of the recoverability of long outstanding debts and outcome of the legal suits to the Auditor's Report. The External Auditors were satisfied with the co-operation rendered by the Management.

Following the private sessions, the Audit Committee Chairman conveyed to the Management of those pertinent issues raised at the private discussions for their further action.

The Board on 31 October 2017, approved the Audited Financial Statements for the financial year ended 30 June 2017 based on the recommendation of the Audit Committee.

2. External Auditors

a. Independence

The External Auditors, namely Messrs Ernst & Young confirmed that in relation to their audit of the financial statements of the Company and the Group for the financial years ended 30 June 2017, they were and had been independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

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 26 October 2017, the Audit Committee recommended to the Board for approval of the Company's audit fee of RM 60,000 and non-audit fee of RM 5,000, and the Group's total audit fee of RM 120,000 and total non-audit fee of RM 5,000 in respect of the financial year ended 30 June 2017.

The Board at its meeting held on 26 October 2017, 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:

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

Following the completion of the 2017 financial year audit, the Audit Committee was satisfied with the suitability and independence of Messrs Ernst & Young as External Auditors of the Group and the Company.

In accordance with the By-laws of the Malaysian Institute of Accountants, Messrs. Ernst & Young rotates its engagement partner once every two (2) years to ensure objectivity, independence and integrity of the audit opinions. The current lead audit engagement partner of the Group will be due for rotation in 2019.

At the Audit Committee meeting held on 26 October 2017, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs Ernst & Young as External Auditors of the Group and the Company for the financial year ending 30 June 2018.

The Board at its meeting held on 26 October 2017, approved the Audit Committee's recommendation to appoint Messrs Ernst & Young, subject to the shareholders' approval to be sought at the forthcoming Thirty-Third (33rd) Annual General Meeting.

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 governance, risk management and internal control process within the Group and the Company.

Internal Audit Report

At the Audit Committee meeting held on 21 October 2016, the Internal Report on Finance Department – Internal Audit on 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 asses in 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 and control of petty cash is adequate given the low activity in FSBM Group.

At the Audit Committee meeting held on 26 October 2017, the Internal Report on Human Resource Department – Internal Audit on Contract Staff was presented to the Audit Committee for review.

The purpose of the internal audit which was commenced on 27 September 2017 was to asses in the internal control over the period of July 2016 - June 2017 on the human resource management of the Group, in particular contract staff. The management and control of human resource is adequate given the low activity in FSBM Group.

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

Statement on Internal Control and Risk Management

At the Audit Committee meeting held on 26 October 2017, the Audit Committee reviewed the Statement on Internal Control and Risk Management for publication in the 2017 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 2017, and from 1 July 2017 to the date of approval of this Report on 26 October 2017, the Audit Committee reviewed the outstanding related party receivables. Other than that, there were no related party transaction and conflict of interest situation reported.

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 2017 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.

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 29 SEPTEMBER 2017

Total Number of Issued Shares	:	140,223,760 ordinary shares (excluding a total of 1,090,700 ordinary shares bought back by the Company and retained as Treasury Shares)
Issued Shares Capital	:	RM7,065,723.00
Classes of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share (on poll)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of shares	%
1 to 99	2	0.186	100	0.00
100 to 1,000	226	21.121	182,038	0.129
1,001 to 10,000	573	53.551	2,473,262	1.763
10,001 to 100,000	210	19.626	6,422,300	4.580
100,001 to below 5%	54	5.046	51,064,260	36.416
5% and above	5	0.467	20,081,800	57.110
Total	**1,070**	**100.00**	**140,223,760**	**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	31,614,200	22.546	-	-
2.	Sanyee Holdings Sdn Bhd	25,290,000	18.035	-	-
3.	General Technology Sdn Bhd	13,692,800	9.765	-	-
4.	Dato' Tan Hock San @ Tan Hock Ming	20,404,800	14.552	26,696,200[1]	19.038
5.	Tan Wan Phing	491,200	0.350	26,100,000[2]	18.613
6.	Tan Wan Yen	24,000	0.017	26,100,000[2]	18.613
7.	Tan Ee Ern	-	-	26,100,000[2]	18.613
8.	Phang Hong Yee	105,000	0.075	26,100,000[2]	18.613

[1] *Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of Section 8 of the Companies Act, 2016.*
[2] *Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.*

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

Name of Directors	Direct interest	%	Indirect interest	%
Dato' Ir Dr. Abdul Rahim Bin Daud	24,500	0.017	-	-
Dato' Tan Hock San @ Tan Hock Ming	20,404,800	14.552	26,696,200[1]	19.038
Chang Wei Ming	-	-	-	-
Abdul Jalil Bin Abdul Jamil	-	-	-	-
Tan Ee Ern	-	-	26,100,000[2]	18.613
Tan Wan Yen	24,000	0.017	26,100,000[2]	18.613

[1] *Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of section 8 of the Companies Act, 2016.*
[2] *Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.*

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	14.262
2.	Chew Weng Yew	18,614,200	13.274
3.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dato' Tan Hock San @ Tan Hock Ming)	14,774,800	10.536
4.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for General Technology Sdn Bhd)	13,692,800	9.764
5.	Chew Weng Yew	13,000,000	9.270
6.	Kenanga Nominees (Tempatan) Sdn Bhd (Allan Wong Sai Wah)	6,241,200	4.450
7.	Sanyee Holdings Sdn Bhd	5,290,000	3.772
8.	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dato' Tan Hock San @ Tan Hock Ming)	5,210,000	3.715
9.	Eng Soh Chng (Eric)	3,785,300	2.699
10.	Leong Chooi May	3,195,700	2.279
11.	Citigroup Nominee (Asing) Sdn Bhd [Exempt AN for UBS AG Hong Kong (Foreign)]	2,959,160	2.110
12.	Ng Chee Chau	2,300,000	1.640
13.	Maybank Nominees (Tempatan) Sdn Bhd (Wong Peng Kit)	2,000,000	1.426
14.	UOB Kay Hian Nominees (Asing) Sdn Bhd [Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)]	1,860,000	1.326
15.	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chin Yau Kong)	1,820,000	1.297
16.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for Bank Julius Baer & Co. Ltd (Singapore bch)	1,427,200	1.017
17.	Sanyee Corporation Sdn Bhd	1,230,000	0.877
18.	KAF Trustee Berhad (KIFB For Yayasan Selangor)	1,200,000	0.855
19.	Chin Yau Kong	1,036,700	0.739
20	Leisure Link Sdn Bhd	674,200	0.480
21.	Tee Yeow	660,000	0.470
22.	Thian Huey Ching	652,500	0.465
23.	Sharon Ng Mew Ying	612,600	0.436
24.	Yong Kwee Len	610,000	0.435
25.	Chiang Siew Eng @ Le Yu Ak Ee	604,400	0.431
26.	Ong Wei Yeang	554,800	0.395
27.	Hon Kah Sin	500,000	0.356
28.	Tan Wan Phing	491,200	0.350
29.	Sharon Ng Mew Ying	420,000	0.299
30.	Lawrence Chin	403,000	0.287
	TOTAL	**125,819,760**	**89.712**

ANALYSIS OF WARRANT HOLDINGS
AS AT 29 SEPTEMBER 2017

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

DISTRIBUTION OF WARRANT HOLDINGS

	Holders	%	Warrants	%
1 to 99	2	0.598	100	0.00
100 to 1,000	92	27.544	50,100	0.100
1,001 to 10,000	123	36.826	640,900	1.287
10,001 to 100,000	85	25.449	3,219,500	6.467
100,001 to below 5%	28	8.383	10,488,300	21.068
5% and above	4	1.197	35,383,630	71.076
TOTAL	**334**	**100.00**	**49,782,530**	**100.00**

DIRECTORS WARRANT HOLDINGS (Direct & Indirect)

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

[1] *Deemed interest via Sanyee Holdings Sdn Bhd, Sanyee Corporation Sdn Bhd, spouse and daughter by virtue of Section 8 of the Companies Act, 2016.*

[2] *Deemed interest via Sanyee Holdings Sdn Bhd and Sanyee Corporation Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.*

TOP THIRTY WARRANT HOLDERS

No.	Name of Warrant Holders	No. of warrants held	%
1.	Chew Weng Yew	16,541,370	33.227
2.	Sanyee Holdings Sdn Bhd	8,648,000	17.371
3.	Cimsec Nominees (Tempatan) Sdn Bhd (CIMB for General Technology Sdn Bhd)	5,745,700	11.541
4.	Citigroup Nominees (Asing) Sdn Bhd [Exempt AN for UBS AG Hong Kong (Foreign)]	4,448,560	8.935
5.	Sanyee Corporation Sdn Bhd	2,130,000	4.278
6.	Low Tian Heng	1,107,900	2.225
7.	Tan Yu Wei	650,000	1.305
8.	Yo Kok Kong @ Yue Kok Kong	600,000	1.205
9.	Leisure Link Sdn Bhd	464,200	0.932
10.	Chang Sow Fong	418,000	0.839
11.	Boon Kim Yu	398,400	0.800
12.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Boon Kim Yu)	358,700	0.720
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ramlee Bin Mohd Shariff)	332,000	0.666
14.	Tee Yeow	330,000	0.662
15.	Sharon Ng Mew Ying	301,800	0.606
16.	Eng Soh Chng (Eric)	284,900	0.572
17.	Yong Kwee Len	271,700	0.545
18.	Leow Kuan Shu	254,000	0.510
19.	Goh Thiam Seng	250,000	0.502
20.	Tan Wan Phing	245,600	0.493
21.	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Aw Khoon Lee)	241,000	0.484
22.	Gan Keng Eak	227,100	0.456
23.	Sharon Ng Mew Ying	210,000	0.421
24.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Cheah Yin Leng)	200,000	0.401
25.	Goh Ling Ping	191,300	0.384
26.	Tan Wah Kiong	185,900	0.373
27.	Ng Chiew Peng	185,000	0.371
28.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chew Pok Oi)	169,400	0.340
29.	Ng Peng Yau	135,500	0.272
30.	Wong Hen Sang	120,000	0.241
	TOTAL	**45,646,030**	**91.677**

FINANCIAL CONTENTS

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 2017.

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 and other information of the subsidiaries are described in Note 17 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss net of tax	(3,231)	(1,602)
Loss attributable to:		
Owners of the parent	(3,243)	(1,602)
Non-controlling interest	12	-
	(3,231)	(1,602)

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

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Tan Hock San @ Tan Hock Ming #	
Dato' Ir Dr Abdul Rahim bin Daud #*	
Chang Wei Ming *	
Tan Ee Ern #	
Tan Wan Yen	
Abdul Jalil Bin Abdul Jamil*	(Appointed on 24 May 2017)
Tan Sri Dato' Seri Dr Haji Zainul Ariff bin Haji Hussain	(Resigned on 28 November 2016)

* Being a member of the Audit Committee
# Being a director of one or more subsidiaries

The names of the directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report, not including those directors listed above are:

<u>FSBM I-Design Sdn Bhd</u>
Ahmad Rashidi bin Abd Rahman

<u>FSBM Mantissa (Malaysia) Sdn Bhd</u>
Lawrence Chin

<u>Smart 360 Sdn Bhd</u>
Lawrence Chin

<u>FSBM Learning Media Sdn Bhd</u>
Lawrence Chin

<u>Asian Technology Resources Sdn Bhd</u>
Lawrence Chin

<u>FSBM Datatech Sdn Bhd</u>
Khairul Anwar bin Mohd Akhir

<u>FSBM MSC Gateway Sdn Bhd</u>
Lawrence Chin

FSBM Holdings Berhad
(Incorporated in Malaysia)

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 year, 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			
	1.7.2016	**Bought**	**Sold**	**30.06.2017**
Direct interest:				
Dato' Ir Dr Abdul Rahim bin Daud	24,500	-	-	24,500
Tan Wan Yen	440,400	-	416,400	24,000
Dato' Tan Hock San @ Tan Hock Ming	6,924,400	11,420,400	-	18,344,800
Tan Ee Ern	304,000	-	304,000	-

FSBM Holdings Berhad
(Incorporated in Malaysia)

Directors' interests (continued)

	Number of ordinary shares			
	1.7.2016	**Bought**	**Sold**	**30.06.2017**
Indirect interest*:				
Dato' Tan Hock San @ Tan Hock Ming	38,456,200	1,000,000	10,700,000	28,756,200
Tan Ee Ern	37,860,000	1,000,000	10,700,000	28,160,000
Tan Wan Yen	37,860,000	1,000,000	10,700,000	28,160,000

	Number of warrants			
	1.7.2016	**Bought**	**Sold**	**30.06.2017**
Direct interest:				
Dato' Tan Hock San @ Tan Hock Ming	4,200	-	-	4,200
Dato' Ir Dr Abdul Rahim bin Daud	24,500	-	-	24,500
Tan Ee Ern	7,000	-	-	7,000
Tan Wan Yen	5,700	-	-	5,700
Indirect interest*:				
Dato' Tan Hock San @ Tan Hock Ming	12,028,600	-	(1,000,000)	11,028,600
Tan Ee Ern	11,778,000	-	(1,000,000)	10,778,000
Tan Wan Yen	11,778,000	-	(1,000,000)	10,778,000

* Indirect interest (shares held by companies in which the director is deemed to have an interest and/or shares held by 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 directors in office at the end of the financial year did not have any interests in ordinary shares or warrants in the Company and its related corporations during the financial year.

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 expire 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			
	1.7.2016	**Issued**	**Exercised**	**30.06.2017**
Number of unissued shares under warrants	50,782,530	-	(1,000,000)	49,782,530

On 20 January 2017 and 23 January 2017, the Company had exercised its warrants of 300,000 and 700,000 units respectively. Each warrant entitles the registered holder to subscribe for one new ordinary share in the Company at an exercise price of RM0.30 per ordinary share.

Private placement

Bursa Securities had, vide its letter dated 5 October 2016, approved the listing and quotation for up to 12,656,700 new ordinary shares of RM0.05 each in FSBM to be issued pursuant to the Proposed Private Placement. Upon completion of the exercise on 10 February 2017, the issued and paid-up share capital and share premium increased from RM6,383,000 to RM7,015,000 and RM759,000 to RM2,657,000 respectively.

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

Indemnities to directors, officers and auditors

At the date of this report, no indemnity was given to or insurance for any directors, officers or auditors of the Company.

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.

(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.

FSBM Holdings Berhad
(Incorporated in Malaysia)

Other statutory information (continued)

(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 year in which this report is made.

Auditors and auditors' remuneration

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

Auditors’ remuneration are disclosed in Note 11 to the financial statements.

Signed on behalf of the Board in accordance with the approval of the Board of Directors on 31 October 2017.

Dato' Tan Hock San @ Tan Hock Ming

Tan Ee Ern

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

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

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 16 to 83 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows for the year then ended.

The information set out in Note 35 to the financial statements on page 84 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 31 October 2017.

Dato' Tan Hock San @ Tan Hock Ming

Tan Ee Ern

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

I, Dato' Tan Hock San @ Tan Hock Ming, being the director primarily responsible for the financial management of FSBM Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 84 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 Dato' Tan Hock San @ Tan Hock Ming
at Petaling Jaya in the State of Selangor
on 31 October 2017

Dato' Tan Hock San @ Tan Hock Ming

Before me,

115609-U

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

Report on the financial statements

Qualified Opinion

We have audited the financial statements of FSBM Holdings Berhad, which comprise statements of financial position as at 30 June 2017 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 16 to 83.

In our opinion, except for the possible effects of the matter described in the Basis of qualified opinion section to our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 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 2016 in Malaysia.

Basis of qualified opinion

As disclosed in Note 19 to the financial statements, included in trade and other receivables of the Group and the Company are amounts due from Technitium Sdn. Bhd. ("TSB") of RM7,611,000 (2016: RM7,611,000) and RM1,047,000 (2016: 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.

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Recoverability of trade and other receivables

We draw your attention to Note 7.2(a) and Note 19 to the financial statements.

As at 30 June 2017, the trade and other receivables of the Group (excluding the amount due from Technitium Sdn. Bhd. ("TSB") of RM8.7 million which was qualified in the basis of qualification above) amounted to approximately RM2.5 million which represents 21% of total assets of the Group.

Our audit procedures include, amongst others:

a) obtained understanding about the group's policies and procedures to identify objective evidence of impairment of the receivables and in determining the recoverable amount;

Key audit matters (continued)

Recoverability of trade and other receivables (continued)

b) performed substantive audit procedures on the ageing of receivables;

c) challenged the assumptions used by management in determining the recoverable amount by taking into consideration of historical payment patterns, existence of disputes and other available information concerning the recoverability of the receivables;

d) performed audit procedure on the subsequent collections from customers or debtors; and

e) assessed the adequacy of the Group's and the Company's disclosures about receivables as well as the significant estimates involved in the impairment assessment in the consolidated financial statements.

The Group assesses at each reporting date whether there is objective evidence that an impairment loss for trade receivables has been incurred. If such evidence exists, an impairment test for the receivables is required.

We identified this as our area of audit focus as the impairment assessment involves significant management judgement and estimation in determining the recoverable amount of the receivables.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Information other than the financial statements and auditors' report thereon (continued)

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Auditors' responsibilities for the audit of the financial statements (continued)

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we 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 provision of the Act;

b) The subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

Other reporting responsibilities

The supplementary information set out in Note 35 on page 84 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Sandra Segaran a/l Muniandy @ Krishnan
02882/01/2019 J
Chartered Accountant

Kuantan, Pahang Darul Makmur,
Malaysia
31 October 2017

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	8	2,415	4,633	64	81
Cost of sales	9	(2,171)	(4,174)	-	-
Gross profit		244	459	64	81
Other income	10	54	975	193	1,251
Other items of expense					
Administrative expenses		(186)	(147)	(154)	(118)
Selling and marketing expenses		(43)	(9)	(43)	(9)
Other expenses		(3,300)	(6,083)	(1,662)	(7,936)
Loss before tax	11	(3,231)	(4,805)	(1,602)	(6,731)
Income tax expense	14	-	-	-	-
Loss net of tax		(3,231)	(4,805)	(1,602)	(6,731)
Other comprehensive income to be reclassified to profit or loss in subsequent periods net of tax:					
Foreign currency translation		(10)	(379)	-	-
Reclassification adjustment:					
Transfer of reserve of foreign subsidiary companies upon dissolution		909	-	-	-
Other comprehensive income for the period, net of tax		899	(379)	-	-
Total comprehensive loss for the year		(2,332)	(5,184)	(1,602)	(6,731)
Loss attributable to:					
Owners of the parent		(3,243)	(4,781)	(1,602)	(6,731)
Non-controlling interest		12	(24)	-	-
		(3,231)	(4,805)	(1,602)	(6,731)

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 30 June 2017 (continued)

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Total comprehensive loss attributable to:					
Owners of the parent		(2,344)	(5,162)		
Non-controlling interest		12	(22)		
		(2,332)	(5,184)		
Loss per share attributable to owners of the parent (sen per share):					
Basic and diluted	15	(2.31)	(3.78)		

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 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	16	26	67	9	24
Investments in subsidiaries	17	-	-	4,157	4,157
Other investments	18	185	251	185	251
		211	318	4,351	4,432
Current assets					
Trade and other receivables	19	11,061	12,931	3,064	4,409
Other current assets	20	2	24	2	23
Marketable securities	21	286	286	-	-
Tax recoverable		38	41	3	3
Cash and bank balances	22	34	325	16	288
		11,421	13,607	3,085	4,723
Total assets		11,632	13,925	7,436	9,155
Equity and liabilities					
Current liability					
Trade and other payables	23	5,403	8,407	10,948	13,896
Net current assets/(liabilities)		6,018	5,200	(7,863)	(9,173)
Total liabilities		5,403	8,407	10,948	13,896
Net assets/(liabilities)		6,229	5,518	(3,512)	(4,741)

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

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

		Group		Company	
	Note	**2017**	**2016**	**2017**	**2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Equity attributable to owners of the parent					
Share capital	24	10,064	6,383	10,064	6,383
Share premium	24	-	759	-	759
Treasury shares	24	(712)	(712)	(712)	(712)
Accumulated losses		(7,401)	(4,158)	(17,398)	(15,796)
Other reserves	25	4,534	3,726	4,534	4,625
Shareholders' equity		6,485	5,998	(3,512)	(4,741)
Non-controlling interest		(256)	(480)	-	-
Total equity		6,229	5,518	(3,512)	(4,741)
Total equity and liabilities		11,632	13,925	7,436	9,155

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

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 30 June 2017

	|--------------- Non-distributable			--------------|				
	Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Other reserves RM'000**	**Accumulated losses RM'000**	**Equity attributable to owners of the parent, total RM'000**	**Non-controlling interest RM'000**	**Equity, total RM'000**
2017								
Group								
Opening balance at 1 July 2016	6,383	759	(712)	3,726	(4,158)	5,998	(480)	5,518
Transactions with owners								
Transfer of share premium on 31 January 2017 (Note 24)	2,998	(2,998)	-	-	-	-	-	-
Private placement (Note 24)	633	1,898	-	-	-	2,531	-	2,531
Conversion of warrants (Note 25)	50	341	-	(91)	-	300	-	209
Dissolution of subsidiary companies	-	-	-	909	-	909	212	1,121
Total comprehensive loss	-	-	-	(10)	(3,243)	(3,253)	12	(3,241)
Closing balance at 30 June 2017	10,064	-	(712)	4,534	(7,401)	6,485	(256)	6,138

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 30 June 2017 (continued)

	|---------------- Non-distributable		--------------|				
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated losses RM'000	Equity attributable to owners of the parent, total RM'000	Non-controlling interest RM'000	Equity, total RM'000
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 2017 (continued)

	|-------------- Non-distributable -------------|					
	Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Other reserves RM'000**	**Accumulated losses RM'000**	**Equity, total RM'000**
2017						
Company						
Opening balance at 1 July 2016	6,383	759	(712)	4,625	(15,796)	(4,741)
Transactions with owners						
Transfer of share premium on 31 January 2017 (Note 24)	2,998	(2,998)	-	-	-	-
Private placement (Note 24)	633	1,898	-	-	-	2,531
Conversion of warrants (Note 25)	50	341	-	(91)	-	300
Total comprehensive loss	-	-	-	-	(1,602)	(1,602)
Closing balance at 30 June 2017	10,064	-	(712)	4,534	(17,398)	(3,512)
2016						
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	6,383	759	(712)	4,625	(15,796)	(4,741)

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 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating activities				
Loss before tax	(3,231)	(4,805)	(1,602)	(6,731)
Adjustments for:				
Loss on striking-off subsidiaries	1,119	-	-	-
Depreciation of property, plant and equipment	34	48	15	38
Gain on disposal of property, plant and equipment	-	(15)	-	-
Property, plant and equipment written off	7	-	-	-
Waiver of debts from third parties	-	(190)	-	(190)
Impairment loss on financial assets:				
- third parties	130	7	-	-
- subsidiaries	-	-	9	88
Allowance for impairment of investment				
- subsidiaries	-	-	-	2,408
- club membership	66	84	66	84
Inventories written down	-	3,200	-	3,200
Loss on unrealised foreign exchange	162	-	-	-
Net fair value loss for available-for-sale financial asset	-	340	-	-
Written back intercompany balances	-	-	177	-
Reversal of allowance for impairment of:				
- trade receivables	(54)	(47)	(9)	(619)
- subsidiaries	-	-	(7)	(390)
Total adjustments	1,464	3,427	251	4,619
Operating cash flows before changes in working capital	(1,767)	(1,378)	(1,351)	(2,112)
Changes in working capital				
Decrease in receivables	1,794	268	1,190	6
Decrease/(increase) in other current assets	22	(23)	21	(22)
Decrease in payables	(3,168)	(610)	(3,125)	(97)
Total changes in working capital	(1,352)	(365)	(1,914)	(113)
Cash flows used in operations	(3,119)	(1,743)	(3,265)	(2,225)
Income taxes paid	(3)	(8)	-	-
Net cash flows used in operating activities	(3,122)	(1,751)	(3,265)	(2,225)

115609-U

FSBM Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 30 June 2017 (continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investing activity				
Proceeds from disposal of property, plant and equipment, representing net cash flow from investing activity	-	15	-	-
Financing activities				
Proceeds from private placement	2,531	-	2,531	-
Proceeds from conversion of warrants	300	-	300	-
Advances from subsidiaries	-	-	162	490
Net cash flows from financing activities	2,831	-	2,993	490
Net decrease in cash and bank balances	(291)	(1,736)	(272)	(1,735)
Cash and bank balances at beginning of year	325	2,061	288	2,023
Cash and bank balances at end of year (Note 22)	34	325	16	288

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

Notes to the financial statements
For the financial year ended 30 June 2017

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 and other informations of the subsidiaries are described in Note 17.

2. Fundamental accounting concept and basis of preparation

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 2016 in Malaysia.

On 15 September 2016, the Companies Act 2016 (“New Act”) was enacted and it replaces the Companies Act, 1965 in Malaysia with the New Act with effect from 31 January 2017. The key changes of the New Act are disclosed in Note 4.24.

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.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. 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.

3. Basis of consolidation (continued)

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.

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.

4. Summary of significant accounting policies (continued)

4.1 Business combinations and goodwill (continued)

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.

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
- 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.

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement

The principal or the most advantageous market must be accessible by the Group.

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.

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

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.

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.

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.

4. Summary of significant accounting policies (continued)

4.4 Foreign currencies (continued)

(b) Transactions and balances

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.

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 a 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. Summary of significant accounting policies (continued)

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.

The Company 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 Company 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 4.16.

(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.

4. Summary of significant accounting policies (continued)

4.5 Revenue recognition (continued)

(g) Dividend income

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

(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 Income taxes

(a) Current tax

Current 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 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.

4. Summary of significant accounting policies (continued)

4.7 Income 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.

4. Summary of significant accounting policies (continued)

4.7 Income 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 Goods and Service Tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

4.9 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.

4. Summary of significant accounting policies (continued)

4.9 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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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

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.

4.10 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.

4.11 Cash and bank balances

Cash and bank balances comprise cash at banks and in hand.

4. Summary of significant accounting policies (continued)

4.12 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.

4. Summary of significant accounting policies (continued)

4.12 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 profit or loss.

4.13 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.

4.14 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 commit to purchase or sell the asset.

The Group and the Company determine the classification of its financial assets at fair value through profit or loss, loand and receivables, held-to-maturity investment and available-for-sale financial assets.

4. Summary of significant accounting policies (continued)

4.14 Financial assets (continued)

(b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(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 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 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.

4. Summary of significant accounting policies (continued)

4.14 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)

4.14 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 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.

4. Summary of significant accounting policies (continued)

4.14 Financial assets (continued)

(d) Impairment of financial assets

The Group assesses 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)

4.14 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)

4.15 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)

4.15 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.

4. Summary of significant accounting policies (continued)

4.16 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.

4.17 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 profit or loss, net of any reimbursement.

4.18 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. Summary of significant accounting policies (continued)

4.19 Treasury shares

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

4.20 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.

4.21 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.

4.22 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

4. Summary of significant accounting policies (continued)

4.23 Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and Company if that person:

   i) has control or joint control over the company;
   ii) has significant influence over the company; or
   iii) is a member of the key management personnel of the Group or the company or of a parent of the company.

b) An entity is related to the Group and the Company if any of the following conditions applies:

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

4.24 Significant changes in regulatory requirements

Companies Act 2016 ("New Act")

Amongst the key changes introduced in the New Act which affected the financial statements of the Group and the Company upon the commencement of the New Act on 31 January 2017 are:

i) the removal of the authorised share capital;

ii) the ordinary shares of the Company will cease to have par or nominal value; and

iii) the Company's share premium will become part of the share capital.

The adoption of the New Act has no financial impact on the Group and the Company for the current financial year ended 30 June 2017. The effect of adoption mainly on the disclosures to the financial statements of the Group and the Company.

5. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2016, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 July 2016.

Description	**Effective for annual period beginning on or after**
Annual Improvements to MFRSs 2012 – 2014 Cycle	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
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016

The adoption of the above standards does not have any significant impact on the financial statements of the Group and the Company.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Company’s financial statements.

5. Changes in accounting policies (continued)

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

Standards	**Descriptions**
MFRS 7 Financial Instruments: Disclosures	The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.
MFRS 119 Employee Benefits	The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.
MFRS 134 Interim Financial Reporting	The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

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 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014-2016	
Amendments to MFRS 12: Disclosure of Interest in Other Entities	1 January 2017
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Amendments to MFRS 128: Investment in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
IC Interpretation 22: Foreign Currency Transaction and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 15: Clarification to MFRS 15	1 January 2018
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income tax Treatments	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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 other than for Amendments to MFRS 7: Disclosure Initiative, MFRS 15: Revenue from Contracts with Customers, MFRS 16: Leases and MFRS 9: Financial Instruments. The Group is still in process of assessing the financial impact of MFRS 107, MFRS 15, MFRS 16 and MFRS 9.

6. Standards issued but not yet effective (continued)

Amendments to MFRS 107 Disclosures Initiatives

The amendments to MFRS 107 Disclosures Initiatives require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendment, entities are not required to provide comparative information for preceeding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

Amendments to MFRS 112 Recognition of Deferred Tax for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies these amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

6. Standards issued but not yet effective (continued)

MFRS 15 Revenue from Contracts with Customers (continued)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

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

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

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

6. Standards issued but not yet effective (continued)

MFRS 16 Leases (continued)

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

7. Significant accounting judgments, estimates and assumptions

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 discussed 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 financial assets

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 and the Company's loans and receivables at the reporting date is disclosed in Note 19.

7. Significant accounting judgments, estimates and assumptions (continued)

7.2 Estimates and assumptions (continued)

(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 2017, the unutilised tax losses, unabsorbed capital allowances and pioneer losses of the Group and of the Company are RM119,864,000 (2016: RM118,029,000) and RM69,229,000 (2016: RM63,620,000) respectively.

(c) Impairment of investment in subsidiaries

The Group assesses at each reporting date whether there is any objective evidence that the investment in subsidiaries are 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 subsidiaries.

(d) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its value in use and its fair value less cost of disposal.

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 and the Company's property, plant and equipment at the reporting date are disclosed in Note 16.

8. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Contract system and services	2,351	4,552	-	-
Rental income	64	81	64	81
	2,415	4,633	64	81

9. Cost of sales

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Purchase of system and services	2,171	4,174	-	-

10. Other income

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Gain on disposal of property, plant and equipment	-	15	-	-
Miscellaneous	-	304	-	52
Net foreign exchange gain	-	419	-	-
Reversal of allowance for impairment of:				
- third parties (Note 19)	54	47	9	619
- subsidiaries	-	-	7	390
Waiver of debts from third parties	-	190	-	190
Written back intercompany balances	-	-	177	-
	54	975	193	1,251

11. Loss before tax

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Auditors' remuneration:				
- current year	150	115	90	65
- under provision in prior year	13	-	-	-
Depreciation of property, plant and equipment (Note 16)	34	48	15	38
Impairment losses on investments in subsidiaries (Note 17)	-	-	-	2,408
Loss on striking-off subsidiaries	1,119	-	-	-
Impairment loss on financial assets:				
- third parties (Note 19)	130	7	-	-
- subsidiaries (Note 19)	-	-	9	88
- investment in club membership	66	84	66	84

11. Loss before tax (continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment written off	7	-	-	-
Loss on unrealised foreign exchange	162	-	-	-
Inventories written down	-	3,200	-	3,200
Net fair value loss on financial assets				
- available-for-sale financial assets	-	340	-	-
Operating lease:				
- minimum lease payments for buildings	1,022	1,623	1,022	1,623
Employee benefits expenses (Note 12)	178	145	10	117
Directors' remuneration				
(Note 13)	162	93	143	93

12. Employee benefits expense

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages and salaries	77	90	-	65
Contributions to defined contribution plan	3	3	-	-
Other benefits	98	52	10	52
	178	145	10	117

13. Directors' remuneration

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive:				
Salaries and other emoluments	97	-	81	-
Contributions to defined contribution plan	3	-	-	-
Total executive directors' remuneration	100	-	81	-
Non executive:				
Fees	50	73	50	73
Other emoluments	12	20	12	20
Total non-executive directors'				
remuneration	62	93	62	93
Total directors' remuneration (Note 11)	162	93	143	93

13. Directors' remuneration (continued)

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

	Number of directors	
	2017	2016
Executive directors:		
RMNil - RM50,000	3	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
Non-executive directors:		
RMNil - RM50,000	3	3

14. Income tax expense

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 30 June 2017 and 30 June 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loss before tax	(3,231)	(4,805)	(1,602)	(6,731)
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	(775)	(1,153)	(384)	(1,615)
Adjustments:				
Expenses not deductible for tax purposes	420	653	112	1,083
Deferred tax assets not recognised in respect of current period's tax losses and unabsorbed capital allowances	355	500	272	532
Income tax expense recognised in profit or loss	-	-	-	-

14. Income tax expense (continued)

Reconciliation between tax expense and accounting loss (continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable loss for the year. On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate based on percentage of increase in chargeable income as compared to the immediate preceeding year of assessment effective year of assessment 2017 and 2018. The effect of changes in future tax rate is determined not to be significant.

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.

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	114,414	112,614	66,970	61,330
Unabsorbed capital allowances	3,873	3,838	2,259	2,290
Unabsorbed pioneer losses	1,577	1,577	-	-
	119,864	118,029	69,229	63,620

No deferred tax assets recognised in respect of the above as it is not probable that future taxable profits will be available against which the items can be utilised.

The availability of the unused capital allowances, pioneer losses and tax losses for offsetting against future taxable profits of the respective entities within the Group are subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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 ended 30 June 2017 and 30 June 2016:

	Group	
	2017	**2016**
Loss net of tax attributable to owners of the parent (RM'000)	(3,243)	(4,781)
Weighted average number of ordinary shares for basic loss per share computation ('000) *	140,224	126,567
Loss per share (sen)	(2.31)	(3.78)

* 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 loss per share.

16. Property, plant and equipment

	Leasehold improvement and office renovation RM'000	Computer equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
Group					
Cost:					
At 1 July 2015	125	594	787	793	2,299
Exchange difference	-	1	-	-	1
At 30 June 2016 and 1 July 2016	125	595	787	793	2,300
Written off	-	(515)	-	(140)	(655)
Exchange difference	-	1	-	-	1
At 30 June 2017	125	81	787	653	1,646
Accumulated depreciation:					
At 1 July 2015	112	557	786	729	2,184
Depreciation charge for the year (Note 11)	8	7	-	33	48
Exchange difference	-	1	-	-	1
At 30 June 2016 and 1 July 2016	120	565	786	762	2,233
Depreciation charge for the year (Note 11)	4	15	-	15	34
Written off	-	(515)	-	(133)	(648)
Exchange difference	-	1	-	-	1
At 30 June 2017	124	66	786	644	1,620
Net carrying amount:					
At 30 June 2016	5	30	1	31	67
At 30 June 2017	1	15	1	9	26

16. Property, plant and equipment (continued)

	Leasehold improvement and office renovation RM'000	Computer equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
Company					
Cost:					
At 1 July 2015/ 30 June 2017	90	184	647	569	1,490
Accumulated depreciation:					
At 1 July 2015	79	179	647	523	1,428
Depreciation charge for the year (Note 11)	7	1	-	30	38
At 30 June 2016 and 1 July 2016	86	180	647	553	1,466
Depreciation charge for the year (Note 11)	4	-	-	11	15
At 30 June 2017	90	180	647	564	1,481
Net carrying amount:					
At 30 June 2016	4	4	-	16	24
At 30 June 2017	-	4	-	5	9

17. Investments in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost		
At 1 July		
In Malaysia	36,099	36,099
Outside Malaysia	45	45
	36,144	36,144
Dissolution of foreign subsidiaries	(45)	-
At 30 June	36,099	36,144
Accumulated impairment losses		
At 1 July	(31,987)	(29,579)
Impairment loss of investment in subsidiaries	-	(2,408)
Dissolution of foreign subsidiaries	45	-
At 30 June	(31,942)	(31,987)
Net carrying amount	4,157	4,157

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	Proportion (%) of ownership interest 2016
Held by the Company:				
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
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

17. Investments in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
Held by the Company:				
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 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

17. Investments in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
Held by the Company:				
Mediacity Investment Limited*	British Virgin Islands	Investment holding	-	100
MyUnos Sdn. Bhd.*	Malaysia	Provider of communication and networking services	100	100
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
Held through Asian Technology Resources Sdn. Bhd.:				
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.

Dissolution of subsidiaries

On 29 August 2017, the Group announced the dissolution of Mediacity (BVI) Ltd, Asian Technology Resources (BVI) Ltd and Unos Development (BVI) Ltd as they were dormant for years. Upon the completion of dissolution, the companies will cease to be subsidiary companies of the Group. There was a minimal impact arising from the dissolution of subsidiary companies to the Group's assets and liabilities.

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	
	2017	2016
	RM'000	RM'000
Non-current		
Club membership	391	391
Less: Provision for diminution in value	(206)	(140)
	185	251

19. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	35,841	36,113	9,815	9,838
Subsidiaries	-	-	2,746	2,746
	35,841	36,113	12,561	12,584
Less: Allowance for impairment				
Third parties	(28,333)	(28,387)	(8,767)	(8,776)
Subsidiaries	-	-	(2,746)	(2,746)
	(28,333)	(28,387)	(11,513)	(11,522)
	7,508	7,726	1,048	1,062
Other receivables				
Third parties	9,680	10,110	4,755	4,848
Subsidiaries	-	-	38,583	38,745
Staff advances	1	1	1	1
Refundable deposits	17	1,109	16	1,090
	9,698	11,220	43,355	44,684
Less: Allowance for impairment				
Third parties	(6,145)	(6,015)	(4,641)	(4,641)
Subsidiaries	-	-	(36,698)	(36,696)
	(6,145)	(6,015)	(41,339)	(41,337)
	3,553	5,205	2,016	3,347
Total trade and other receivables	11,061	12,931	3,064	4,409
Add: Cash and bank balances (Note 22)	34	325	16	288
Total loans and receivables	11,095	13,256	3,080	4,697

19. Trade and other receivables (continued)

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	31,363	31,363	7,912	7,912
Other receivables	2,377	2,377	862	862
	33,740	33,740	8,774	8,774
Less: Allowance for impairment				
Trade receivables	(24,122)	(24,122)	(6,865)	(6,865)
Other receivables	(2,007)	(2,007)	(862)	(862)
	(26,129)	(26,129)	(7,727)	(7,727)
Trade and other receivables, net	7,611	7,611	1,047	1,047

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 case was tried throughout on 26 March, 11 June, 5 November, 9 November and 20 November 2015, and 28 March, 26 May, and 22 July 2016. The Court delivered its Decision on 6 January 2017, of which the sealed order was extracted and forwarded to the Company on 8 March 2017.

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

FSBM and CTECH have also filed an application for stay against the Appellants' appeal pending the payment of costs by the Appellants. The stay applications by both the Appelants and the Respondents were heard on 14 September 2017. The court has yet to write to parties to fix Hearing date for the Appeal proper.

Subsequent to stay applications, Azman and Haliza ("Plaintiffs") brought action interalia impeach and set aside the Judgments dated 20 January 2012 and 6 January 2017 in totality. The matter is now fixed for Hearing on 24 November 2017 for FSBM and CTech ("Defendants") to strike out the claim.

19. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2016: 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	32	206	-	-
1 to 30 days past due not impaired	-	23	-	23
61 to 90 days past due not impaired	-	-	-	-
91 to 120 days past due not impaired	234	219	-	-
	234	242	-	23
Impaired	35,575	35,665	12,561	12,561
	35,841	36,113	12,561	12,584

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 RM234,000 and RMNil (2016: RM242,000 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.

19. Trade and other receivables (continued)

(a) Trade receivables (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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivable				
- nominal amounts	35,575	35,665	12,561	12,561
Less: Allowance for impairment	(28,333)	(28,387)	(11,513)	(11,522)
	7,242	7,278	1,048	1,039

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of the year	28,387	28,434	11,522	12,141
Reversal of impairment losses (Note 10)	(54)	(47)	(9)	(619)
At end of the year	28,333	28,387	11,513	11,522

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.

19. Trade and other receivables (continued)

(c) Other receivables

Other receivables that are impaired

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of the year/period	6,015	6,008	41,337	41,639
Charge for the year (Note 11)	130	7	9	88
Reversal of impairment loss (Note 10)	-	-	(7)	(390)
At end of the year	6,145	6,015	41,339	41,337

20. Other current assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Prepayments	2	24	2	23

21. Marketable securities

	Group			
	2017		2016	
	Carrying amount RM'000	Market value of quoted investment RM'000	Carrying amount RM'000	Market value of quoted investment RM'000
Current				
Available-for-sale financial assets:				
- Quoted shares outside Malaysia	286	286	286	286

22. Cash and bank balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash on hand and at banks	34	325	16	288
Cash and bank balances (Note 19)	34	325	16	288

23. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables				
Third parties	680	695	190	190
Other payables				
Third parties	1,902	3,675	585	2,068
Subsidiaries	-	-	7,741	8,000
Amount due to a director	538	1,747	288	1,497
Deposits received	47	54	47	54
Accruals	2,236	2,236	2,097	2,087
	4,723	7,712	10,758	13,706
Total trade and other payables	5,403	8,407	10,948	13,896
Total financial liabilities carried at amortised cost	5,403	8,407	10,948	13,896

(a) Trade payables

The amounts are non-interest bearing and the normal credit terms granted to the Group vary from 1 to 30 (2016: 1 to 30) days.

(b) Other payables

The amounts are non-interest bearing. Other payables are normally settled on an average term of 3 (2016: 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 adversely affect the ability of the Group to meet its liabilities as and when they fall due.

24. Share capital, share premium and treasury shares

	Number of ordinary shares		Amount		
	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Treasury shares RM'000
Group and Company					
At 30 June 2016/ 1 July 2016	127,658	(1,091)	6,383	759	(712)
Transfer of share premium on 31 January 2017	-	-	2,957	(2,957)	-
Private placement	12,657	-	633	1,898	-
Conversion of warrants	1,000	-	91	300	-
At 30 June 2017	141,315	(1,091)	10,064	-	(712)

(a) Share capital

In accordance with Section 74 of the Companies Act 2016, the Group's and the Company's ordinary share no longer have a par or nominal value with effect from 31 January 2017. Pursuant to Section 618(2) of the Companies Act 2016, the amount standing to the credit of the Company's share premium became part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members of the Company.

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

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

(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.

(C) Private placement

On 10 February 2017, the Company completed the issuance of 12,656,700 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 RM7,015,000 and RM759,000 to RM2,657,000 respectively.

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

(b) Transfer of share premium

Pursuant to S618(2) of the Companies Act 2016, any outstanding share premium account and capital redemtion reserve shall become part of the Company's share capital.

25. Other reserves

Group	Warrants reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
At 1 July 2015	4,625	(518)	4,107
Foreign currency translation	-	(381)	(381)
At 30 June 2016	4,625	(899)	3,726
Conversion of warrants	(91)	-	(91)
Foreign currency translation	-	(10)	(10)
Dissolution of subsidiary companies	-	909	909
At 30 June 2017	4,534	-	4,534

Company	Warrants reserve RM'000
At 1 July 2015/30 June 2016	4,625
Conversion of warrants	(91)
At 30 June 2017	4,534

25. 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.

On 20 January 2017 and 23 January 2017, the Company had exercised its warrants of 300,000 and 700,000 units respectively. Each warrant entitles the registered holder to subscribe for one new ordinary share in the Company at an exercise price of RM0.30 per ordinary share.

26. 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	
	2017	2016
	RM'000	RM'000
Not later than 1 year	-	1,328

27. 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.

27. Related party transactions (continued)

(b) Compensation of key management personnel

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

28. 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)	19
Trade and other payables (current)	23

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 2017				
Financial asset:				
Marketable securities (quoted shares outside Malaysia)	286	-	-	286
At 30 June 2016				
Financial asset:				
Marketable securities (quoted shares outside Malaysia)	286	-	-	286

28. Fair value of financial instruments (continued)

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

Fair value heirarchy

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

There have been no transfers between the fair value heirarchy during the financial year/period ended 30 June 2017 and 30 June 2016.

29. 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.

29. 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 19(a).

Credit risk concentration profile

At the reporting date, approximately 93% and 90% (2016: 93% and 90%) respectively of the Group's and the Company's gross trade receivables were due from 2 and 3 (2016: 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 19.

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 19.

(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 raises committed funding from financial institutions and balances its portfolio with some short terms funding so as to achieve overall cost effectiveness.

29. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The directors are providing irrevocable financial support to the Group and the Company. The Group and the Company manage their liquidity risk also via advances given by the directors. Furthermore certain directors have indicated that they would not demand repayment of amounts due from them as at 30 June 2017 if such repayment will adversely affect the ability of the Group and of the Company to meet their other obligations when they fall due. The amount due to the directors will be classified as equity in future based on the subsequent agreement after 30 June 2017.

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

30. 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 2017 and 30 June 2016.

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.

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Trade and other payables	23	5,403	8,407	10,948	13,896
Less: - Cash and bank balances	22	(34)	(325)	(16)	(288)
Net debt		5,369	8,082	10,932	13,608
Equity attributable to the owners of the parent, representing total capital		6,229	5,518	(3,512)	(4,741)
Capital and net debt		11,598	13,600	7,420	8,867
Gearing ratio		46%	59%	147%	153%

31. 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.

33. Segment information (continued)

Primary reporting format - business segments

30 June 2017	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	2,174	177	-	64	-		2,415
Total revenue	2,174	177	-	64	-		2,415
Results:							
Depreciation and amortisation	8	10	-	16	-		34
Other non-cash expenses	-	-	-	203	-	A	203
Segment profit/(loss)	(53)	107	(20)	(3,265)	-		(3,231)
Segment assets	10,141	23,113	913	7,778	(30,313)		11,632
Segment liabilities	15,254	19,144	9,975	768	(39,738)		5,403

33. Segment information (continued)

Primary reporting format - business segments (continued)

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 (loss)/profit	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

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:

	2017 RM'000	2016 RM'000
Inventories written down	-	3,200
Property, plant and equipment written off	7	-
Impairment loss on financial assets	196	532
	203	3,732

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	2,415	4,633	211	318
	2,415	4,633	211	318

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	26	67
Other investments	185	251
	211	318

34. Authorisation of financial statements for issue

The financial statements for the year ended 30 June 2017 were authorised by the Board of directors on 31 October 2017.

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

The breakdown of the accumulated losses as at 30 June 2017 and 2016 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total accumulated losses of the Group and its subsidiaries				
- Realised	(86,728)	(84,735)	(17,398)	(15,796)
- Unrealised	(162)	41	-	-
	(86,890)	(84,694)	(17,398)	(15,796)
Add: Consolidation adjustments	79,489	80,536	-	-
Accumulated losses as per financial statements	(7,401)	(4,158)	(17,398)	(15,796)

CORPORATE STRUCTURE

FSBM Holdings Berhad
(115609-U)

SYSTEMS & SOLUTIONS

- FSBM CTECH SDN BHD — 100%
- FSBM I-DESIGN SDN BHD — 100%
- ASIAN TECHNOLOGY RESOURCES SDN BHD — 100%
  - TELEVAS HOLDINGS SDN BHD — 51%

EDUCATION

- FSBM MANTISSA (M) SDN BHD — 100%
- FSBM SMART 360 SDN BHD — 100%
- FSBM I-CENTRE SDN BHD — 100%

COMMUNICATIONS & MULTIMEDIA

- FSBM M2B SDN BHD — 54%
- FSBM NET MEDIA SDN BHD — 100%
- MYUNOS SDN BHD — 100%
- UNOS SDN BHD — 100%

INVESTMENT HOLDING & OTHERS

- FSBM I-COMMAND SDN BHD — 100%
- FSBM DATATECH SDN BHD — 100%
- FSBM SMART COMM SDN BHD — 100%
- FSBM MSC GATEWAY SDN BHD — 100%
- FSBM LEARNING MEDIA SDN BHD — 100%
- JARING SEKITAR SDN BHD — 100%

FSBM HOLDINGS BERHAD (115609-U)
Incorporated in Malaysia

PROXY FORM

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-Third Annual General Meeting of the Company, to be held at Auditorium, 7th Floor, Annexe B, Bangunan Pan Global, 1A Jalan Tandang,46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 23 November 2017 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 2017		
Resolution 2	Re-election of Dato' Ir Dr Abdul Rahim Bin Daud as Director		
Resolution 3	Re-election Miss Tan Wan Yen as Director		
Resolution 4	Re-election Encik Abdul Jalil Bin Abdul Jamil as Director		
Resolution 5	Re-appointment of Messrs Ernst & Young as the Company's Auditors		
Resolution 6	Renewal of Authority to Directors to Issue Shares		

Signed this ______________ day of ______________ 2017.

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.*

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 17 November 2017. 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